

# Eurobodalla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2018

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# Eurobodalla Shire Council

## General Purpose Financial Statements for the year ended 30 June 2018

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors and Management</b>	3
<b>3. Primary Financial Statements:</b>	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
<b>4. Notes to the Financial Statements</b>	9
<b>5. Independent Auditor's Reports:</b>	
– On the Financial Statements (Sect 417 [2])	87
– On the Conduct of the Audit (Sect 417 [3])	90

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### Overview

Eurobodalla Shire Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

Cnr Vulcan & Campbell Streets  
Moruya NSW 2537

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

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

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: [www.esc.nsw.gov.au](http://www.esc.nsw.gov.au).

## Eurobodalla Shire Council

### General Purpose Financial Statements for the year ended 30 June 2018

#### Understanding Council's financial statements

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##### 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 2018.

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

##### About the Councillor/Management Statement

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

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

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

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

##### About the Notes to the Financial Statements

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

##### About the Auditor's Reports

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

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

##### Who uses the financial statements?

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

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

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

## Eurobodalla Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2018

### 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 other pronouncements of the Australian Accounting Standards Board
- 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,
- 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 27 November 2018.



L Innes  
Mayor  
27 November 2018



L Brown  
Councillor  
27 November 2018



Dr Catherine Dale  
General Manager  
27 November 2018



A O'Reilly  
Responsible Accounting Officer  
27 November 2018

## Eurobodalla Shire Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Restated Actual 2017
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
61,122	Rates and annual charges	3a	61,059	57,656
28,940	User charges and fees	3b	32,658	29,689
3,164	Interest and investment revenue	3c	2,753	2,781
–	Other revenues	3d	1,647	1,914
14,207	Grants and contributions provided for operating purposes	3e,f	14,406	20,814
12,787	Grants and contributions provided for capital purposes	3e,f	19,139	16,198
<b>120,221</b>	<b>Total income from continuing operations</b>		<b>131,662</b>	<b>129,052</b>
<b>Expenses from continuing operations</b>				
35,246	Employee benefits and on-costs	4a	38,975	35,573
2,882	Borrowing costs	4b	2,737	2,547
35,802	Materials and contracts	4c	24,842	24,737
29,512	Depreciation and amortisation	4d	31,025	30,995
–	Other expenses	4e	8,431	9,940
–	Net losses from the disposal of assets	5	3,579	3,935
<b>103,441</b>	<b>Total expenses from continuing operations</b>		<b>109,589</b>	<b>107,727</b>
<b>16,780</b>	<b>Operating result from continuing operations</b>		<b>22,073</b>	<b>21,325</b>
<b>16,780</b>	<b>Net operating result for the year</b>		<b>22,073</b>	<b>21,325</b>
16,780	Net operating result attributable to Council		22,073	21,325
3,992	Net operating result for the year before grants and contributions provided for capital purposes		2,934	5,127

## Eurobodalla Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	Restated 2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>22,073</b>	<b>21,325</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	31,084	(94,502)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>31,084</b>	<b>(94,502)</b>
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>31,084</b>	<b>(94,502)</b>
<b>Total comprehensive income for the year</b>		<b>53,157</b>	<b>(73,177)</b>
Total comprehensive income attributable to Council		53,157	(73,177)

## Eurobodalla Shire Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	Restated 2017	Restated 1 July 2016
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6a	16,241	12,435	17,434
Investments	6b	97,000	92,000	77,000
Receivables	7	12,431	11,119	10,131
Inventories	8	676	683	590
Other	8	465	393	699
Non-current assets classified as 'held for sale'	9	829	445	26
<b>Total current assets</b>		<b>127,642</b>	<b>117,075</b>	<b>105,880</b>
<b>Non-current assets</b>				
Receivables	7	46	131	112
Infrastructure, property, plant and equipment	10	1,309,599	1,263,661	1,340,431
<b>Total non-current assets</b>		<b>1,309,645</b>	<b>1,263,792</b>	<b>1,340,543</b>
<b>TOTAL ASSETS</b>		<b>1,437,287</b>	<b>1,380,867</b>	<b>1,446,423</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	13	8,262	11,235	9,728
Income received in advance	13	413	326	–
Borrowings	13	8,582	9,333	9,848
Provisions	14	10,533	10,181	9,727
<b>Total current liabilities</b>		<b>27,790</b>	<b>31,075</b>	<b>29,303</b>
<b>Non-current liabilities</b>				
Borrowings	13	55,134	48,458	42,799
Provisions	14	2,081	2,209	2,019
<b>Total non-current liabilities</b>		<b>57,215</b>	<b>50,667</b>	<b>44,818</b>
<b>TOTAL LIABILITIES</b>		<b>85,005</b>	<b>81,742</b>	<b>74,121</b>
<b>Net assets</b>		<b>1,352,282</b>	<b>1,299,125</b>	<b>1,372,302</b>
<b>EQUITY</b>				
Accumulated surplus	15	787,118	765,045	743,720
Revaluation reserves	15	565,164	534,080	628,582
<b>Total equity</b>		<b>1,352,282</b>	<b>1,299,125</b>	<b>1,372,302</b>

## Eurobodalla Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Restated
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	Total equity
<b>Opening balance</b>		765,045	534,080	<b>1,299,125</b>	742,538	628,582	<b>1,371,120</b>
Correction of prior period errors	13 (b)	–	–	–	1,182	–	<b>1,182</b>
<b>Restated opening balance</b>		<b>765,045</b>	<b>534,080</b>	<b>1,299,125</b>	<b>743,720</b>	<b>628,582</b>	<b>1,372,302</b>
Net operating result for the year as reported in the 2017 financial statements		<b>22,073</b>	–	<b>22,073</b>	23,212	–	<b>23,212</b>
Correction of prior period errors	15 (b)	–	–	–	(1,887)	–	<b>(1,887)</b>
<b>Restated net operating result for the year</b>		<b>22,073</b>	–	<b>22,073</b>	<b>21,325</b>	–	<b>21,325</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10a	–	31,084	<b>31,084</b>	–	(94,502)	<b>(94,502)</b>
<b>Other comprehensive income</b>		–	<b>31,084</b>	<b>31,084</b>	–	<b>(94,502)</b>	<b>(94,502)</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>22,073</b>	<b>31,084</b>	<b>53,157</b>	<b>21,325</b>	<b>(94,502)</b>	<b>(73,177)</b>
<b>Equity – balance at end of the reporting period</b>		<b>787,118</b>	<b>565,164</b>	<b>1,352,282</b>	<b>765,045</b>	<b>534,080</b>	<b>1,299,125</b>

## Eurobodalla Shire Council

## Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
61,122	Rates and annual charges		60,506	57,845
28,940	User charges and fees		30,533	29,851
3,164	Investment and interest revenue received		2,706	3,463
26,995	Grants and contributions		30,162	36,353
–	Bonds, deposits and retention amounts received		112	206
–	Other		6,803	1,499
<b>Payments:</b>				
(35,246)	Employee benefits and on-costs		(37,956)	(35,028)
(35,802)	Materials and contracts		(34,730)	(27,192)
(2,882)	Borrowing costs		(2,514)	(2,355)
–	Other		(7,469)	(11,008)
<b>46,292</b>	<b>Net cash provided (or used in) operating activities</b>	14b	<b>48,154</b>	<b>53,634</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		40,000	45,897
287	Sale of infrastructure, property, plant and equipment		916	1,715
20	Deferred debtors receipts		29	192
<b>Payments:</b>				
–	Purchase of investment securities		(45,000)	(60,846)
(54,939)	Purchase of infrastructure, property, plant and equipment		(46,077)	(50,392)
–	Deferred debtors and advances made		–	(151)
<b>(54,632)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(50,132)</b>	<b>(63,585)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
15,696	Proceeds from borrowings and advances		15,117	14,810
<b>Payments:</b>				
(9,079)	Repayment of borrowings and advances		(9,333)	(9,858)
<b>6,617</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>5,784</b>	<b>4,952</b>
<b>(1,723)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,806</b>	<b>(4,999)</b>
–	Plus: <b>cash and cash equivalents – beginning of year</b>	14a	12,435	17,434
<b>(1,723)</b>	<b>Cash and cash equivalents – end of the year</b>	14a	<b>16,241</b>	<b>12,435</b>
Additional Information:				
plus:	<b>Investments on hand – end of year</b>	6b	97,000	92,000
	<b>Total cash, cash equivalents and investments</b>		<b>113,241</b>	<b>104,435</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	15
3	Income from continuing operations	18
4	Expenses from continuing operations	24
5	Gains or losses from the disposal of assets	28
6(a)	Cash and cash equivalent assets	29
6(b)	Investments	30
6(c)	Restricted cash, cash equivalents and investments – details	31
7	Receivables	33
8	Inventories and other assets	35
9	Non-current assets classified as held for sale (and disposal groups)	36
10(a)	Infrastructure, property, plant and equipment	37
10(b)	Externally restricted infrastructure, property, plant and equipment	40
11	Payables and borrowings	41
12	Provisions	44
13	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	48
14	Statement of cash flows – additional information	50
15	Commitments for expenditure	51
16	Contingencies and other liabilities/assets not recognised	52
17	Financial risk management	55
18	Material budget variations	59
19	Fair value measurement	61
20	Related party transactions	71
21	Statement of developer contributions	73
22	Financial result and financial position by fund	80
23(a)	Statement of performance measures – consolidated results	82
23(b)	Statement of performance measures – by fund	83
	<b>Additional council disclosures (unaudited)</b>	
23(c)	Statement of performance measures – consolidated results (graphs)	85

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 27/11/2018.

Council has the power to amend and reissue these financial statements.

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

#### **Basis of preparation**

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

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked.

#### **(a) New and amended standards adopted by Council**

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

#### **(b) Historical cost convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

#### **(c) Significant accounting estimates and judgements**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

#### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (ii) estimated tip remediation provisions – refer Note 12,
- (iii) employee benefit provisions – refer Note 12.

#### **Significant judgements in applying the Council's accounting policies**

- (iv) Impairment of receivables

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

#### **Monies and other assets received held by Council**

##### **(a) The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General Purpose Operations
- Water Supply Fund
- Sewerage Fund
- Domestic and Non-Domestic Waste Fund
- Environmental Fund
- Broulee Tennis Courts Committee
- Malua Bay Community Centre and Tennis Courts Committee
- Moruya Racecourse Committee
- Moruya Showground Committee
- Tuross Memorial Gardens Committee
- Kyla Hall Committee

##### **(b) The Trust Fund**

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

Trust monies and other assets held by Council but not considered to be under the control of Council are excluded from these financial statements. The trust monies held by Council and excluded from the financial statements relate to the following entities:

- J Britten Award
- K E Snell Land Acquisition Compensation
- Unidentified cash receipts and deposits

Unidentified cash receipts and deposits are monies held in trust relating to net proceeds on the sale of property for unpaid rates, and other receipts and deposits normally returned to the owner or applied to their

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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accounts where they can be identified and contacted. These funds are held for six years, after which time they are remitted to the Office of State Revenue.

#### **Goods and Services Tax (GST)**

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

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

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

#### **New accounting standards and interpretations issued not yet effective**

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

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect on Council's future financial statements, financial position, financial performance or cash flows are set out below:

*AASB 9 Financial Instruments (2018-19)*

*AASB 15 Revenue from Contracts with Customers 2019-20)*

*AASB 16 Leases (2019-20)*

*AASB 1058 Income of Not-for-Profit Entities (2019-20)*

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

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

Council has not elected to apply any pronouncements before their operative date in these financial statements.

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).								
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations	Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2018	2017
Business Development	39	79	637	807	(598)	(728)	5	6	–
Children's Services	1,462	1,472	1,694	1,673	(232)	(201)	316	143	140
Commercial Entities	5,437	5,633	4,886	4,698	551	935	–	26,194	23,693
Communications and Community Engagement	–	–	666	585	(666)	(585)	–	–	–
Community and Corporate Leadership	2	17	2,291	2,621	(2,289)	(2,604)	–	81	80
Community and Cultural Development	135	418	599	874	(464)	(456)	100	326	–
Community Care	5,914	5,251	6,873	5,978	(959)	(727)	1,379	1	1
Community Facilities	435	460	2,831	2,733	(2,396)	(2,273)	98	9,697	9,445
Corporate Overheads	–	–	(16,279)	(16,191)	16,279	16,191	–	–	–
Customer Service and Records	18	12	1,059	949	(1,041)	(937)	–	–	–
Development Assessment and Building Certification	2,048	1,914	3,324	3,306	(1,276)	(1,392)	–	–	–
Environmental Management	598	573	1,384	2,173	(786)	(1,600)	585	3	2
Finance and Central Treasury	304	697	3,024	3,280	(2,720)	(2,583)	80	2,908	–

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).								
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations	Total assets held (current and non-current)	
Fleet and Plant	195	67	739	(525)	(544)	592	–	11,640	11,455
Information Technology	4	77	3,438	2,519	(3,434)	(2,442)	–	6,092	3,730
Libraries	312	244	1,805	1,803	(1,493)	(1,559)	261	9,671	9,456
Property	481	359	1,459	599	(978)	(240)	–	173,142	169,483
Public and Environmental Health	404	583	857	897	(453)	(314)	8	4	4
Public Order and Safety	1,309	1,673	3,060	2,906	(1,751)	(1,233)	435	13,634	13,383
Rates and General Revenues	36,676	936	49	–	36,627	936	–	–	–
Recreation	1,707	1,583	7,936	7,284	(6,229)	(5,701)	587	46,974	46,280
Risk and Insurance	5	5	936	1,061	(931)	(1,056)	–	–	–
Sewer Services	26,121	24,530	19,703	19,277	6,418	5,253	1,946	279,532	261,587
Stormwater	456	458	1,658	1,756	(1,202)	(1,298)	121	79,679	77,840
Strategic Planning	148	175	1,194	1,513	(1,046)	(1,338)	–	339	21
Technical Services	20	27	1,559	1,698	(1,539)	(1,671)	–	–	–
Tourism	69	61	1,304	1,343	(1,235)	(1,282)	–	973	951
Transport	15,016	14,311	19,515	19,869	(4,499)	(5,558)	9,069	532,733	517,700
Waste Management	12,100	11,356	9,746	9,890	2,354	1,466	161	15,152	10,746
Water Services	19,712	19,439	15,964	17,479	3,748	1,960	201	214,521	211,771
Workforce Development	246	288	1,303	1,336	(1,057)	(1,048)	–	2	2
Works and Operations	137	119	3,904	3,364	(3,767)	(3,245)	15	13,839	13,094
Youth Services	152	64	471	359	(319)	(295)	133	1	3
General Purpose Income	–	36,171	–	(187)	–	36,358	–	–	–
Other	–	–	–	–	–	–	5,820	–	–
<b>Total functions and activities</b>	<b>131,662</b>	<b>129,052</b>	<b>109,589</b>	<b>107,727</b>	<b>22,073</b>	<b>21,325</b>	<b>21,320</b>	<b>1,437,287</b>	<b>1,380,867</b>

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### 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:**

##### **Business Development**

Provides advocacy, support, training, and advice to businesses, investors, employers and event organisers to assist economic growth and development.

##### **Children's Services**

Provides education and care opportunities, support, resources and facilities to children aged 0-16 years and families.

##### **Commercial Entities**

Supports diversification of the economy and tourism industries. Deliver a return to the community from Council controlled commercial entities.

##### **Communications and Community Engagement**

Provides timely information about Council's services, activities, events and opportunities, and oversees community engagement.

##### **Community and Corporate Leadership**

Provides strategic leadership, advocacy and decision-making in the best interests of the community based on good governance and corporate outcomes.

##### **Community and Cultural Development**

Develops and implements programs that address identified social needs and shapes Eurobodalla's community identity through arts, cultural and creative experiences.

##### **Community Care**

Provides flexible, community based services to support the independence and wellbeing of older people, people with a disability and their carers.

##### **Community Facilities**

Provides safe, accessible and affordable facilities to support community activities and events.

##### **Corporate Overheads**

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

##### **Customer Service and Records**

Provides the first point of call for residents and visitors contacting Council via telephone, mail, email and face-to-face front counter enquiries.

##### **Development Assessment and Building Certification**

Applies Australian, NSW and local planning policies and codes to achieve sustainable development across Eurobodalla.

##### **Environmental Management**

Provides information, education and action to conserve our natural environment and mitigate environmental impacts.

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 2(b). Council functions/activities – component descriptions (continued)

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

##### **Finance and Central Treasury**

Responsible for Council's financial obligations, management and planning.

##### **Fleet and Plant**

Manages and maintains Council's vehicles, plant and equipment.

##### **Information Technology**

Provides advice and support to staff and Councillors.

##### **Libraries**

Provides information, education, recreation opportunities and resources for Eurobodalla residents and visitors.

##### **Property**

Responsible for purchasing, developing and managing Council's property.

##### **Public and Environmental Health**

Delivers programs and activities to protect our community and the environment.

##### **Public Order and Safety**

Contributes to the safety of the community and the environment in relation to pets, parking, beach patrol and emergency services.

##### **Rates and General Revenues**

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

##### **Recreation**

Provides planning, programs, infrastructure and open space that enables residents and visitors to participate in recreational activities throughout the year.

##### **Risk and Insurance**

Responsible for the management of strategic and operational risks and insurance for the organisation.

##### **Sewer Services**

Provision of a safe, reliable and sustainable sewer service.

##### **Stormwater**

Provides and maintains infrastructure that collects, controls and manages stormwater.

##### **Strategic Planning**

Plans for the housing, business and environmental needs and impacts of our current and future population.

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 2(b). Council functions/activities – component descriptions (continued)

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

##### **Technical Services**

Plans, designs, project manage and monitors infrastructure delivery and performance.

##### **Tourism**

Promotes Eurobodalla to attract new and repeat visitors both within Australia and internationally; provides visitor information services and advice and support to tourism businesses.

##### **Transport**

Provides the infrastructure such as roads and paths that enables the movement of people, vehicles and goods into and throughout Eurobodalla.

##### **Waste Management**

Responsible for waste collection, disposal, recycling, illegal dumping, infrastructure and education.

##### **Water Services**

Provision of a safe, reliable and secure town water supply.

##### **Workforce Development**

Responsible for human resource management, learning and development, payroll and work health and safety services to the organisation.

##### **Works and Operations**

Coordinates, maintains and supplies facilities and equipment to assist service delivery across Council.

##### **Youth Services**

Provides opportunities and activities for young people aged 12-25.

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	22,435	20,893
Farmland	426	401
Business	4,329	4,075
<b>Total ordinary rates</b>	<b>27,190</b>	<b>25,369</b>
<b>Special rates</b>		
Environmental	945	916
<b>Total special rates</b>	<b>945</b>	<b>916</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	5,438	5,270
Stormwater management services	456	452
Water supply services	6,565	6,191
Sewerage services	19,189	18,207
Waste management services (non-domestic)	1,276	1,251
<b>Total annual charges</b>	<b>32,924</b>	<b>31,371</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>61,059</b>	<b>57,656</b>

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

**Accounting policy for rates and annual charges**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(b) User charges and fees</b>		
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Water supply services	10,756	10,880
Sewerage services	721	686
Liquid trade waste	131	121
<b>Total specific user charges</b>	<b>11,608</b>	<b>11,687</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Onsite sewerage management	190	191
Planning and building regulation	2,028	848
Private works – section 67	234	366
Registration fees	–	25
Section 149 certificates (EPA Act)	128	914
Section 603 certificates	133	154
Sewer connection	1	48
Water connection	191	175
Other	9	–
<b>Total fees and charges – statutory/regulatory</b>	<b>2,914</b>	<b>2,721</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Admission and service fees	–	24
Aerodrome	252	249
Caravan park / camping	3,696	3,359
Carparking fees	–	50
Cemeteries	153	189
Community service programs	5,693	2,997
Landfill	4,296	4,014
Lease rentals	1,856	1,784
Leaseback fees – Council vehicles	251	264
Library and art gallery	7	–
Recycling income (non-domestic)	372	302
Roads and Maritime Services charges (state roads)	1,209	1,866
Other	351	183
<b>Total fees and charges – other</b>	<b>18,136</b>	<b>15,281</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>32,658</b>	<b>29,689</b>

**Accounting policy for user charges and fees**

User charges and fees are recognised as revenue when the service has been provided.

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest</b>		
– Overdue rates and annual charges (incl. special purpose rates)	194	204
– Cash and investments	2,559	2,577
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>2,753</b>	<b>2,781</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	194	159
General Council cash and investments	1,418	1,557
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	64	79
– Section 7.12	31	–
– Section 64	119	67
Water fund operations	519	507
Sewerage fund operations	408	412
<b>Total interest and investment revenue recognised</b>	<b>2,753</b>	<b>2,781</b>

**Accounting policy for interest and investment revenue**

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

**(d) Other revenues**

Rental income – other council properties	492	438
Fines	290	229
Legal fees recovery – rates and charges (extra charges)	135	253
Legal fees recovery – other	–	210
Commissions and agency fees	143	123
Insurance claim recoveries	11	94
Sales – general	204	325
WHS incentive	190	198
Remediation remeasurement	152	–
Other	30	44
<b>TOTAL OTHER REVENUE</b>	<b>1,647</b>	<b>1,914</b>

**Accounting policy for other revenue**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	2,620	4,956	–	–
Financial assistance – local roads component	802	1,534	–	–
<b>Payment in advance – future year allocation</b>				
Financial assistance – general component	2,690	2,561	–	–
Financial assistance – local roads component	824	787	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	491	499	–	–
<b>Total general purpose</b>	<b>7,427</b>	<b>10,337</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	201	206	–	–
– Sewerage	191	194	–	–
– Domestic waste management	137	145	–	–
– Other	19	20	–	–
Sewerage services	–	–	1,755	2,993
Aerodrome	–	–	–	405
Bushfire and emergency services	475	312	–	290
Community care	2,030	3,823	116	–
Cycleways	–	–	–	20
Economic development	–	32	–	–
Environmental protection	696	686	24	–
Flood restoration	–	4	–	–
Heritage and cultural	72	70	56	69
Library	74	–	–	–
LIRS subsidy	–	93	–	–
Parks and reserves	–	222	–	–
Recreation and culture	30	–	181	12
Regional waterways	–	8	–	–
Street lighting	91	136	–	–
Transport (roads to recovery)	1,483	2,646	–	–
Transport (other roads and bridges funding)	–	–	5,834	3,421
Waste services	–	77	–	–
Other	162	31	266	–
<b>Total specific purpose</b>	<b>5,661</b>	<b>8,705</b>	<b>8,232</b>	<b>7,210</b>
<b>Total grants</b>	<b>13,088</b>	<b>19,042</b>	<b>8,232</b>	<b>7,210</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	9,978	13,839	14	–
– State funding	2,620	5,000	8,218	7,210
– Other funding	490	203	–	–
	<b>13,088</b>	<b>19,042</b>	<b>8,232</b>	<b>7,210</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		38	19	695	719
S 7.12 – fixed development consent levies		–	–	358	255
S 64 – water supply contributions		–	–	1,470	1,897
S 64 – sewerage service contributions		–	–	1,213	1,582
<b>Total developer contributions</b>	21	<b>38</b>	<b>19</b>	<b>3,736</b>	<b>4,453</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Arts and culture		–	21	38	–
Business development		–	23	–	–
Community services		–	42	–	–
Cycleways		–	–	–	25
Emergency services		–	181	–	183
Employment and training program		47	80	–	–
Heritage/cultural		–	–	–	300
Kerb and gutter		–	62	48	–
Libraries		–	84	–	–
Paving		–	1	–	10
Recreation and culture		8	3	–	2
Roadworks		–	–	679	1,253
RMS contributions (regional roads, block grant)		973	1,099	25	–
Sewerage (excl. section 64 contributions)		3	7	7	10
Sports grounds, parks and recreation		114	82	–	216
Tourism		–	3	–	–
Water supplies (excl. section 64 contributions)		–	15	–	12
Waste management		65	41	–	–
Other		70	9	25	9
<b>Total other contributions – cash</b>		<b>1,280</b>	<b>1,753</b>	<b>822</b>	<b>2,020</b>
<b>Non-cash contributions</b>					
Bushfire services		–	–	56	–
Dedications – subdivisions (other than by s7.11)		–	–	6,293	2,515
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>6,349</b>	<b>2,515</b>
<b>Total other contributions</b>		<b>1,280</b>	<b>1,753</b>	<b>7,171</b>	<b>4,535</b>
<b>Total contributions</b>		<b>1,318</b>	<b>1,772</b>	<b>10,907</b>	<b>8,988</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>14,406</b>	<b>20,814</b>	<b>19,139</b>	<b>16,198</b>

**Accounting policy for contributions**

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	3,374	4,837
<b>Add:</b> operating grants recognised in the current period but not yet spent	2,747	987
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(2,856)	(2,450)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>3,265</u>	<u>3,374</u>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	1,278	1,832
<b>Add:</b> capital grants recognised in the current period but not yet spent	1,728	374
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(1,796)	(928)
<b>Unexpended and held as restricted assets (capital grants)</b>	<u>1,210</u>	<u>1,278</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	7,282	4,446
<b>Add:</b> contributions recognised in the current period but not yet spent	3,800	3,743
<b>Less:</b> contributions recognised in a previous reporting period now spent	(1,339)	(907)
<b>Unexpended and held as restricted assets (contributions)</b>	<u>9,743</u>	<u>7,282</u>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations

\$ '000	2018	2017
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	33,150	28,338
Travel expenses	179	1,441
Employee leave entitlements (ELE)	5,639	6,146
Superannuation	3,647	3,512
Workers' compensation insurance	1,047	961
Fringe benefit tax (FBT)	249	202
Payroll tax	394	373
Training costs (other than salaries and wages)	552	523
Other	438	321
<b>Total employee costs</b>	<b>45,295</b>	<b>41,817</b>
Less: capitalised costs	(6,320)	(6,244)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>38,975</b>	<b>35,573</b>
Number of 'full-time equivalent' employees (FTE) at year end	492	427

**Accounting policy for employee benefits and on-costs**

Employee benefit expenses are recorded when the service has been provided by the employee.

**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.

**Superannuation 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.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

<b>(b) Borrowing costs</b>			<b>2018</b>	<b>2017</b>
<b>(i) Interest bearing liability costs</b>				
Interest on loans			2,553	2,424
<b>Total interest bearing liability costs expensed</b>			<b>2,553</b>	<b>2,424</b>
<b>(ii) Other borrowing costs</b>				
Discount adjustments relating to movements in provisions (other than ELE)				
– Remediation liabilities	12		43	(69)
Interest applicable on interest free (and favourable) loans to Council			141	192
<b>Total other borrowing costs</b>			<b>184</b>	<b>123</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>			<b>2,737</b>	<b>2,547</b>

**Accounting policy for borrowing costs**

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	11,736	19,368
Contractor and consultancy costs	12,599	4,723
Auditors remuneration <sup>(2)</sup>	117	110
Legal expenses:		
– Legal expenses: planning and development	–	33
– Legal expenses: debt recovery	145	256
– Legal expenses: other	141	247
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	104	–
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>24,842</b>	<b>24,737</b>

**Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**1. Operating lease payments are attributable to:**

Other	104	–
	<b>104</b>	<b>–</b>

**2. Auditor remuneration**

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

**Auditors of the Council – NSW Auditor-General:****(i) Audit and other assurance services**

Audit and review of financial statements	61	55
<b>Remuneration for audit and other assurance services</b>	<b>61</b>	<b>55</b>
<b>Total Auditor-General remuneration</b>	<b>61</b>	<b>55</b>

**Non NSW Auditor-General audit firms:****(i) Audit and other assurance services**

Audit and review of financial statements	56	55
<b>Remuneration for audit and other assurance services</b>	<b>56</b>	<b>55</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>56</b>	<b>55</b>
<b>Total Auditor remuneration</b>	<b>117</b>	<b>110</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	Restated 2017
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		2,037	2,361
Office equipment		519	513
Furniture and fittings		66	61
Land improvements (depreciable)		14	14
<b>Infrastructure:</b>			
– Buildings – non-specialised		2,791	2,385
– Other structures		595	513
– Roads		7,681	7,298
– Bridges		612	592
– Footpaths		604	600
– Stormwater drainage		923	1,109
– Water supply network		6,049	6,394
– Sewerage network		7,171	7,224
– Swimming pools		175	174
– Other open space/recreational assets		1,597	1,573
<b>Other assets:</b>			
– Library books		191	184
<b>Total depreciation and amortisation costs</b>		<u>31,025</u>	<u>30,995</u>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</b>		<u>31,025</u>	<u>30,995</u>

**Accounting policy for depreciation, amortisation and impairment expenses****Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets.

**Impairment of non-financial assets**

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

**Impairment of financial assets**

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Advertising	366	556
Bad and doubtful debts	(5)	(22)
Bank charges / cash collection expenses	266	265
Commissions	399	331
Community care outsourced	1,024	834
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	62	70
– NSW fire brigade levy	153	147
– NSW rural fire service levy	607	591
– Other contributions/levies	194	212
Councillor expenses – mayoral fee	42	41
Councillor expenses – councillors' fees	173	163
Councillors' expenses (incl. mayor) – other (excluding fees above)	118	145
Donations, contributions and assistance to other organisations (Section 356)	213	205
Election expenses	–	262
Electricity and heating	1,947	2,058
Insurance	1,165	1,238
Remediation remeasurement	–	181
Street lighting	201	1,047
Subscriptions and publications	253	281
Telephone and communications	687	701
Valuation fees	176	171
Venue / facility hire	73	23
Other	317	440
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>8,431</u></b>	<b><u>9,940</u></b>

**Accounting policy for other expenses**

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
<b>Property</b> (excl. investment property)	10		
Proceeds from disposal – property		500	990
Less: carrying amount of property assets sold.		(352)	(433)
<b>Net gain/(loss) on disposal</b>		<b>148</b>	<b>557</b>
<b>Plant and equipment</b>	10		
Proceeds from disposal – plant and equipment		412	725
Less: carrying amount of plant and equipment assets sold/written off		(469)	(716)
<b>Net gain/(loss) on disposal</b>		<b>(57)</b>	<b>9</b>
<b>Infrastructure</b>	10		
Less: carrying amount of infrastructure assets sold/written off		(3,674)	(4,552)
<b>Net gain/(loss) on disposal</b>		<b>(3,674)</b>	<b>(4,552)</b>
<b>Financial assets</b> <sup>(1)</sup>	6		
Proceeds from disposal/redemptions/maturities – financial assets		–	45,897
Less: carrying amount of financial assets sold/redeemed/matured		–	(45,846)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>51</b>
<b>Non-current assets classified as ‘held for sale’</b>	9		
Proceeds from disposal – non-current assets ‘held for sale’		4	–
<b>Net gain/(loss) on disposal</b>		<b>4</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(3,579)</b>	<b>(3,935)</b>
<b>1. Financial assets disposals/redemptions include:</b>			
– Net gain/(loss) from financial instruments ‘at fair value through profit and loss’		–	51
<b>Net gain/(loss) on disposal of financial instruments</b>		<b>–</b>	<b>51</b>

**Accounting policy for disposal of assets**

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	13,260	3,516
Cash-equivalent assets		
– Deposits at call	2,981	3,919
– Short-term deposits	–	5,000
<b>Total cash and cash equivalents</b>	<b>16,241</b>	<b>12,435</b>

**Accounting policy for cash and cash equivalents**

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
<b>Investments</b>				
'Held to maturity'	97,000	–	92,000	–
<b>Total investments</b>	<b>97,000</b>	<b>–</b>	<b>92,000</b>	<b>–</b>
<b><u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u></b>	<b><u>113,241</u></b>	<b><u>–</u></b>	<b><u>104,435</u></b>	<b><u>–</u></b>
<b>Held to maturity investments</b>				
Long term deposits	97,000	–	92,000	–
<b>Total</b>	<b>97,000</b>	<b>–</b>	<b>92,000</b>	<b>–</b>

**Accounting policy for investments****Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

**Held to maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

**Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	113,241	–	104,435	–
<b>attributable to:</b>				
External restrictions (refer below)	81,752	–	60,885	–
Internal restrictions (refer below)	25,269	–	20,984	–
Unrestricted	6,220	–	22,566	–
	<b>113,241</b>	<b>–</b>	<b>104,435</b>	<b>–</b>

\$ '000	2018	2017
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended loans – general	–	(12)
Specific purpose unexpended loans – sewer	1,184	(422)
<b>External restrictions – included in liabilities</b>	<b>1,184</b>	<b>(434)</b>

**External restrictions – other**

Developer contributions – general	4,115	3,412
Developer contributions – water fund	3,985	2,902
Developer contributions – sewer fund	1,422	711
Specific purpose unexpended grants	3,492	3,668
Specific purpose unexpended grants-sewer fund	983	983
Water supplies	26,389	20,692
Sewerage services	23,210	15,677
Domestic waste management	3,374	3,402
Stormwater management	27	50
Other waste management	8,751	6,371
Crown reserves	3,406	2,234
Tree fund	21	25
Community services asset replacement	27	27
Other	1,366	1,165
<b>External restrictions – other</b>	<b>80,568</b>	<b>61,319</b>
<b>Total external restrictions</b>	<b>81,752</b>	<b>60,885</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>Internal restrictions</b>		
Infrastructure replacement	1,340	992
Employees leave entitlement	3,921	1,755
Community development infrastructure fund	234	338
Council election fund	–	7
Council recreational loan pool	122	100
Energy and efficiency fund	582	487
Financial assistance grant	3,514	3,349
Gravel pits	543	475
Infrastructure renewals (FFTF)	5,184	3,889
IT investment fund	–	709
Management committees	151	120
Real estate disposal fund	478	1,927
Recreation strategy	479	479
Special rates variation	–	180
Sports liason committee	172	144
Unexpended general loan fund	4,036	1,045
Works income equalisation fund	–	1,600
Other (Contributions)	4,513	3,388
<b>Total internal restrictions</b>	<b>25,269</b>	<b>20,984</b>
<b>TOTAL RESTRICTIONS</b>	<b>107,021</b>	<b>81,869</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	1,780	–	1,217	–
Interest and extra charges	–	–	304	–
User charges and fees	5,267	–	5,477	–
Accrued revenues				
– Interest on investments	851	–	500	–
– Other income accruals	4,005	–	1,568	–
Deferred debtors	71	51	20	131
Government grants and subsidies	–	–	1,554	–
Net GST receivable	735	–	719	–
Other debtors	–	5	54	–
<b>Total</b>	<b>12,709</b>	<b>56</b>	<b>11,413</b>	<b>131</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(25)	(10)	(25)	–
User charges and fees	(253)	–	(269)	–
<b>Total provision for impairment – receivables</b>	<b>(278)</b>	<b>(10)</b>	<b>(294)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>12,431</u></b>	<b><u>46</u></b>	<b><u>11,119</u></b>	<b><u>131</u></b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Other	3,385	–	3,421	–
<b>Sewerage services</b>				
– Other	196	–	189	–
<b>Total external restrictions</b>	<b>3,581</b>	<b>–</b>	<b>3,610</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>8,850</b>	<b>46</b>	<b>7,509</b>	<b>131</b>
<b>TOTAL NET RECEIVABLES</b>	<b>12,431</b>	<b>46</b>	<b>11,119</b>	<b>131</b>

**Movement in provision for impairment of receivables**

	2018	2017
Balance at the beginning of the year	294	348
+ new provisions recognised during the year	(6)	(54)
<b>Balance at the end of the year</b>	<b>288</b>	<b>294</b>

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

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##### **Accounting policy for receivables**

###### **Recognition and measurement**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

###### **Impairment**

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	676	–	683	–
<b>Total inventories at cost</b>	<b>676</b>	<b>–</b>	<b>683</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>676</b>	<b>–</b>	<b>683</b>	<b>–</b>
<b>(b) Other assets</b>				
Prepayments	465	–	376	–
Work in progress	–	–	17	–
<b>TOTAL OTHER ASSETS</b>	<b>465</b>	<b>–</b>	<b>393</b>	<b>–</b>
<b>Externally restricted assets</b>				
<b>Water</b>				
Stores and materials	59	–	60	–
Prepayments	12	–	122	–
<b>Total water</b>	<b>71</b>	<b>–</b>	<b>182</b>	<b>–</b>
<b>Total externally restricted assets</b>	<b>71</b>	<b>–</b>	<b>182</b>	<b>–</b>
<b>Total unrestricted assets</b>	<b>1,070</b>	<b>–</b>	<b>894</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>1,141</b>	<b>–</b>	<b>1,076</b>	<b>–</b>

**Accounting policy****Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Inventory held for distribution**

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

**Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
<b>(i) Non-current assets and disposal group assets</b>				
<b>Non-current assets 'held for sale'</b>				
Land	829	–	445	–
<b>Total non-current assets 'held for sale'</b>	<b>829</b>	<b>–</b>	<b>445</b>	<b>–</b>
<b>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</b>				
	<b>829</b>	<b>–</b>	<b>445</b>	<b>–</b>

**(ii) Details of assets and disposal groups**

As at 30 June 2018 there were 4 parcels of land held for sale with Real Estate Agents.

\$ '000	Assets 'held for sale'	
	2018	2017
<b>(iii) Reconciliation of non-current assets 'held for sale'</b>		
<b>Opening balance</b>	445	26
<b>Balance still unsold after 12 months:</b>	445	26
Less: Disposals or assets no longer classified as 'held for sale'	(352)	(416)
<b>Plus new transfers in:</b>		
– Asset reclassifications and revaluations 'held for sale'	736	835
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b>829</b>	<b>445</b>

**Accounting policy for non-current assets classified as held for sale**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 10(a). Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017 (restated)			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	25,572	–	25,572	31,634	(24,177)	–	–	2	–	–	33,031	–	33,031
Plant and equipment	32,802	17,995	14,807	–	2,907	(469)	(2,037)	–	–	–	34,137	18,929	15,208
Office equipment	5,043	3,476	1,567	152	2,482	–	(519)	–	–	–	5,176	1,494	3,682
Furniture and fittings	808	544	264	7	5	–	(66)	–	–	–	583	373	210
<b>Land:</b>													
– Operational land	64,154	–	64,154	–	–	–	–	(499)	(730)	(6,682)	56,243	–	56,243
– Community land	104,062	–	104,062	–	–	–	–	499	(6)	–	104,555	–	104,555
– Land under roads (post 30/6/08)	19,921	–	19,921	19	412	–	–	–	–	–	20,352	–	20,352
Land improvements – non-depreciable	32	–	32	–	–	–	–	–	–	–	32	–	32
Land improvements – depreciable	688	120	568	–	–	–	(14)	–	–	–	688	134	554
<b>Infrastructure:</b>													
– Buildings	110,447	56,606	53,841	188	569	–	(2,791)	–	–	34,928	126,311	39,576	86,735
– Other structures	13,585	4,607	8,978	–	880	–	(595)	–	–	–	14,464	5,201	9,263
– Roads	521,198	148,145	373,053	6,947	8,992	(1,471)	(7,681)	12,493	–	–	549,388	157,055	392,333
– Bridges	44,937	18,202	26,735	5,183	1,152	(645)	(612)	–	–	–	49,022	17,209	31,813
– Footpaths	33,133	8,574	24,559	1,023	1,059	(60)	(604)	–	–	–	34,931	8,954	25,977
– Stormwater drainage	113,566	29,365	84,201	771	1,209	(135)	(923)	(12,493)	–	–	98,549	25,919	72,630
– Water supply network	350,697	161,375	189,322	1,499	794	(239)	(6,049)	–	–	1,264	354,469	167,878	186,591
– Sewerage network	408,208	172,124	236,084	1,505	3,154	(850)	(7,171)	–	–	1,574	413,238	178,942	234,296
– Swimming pools	8,144	6,750	1,394	63	–	(1)	(175)	–	–	–	8,194	6,913	1,281
– Other open space/recreational assets	53,978	20,061	33,917	1,745	385	(273)	(1,597)	–	–	–	55,070	20,893	34,177
<b>Other assets:</b>													
– Library books	1,154	529	625	20	177	–	(191)	–	–	–	1,011	380	631
– Other	7	2	5	–	–	–	–	–	–	–	7	2	5
<b>Reinstatement, rehabilitation and restoration assets</b> (refer Note 12):													
– Tip assets	214	214	–	–	–	–	–	–	–	–	–	–	–
– Other remediation assets	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>1,912,350</b>	<b>648,689</b>	<b>1,263,661</b>	<b>50,756</b>	<b>–</b>	<b>(4,143)</b>	<b>(31,025)</b>	<b>2</b>	<b>(736)</b>	<b>31,084</b>	<b>1,959,451</b>	<b>649,852</b>	<b>1,309,599</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 10(a). Infrastructure, property, plant and equipment (continued)

**Accounting policy for infrastructure, property, plant and equipment**

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 100
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 100	Pipes long life component	200
Pumps and telemetry	15 to 20		
Sewer pipe long life component	140		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	10 to 18	Bulk earthworks	20 to 30
Sealed roads: structure	40 to 60	Swimming pools	20 to 70
Unsealed roads	10 to 15	Other open space/recreational assets	20 to 100
Roads long life component	180	Other infrastructure	20 to 100
Bridge: concrete	100		
Bridge: other	50		
Kerb, gutter and footpaths	30 to 100		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 10(a). Infrastructure, property, plant and equipment (continued)

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##### **Accounting policy for infrastructure, property, plant and equipment (continued)**

###### **Land under roads**

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

Council has elected not 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.

###### **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.

###### **Rural Fire Service assets**

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

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

## Eurobodalla Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	2018			2017 (restated)		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	3,126	–	<b>3,126</b>	1,415	–	<b>1,415</b>
Plant and equipment	860	545	<b>315</b>	860	522	<b>338</b>
Office equipment	104	38	<b>66</b>	261	161	<b>100</b>
Land						
– Operational land	1,731	–	<b>1,731</b>	1,837	–	<b>1,837</b>
– Community land	594	–	<b>594</b>	559	–	<b>559</b>
Buildings	5,218	1,471	<b>3,747</b>	2,761	766	<b>1,995</b>
Infrastructure	354,469	167,877	<b>186,592</b>	350,697	161,375	<b>189,322</b>
<b>Total water supply</b>	<b>366,102</b>	<b>169,931</b>	<b>196,171</b>	<b>358,390</b>	<b>162,824</b>	<b>195,566</b>
<b>Sewerage services</b>						
WIP	16,378	–	<b>16,378</b>	9,167	–	<b>9,167</b>
Plant and equipment	1,530	1,357	<b>173</b>	1,530	1,306	<b>224</b>
Office equipment	84	67	<b>17</b>	209	173	<b>36</b>
Land						
– Operational land	3,126	–	<b>3,126</b>	3,143	–	<b>3,143</b>
– Community land	99	–	<b>99</b>	15	–	<b>15</b>
Buildings	3,677	992	<b>2,685</b>	4,280	1,643	<b>2,637</b>
Other structures	–	–	<b>–</b>	–	–	<b>–</b>
Infrastructure	413,238	178,942	<b>234,296</b>	408,208	172,150	<b>236,058</b>
Other assets	43	1	<b>42</b>	43	1	<b>42</b>
<b>Total sewerage services</b>	<b>438,175</b>	<b>181,359</b>	<b>256,816</b>	<b>426,595</b>	<b>175,273</b>	<b>251,322</b>
<b>Domestic waste management</b>						
WIP	3,790	–	<b>3,790</b>	1,453	–	<b>1,453</b>
Plant and equipment	1,874	1,061	<b>813</b>	1,874	1,008	<b>866</b>
Office equipment	113	91	<b>22</b>	127	84	<b>43</b>
Land						
– Operational land	2,567	–	<b>2,567</b>	4,263	–	<b>4,263</b>
Buildings	720	198	<b>522</b>	748	353	<b>395</b>
Other structures	8,168	2,508	<b>5,660</b>	7,288	2,053	<b>5,235</b>
<b>Total DWM</b>	<b>17,232</b>	<b>3,858</b>	<b>13,374</b>	<b>15,753</b>	<b>3,498</b>	<b>12,255</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>821,509</b>	<b>355,148</b>	<b>466,361</b>	<b>800,738</b>	<b>341,595</b>	<b>459,143</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	563	–	4,828	–
Goods and services – capital expenditure	3,303	–	4,915	–
Accrued expenses:				
– Borrowings	16	–	–	–
– Salaries and wages	909	–	–	–
– Other expenditure accruals	2,634	–	810	–
Security bonds, deposits and retentions	670	–	558	–
Other	167	–	124	–
<b>Total payables</b>	<b>8,262</b>	<b>–</b>	<b>11,235</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	413	–	326	–
<b>Total income received in advance</b>	<b>413</b>	<b>–</b>	<b>326</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	8,582	55,134	9,333	48,458
<b>Total borrowings</b>	<b>8,582</b>	<b>55,134</b>	<b>9,333</b>	<b>48,458</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>17,257</b>	<b>55,134</b>	<b>20,894</b>	<b>48,458</b>

## (a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Water	614	925	73	995
Sewer	4,246	18,008	2,553	14,990
Domestic waste management	497	2,472	452	3,904
Payables and borrowings relating to externally restricted assets	5,357	21,405	3,078	19,889
<b>Total payables and borrowings relating to restricted assets</b>	<b>5,357</b>	<b>21,405</b>	<b>3,078</b>	<b>19,889</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>11,900</b>	<b>33,729</b>	<b>17,816</b>	<b>28,569</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>17,257</b>	<b>55,134</b>	<b>20,894</b>	<b>48,458</b>

<sup>1</sup> 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 17.

## Eurobodalla Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 11. Payables and borrowings (continued)

\$ '000

**(b) Changes in liabilities arising from financing activities**

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	57,791	5,925	–	–	–	63,716
<b>TOTAL</b>	<b>57,791</b>	<b>5,925</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>63,716</b>

\$ '000

2018

2017

**(c) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities <sup>(1)</sup>	2,000	2,000
Credit cards/purchase cards	260	260
<b>Total financing arrangements</b>	<b>2,260</b>	<b>2,260</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	260	260
<b>Total undrawn financing arrangements</b>	<b>2,260</b>	<b>2,260</b>

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Payables and borrowings (continued)

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##### Accounting policy for payables and borrowings

###### Payables

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

###### Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

###### Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

## Eurobodalla Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	3,220	–	3,497	–
Long service leave	6,766	355	6,684	374
Other leave (TOIL and RDO)	546	–	–	–
<b>Sub-total – aggregate employee benefits</b>	<b>10,532</b>	<b>355</b>	<b>10,181</b>	<b>374</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	1,726	–	1,835
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>1,726</b>	<b>–</b>	<b>1,835</b>
<b>Other provisions:</b>				
Self insurance – workers compensation	1	–	–	–
<b>Sub-total – other provisions</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>10,533</u></b>	<b><u>2,081</u></b>	<b><u>10,181</u></b>	<b><u>2,209</u></b>
<b>(a) Provisions relating to restricted assets</b>				
	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Domestic waste management	–	1,726	–	1,835
Provisions relating to externally restricted assets	–	1,726	–	1,835
<b>Total provisions relating to restricted assets</b>	<b>–</b>	<b>1,726</b>	<b>–</b>	<b>1,835</b>
<b>Total provisions relating to unrestricted assets</b>	<b>10,533</b>	<b>355</b>	<b>10,181</b>	<b>374</b>
<b>TOTAL PROVISIONS</b>	<b><u>10,533</u></b>	<b><u>2,081</u></b>	<b><u>10,181</u></b>	<b><u>2,209</u></b>
<b>(b) Current provisions not anticipated to be settled within the next twelve months</b>				
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.				
Provisions – employees benefits			<u>5,634</u>	<u>5,992</u>
			<b><u>5,634</u></b>	<b><u>5,992</u></b>

## Eurobodalla Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 12. Provisions (continued)

\$ '000

	Other provisions		
	Self-insurance	Asset remediation	Total
<b>2018</b>			
At beginning of year	–	1,835	1,835
<b>Changes to provision:</b>			
– Revised discount rate	–	23	23
Remeasurement effects	–	(175)	(175)
Unwinding of discount	–	43	43
Other	1	–	1
<b>Total other provisions at end of year</b>	<b>1</b>	<b>1,726</b>	<b>1,727</b>
	Other provisions		
	Self-insurance	Asset remediation	Total
<b>2017</b>			
At beginning of year	–	1,950	1,950
<b>Changes to provision:</b>			
– Revised discount rate	–	(5)	(5)
Remeasurement effects	–	(41)	(41)
Unwinding of discount	–	(69)	(69)
<b>Total other provisions at end of year</b>	<b>–</b>	<b>1,835</b>	<b>1,835</b>

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

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##### **Nature and purpose of non-employee benefit provisions**

###### **Asset remediation**

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

###### **Self-insurance**

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for certain risks faced.

###### **Accounting policy for provisions**

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

##### **Employee benefits**

###### **Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

###### **Other long-term employee benefit obligations**

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

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##### **Provisions for close-down and restoration, and 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

###### ***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.

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.

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.

###### **Self-insurance**

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

## Eurobodalla Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000

## (a) 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.

## (b) Correction of errors relating to a previous reporting period

**Nature of prior-period error**

Errors were discovered in the infrastructure asset register as a result of the recent revaluation process. Errors related to duplicated assets, unrecorded assets and incorrect calculations of accumulated depreciation balances.

Non current Infrastructure asset balances were understated by \$1,182k as at 1/7/2016 with depreciation understated by \$1,887 for the 2016/17 financial year. As at 30/6/2017 Non current assets were overstated by \$705k.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2016) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

**Changes to the opening Statement of Financial Position at 1 July 2016**

	<b>Original Balance 1 July, 2016</b>	<b>Impact Increase/ (decrease)</b>	<b>Restated Balance 1 July, 2016</b>
Infrastructure, property, plant and equipment	1,339,249	1,182	1,340,431
<b>Total Assets</b>	<b>1,445,241</b>	<b>1,182</b>	<b>1,446,423</b>
<b>Total Liabilities</b>	<b>74,121</b>	<b>–</b>	<b>74,121</b>
Accumulated Surplus	742,538	1,182	743,720
<b>Total equity</b>	<b>1,371,120</b>	<b>1,182</b>	<b>1,372,302</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

## (b) Correction of errors relating to a previous reporting period (continued)

## Adjustments to the comparative figures for the year ended 30 June 2017

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
<b>Statement of Financial Position</b>			
Infrastructure, property, plant and equipment	1,264,366	(705)	1,263,661
<b>Total Assets</b>	<b>1,381,572</b>	<b>(705)</b>	<b>1,380,867</b>
<b>Total liabilities</b>	<b>81,742</b>	<b>–</b>	<b>81,742</b>
Accumulated Surplus	765,750	(705)	765,045
<b>Total equity</b>	<b>1,299,830</b>	<b>(705)</b>	<b>1,299,125</b>
<b>Income Statement</b>			
<b>Total income from continuing operations</b>	<b>129,052</b>	<b>–</b>	<b>129,052</b>
Depreciation and amortisation	29,108	1,887	30,995
<b>Total expenses from continuing operations</b>	<b>105,839</b>	<b>1,887</b>	<b>107,726</b>
<b>Net operating result for the year</b>	<b>23,213</b>	<b>(1,887)</b>	<b>21,326</b>
<b>Statement of Comprehensive Income</b>			
<b>Net operating result for the year</b>	<b>23,213</b>	<b>(1,887)</b>	<b>21,326</b>
<b>Other comprehensive income</b>	<b>(94,502)</b>	<b>–</b>	<b>(94,502)</b>
<b>Total comprehensive income for the year</b>	<b>(71,289)</b>	<b>(1,887)</b>	<b>(73,176)</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	16,241	12,435
Less bank overdraft	13	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>16,241</b>	<b>12,435</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>22,073</b>	<b>21,325</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		31,025	30,995
Net losses/(gains) on disposal of assets		3,579	3,935
Non-cash capital grants and contributions		(6,293)	(2,515)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		141	192
Unwinding of discount rates on reinstatement provisions		66	(4)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(1,250)	(994)
Increase/(decrease) in provision for doubtful debts		(6)	(54)
Decrease/(increase) in inventories		7	(93)
Decrease/(increase) in other assets		(72)	306
Increase/(decrease) in payables		(4,265)	137
Increase/(decrease) in accrued interest payable		16	–
Increase/(decrease) in other accrued expenses payable		2,733	(409)
Increase/(decrease) in other liabilities		242	165
Increase/(decrease) in employee leave entitlements		332	759
Increase/(decrease) in other provisions		(174)	(112)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>48,154</b>	<b>53,633</b>
<b>(c) Non-cash investing and financing activities</b>			
Private subdivisions		6,293	2,515
<b>Total non-cash investing and financing activities</b>		<b>6,293</b>	<b>2,515</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 15. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	1,451	322
Plant and equipment	929	857
Water supply	1,811	2,182
Sewer	1,496	5,635
Other structures	658	3,198
Bridges	–	1,891
Corporate Business System	712	1,532
<b>Total commitments</b>	<b>7,057</b>	<b>15,617</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	6,973	15,617
Later than one year and not later than 5 years	84	–
<b>Total payable</b>	<b>7,057</b>	<b>15,617</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	2,427	857
Unexpended grants	3,154	1,926
Externally restricted reserves	225	10,862
Internally restricted reserves	–	1,209
New loans (to be raised)	1,251	762
<b>Total sources of funding</b>	<b>7,057</b>	<b>15,616</b>

**Details of capital commitments**

Current capital commitments include plant and machinery (mainly heavy vehicles) required for general operations; Waste, Water and Sewer major construction projects and project management contracts; implementation of a new corporate business system, and design and construction of Moruya's Library and Arts Centre.

**(b) 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	194	102
Later than one year and not later than 5 years	252	178
Later than 5 years	35	–
<b>Total non-cancellable operating lease commitments</b>	<b>481</b>	<b>280</b>

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

Operational leases in place relate to Council's office printing and copying equipment, as well as the lease of communication towers to support its information technology infrastructure.

**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 2018

#### Note 16. Contingencies and other liabilities/assets not recognised

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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 is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme - Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119 Employee Benefits. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2018 was \$676,750. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 12/12/17 and covers the period ended 30 June 2017.

However the position is monitored annually and the actuary has estimated that, as at 30 June 2018, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing the deficit. The amount of additional contributions included in the total employer contribution advised above is \$1,023,000. Council's expected contributions to the plan for the next reporting period is \$678,867.

Council's share of the deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason no liability for the deficiency has been recognised in Council's accounts.

##### **(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.

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

### Note 16. Contingencies and other liabilities/assets not recognised (continued)

#### **LIABILITIES NOT RECOGNISED (continued):**

##### **1. Guarantees (continued)**

##### **(iii) StateCover Limited (continued)**

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.

##### **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

##### **(ii) S94 plans**

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

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

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

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

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

Council has classified a number of privately owned land parcels as local open space or bushland.

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

At reporting date, reliable estimates as to the value of any potential liability (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.

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. Contingencies and other liabilities/assets not recognised (continued)

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##### **ASSETS NOT RECOGNISED** (continued):

##### **(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.

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 17. Financial risk management

\$ '000

## Risk management

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

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

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

Financial risk management is carried out by Council's finance section under policies approved by the Council.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

	Carrying value		Fair value	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	16,241	12,435	16,241	12,435
Investments				
– 'Held to maturity'	97,000	92,000	97,000	–
– 'Loans and receivables'	–	–	–	92,000
Receivables	12,477	11,250	12,477	11,250
<b>Total financial assets</b>	<b>125,718</b>	<b>115,685</b>	<b>125,718</b>	<b>115,685</b>
<b>Financial liabilities</b>				
Payables	8,262	11,235	8,262	11,235
Loans/advances	63,716	57,791	63,716	57,791
<b>Total financial liabilities</b>	<b>71,978</b>	<b>69,026</b>	<b>71,978</b>	<b>69,026</b>

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.

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

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
<b>2018</b>				
Possible impact of a 1% movement in interest rates	1,000	1,000	(1,000)	(1,000)
<b>2017</b>				
Possible impact of a 1% movement in interest rates	1,009	1,009	(1,009)	(1,009)

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 17. Financial risk management (continued)

\$ '000

**(b) Credit risk**

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	71%	0%	86%
Overdue	100%	29%	100%	14%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>(ii) Ageing of receivables – value</b>			2018	2017
<b>Rates and annual charges</b>				
Current			–	–
< 1 year overdue			1,342	1,217
1 – 2 years overdue			306	–
2 – 5 years overdue			71	–
> 5 years overdue			61	–
			<u>1,780</u>	<u>1,217</u>
<b>Other receivables</b>				
Current			9,753	9,816
0 – 30 days overdue			132	142
31 – 60 days overdue			36	61
61 – 90 days overdue			–	28
> 91 days overdue			1,064	280
			<u>10,985</u>	<u>10,327</u>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 17. 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.

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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables	0.00%	8,262	-	-	-	8,262	8,262
Loans and advances	4.96%	-	8,582	20,456	34,796	63,834	63,716
<b>Total financial liabilities</b>		<b>8,262</b>	<b>8,582</b>	<b>20,456</b>	<b>34,796</b>	<b>72,096</b>	<b>71,978</b>
<b>2017</b>							
Trade/other payables	0.00%	558	-	-	-	558	558
Loans and advances	4.95%	-	9,333	25,885	22,832	58,050	57,791
<b>Total financial liabilities</b>		<b>558</b>	<b>9,333</b>	<b>25,885</b>	<b>22,832</b>	<b>58,608</b>	<b>58,349</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2018 and is not required to be audited.

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	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>61,122</b>	<b>61,059</b>	<b>(63)</b>	(0%)	<b>U</b>
Favourable variation attributable to National Disability Insurance Scheme contributions received, increased water usage, increased tipping and recycling revenues, increased development approval activity and increased camp/caravan grounds revenue including Batemans Bay Beach Resort.					
<b>User charges and fees</b>	<b>28,940</b>	<b>32,658</b>	<b>3,718</b>	13%	<b>F</b>
Unfavourable variance as a result of lower than anticipated interest rates on general investment revenues.					
<b>Interest and investment revenue</b>	<b>3,164</b>	<b>2,753</b>	<b>(411)</b>	(13%)	<b>U</b>
Unfavourable variance as a result of lower than anticipated interest rates on general investment revenues.					
<b>Other revenues</b>	–	<b>1,647</b>	<b>1,647</b>	0%	<b>F</b>
Variation here as a result of having no original budgets to compare to actuals. Instead, budgets are reported on various categories above.					
<b>Operating grants and contributions</b>	<b>14,207</b>	<b>14,406</b>	<b>199</b>	1%	<b>F</b>
<b>Capital grants and contributions</b>	<b>12,787</b>	<b>19,139</b>	<b>6,352</b>	50%	<b>F</b>
Variations relating to (1) receipt and recognition of significant subdivider assets and developer contributions and (2) funding relating Sewerage Scheme Works offset by funding carried forward to the next financial year for large Transport works, Airport Redevelopment and the Moruya Cultural Centre Precinct.					

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>35,246</b>	<b>38,975</b>	<b>(3,729)</b>	(11%) <b>U</b>
Variation is a result of additional staff efforts to facilitate programs including grant funded infrastructure work and becoming a National Disability Insurance Scheme (NDIS) provider. The variance is also partly due to reallocations of expenditure as a result of efforts to implement the new chart of accounts during the introduction of the new Corporate Business System.				
<b>Borrowing costs</b>	<b>2,882</b>	<b>2,737</b>	<b>145</b>	5% <b>F</b>
<b>Materials and contracts</b>	<b>35,802</b>	<b>24,842</b>	<b>10,960</b>	31% <b>F</b>
Variation as a result of expenditure carried forward to the next financial year including expenditure relating to the Flying Fox Management Plan. Funded operational expenditure expected to be resourced externally.				
<b>Depreciation and amortisation</b>	<b>29,512</b>	<b>31,025</b>	<b>(1,513)</b>	(5%) <b>U</b>
<b>Other expenses</b>	-	<b>8,431</b>	<b>(8,431)</b>	0% <b>U</b>
Expenses classified as 'other expenses' are generally materials and contract related and are combined therein for reporting purposes.				
<b>Net losses from disposal of assets</b>	-	<b>3,579</b>	<b>(3,579)</b>	0% <b>U</b>
Variation as a result of infrastructure renewal and plant replacement plans.				

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

<b>Cash flows from operating activities</b>	<b>46,292</b>	<b>48,154</b>	<b>1,862</b>	4.0% <b>F</b>
Increased cashflows largely as a result of additional revenues from water, campgrounds, development approval activity and contributions received.				
<b>Cash flows from investing activities</b>	<b>(54,632)</b>	<b>(50,132)</b>	<b>4,500</b>	(8.2%) <b>F</b>
<b>Cash flows from financing activities</b>	<b>6,617</b>	<b>5,784</b>	<b>(833)</b>	(12.6%) <b>U</b>
Projected requirements reduced to internal funding of some programmed works and projects being carried forward to the next financial year.				

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. 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

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:

2018	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	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment		–	–	15,208	15,208
Office equipment		–	–	3,682	3,682
Furniture and fittings		–	–	210	210
Operational land	30/06/18	–	–	56,243	56,243
Community land	30/06/16	–	–	104,555	104,555
Land under roads	30/06/14	–	–	20,352	20,352
Land improvements – non-depreciable	30/06/16	–	–	32	32
Land improvements – depreciable	30/06/16	–	–	554	554
Buildings	30/06/18	–	–	86,735	86,735
Other recreational assets	30/06/16	–	–	34,177	34,177
Other structures	30/06/16	–	–	9,263	9,263
Roads	30/06/15	–	–	392,333	392,333
Bridges	30/06/15	–	–	31,813	31,813
Footpaths	30/06/15	–	–	25,977	25,977
Stormwater drainage	30/06/15	–	–	72,630	72,630
Water supply network	30/06/17	–	–	186,591	186,591
Sewerage network	30/06/17	–	–	234,296	234,296
Swimming pools	30/06/16	–	–	1,281	1,281
Library books		–	–	631	631
Other		–	–	5	5
Capital Works in Progress		–	–	33,031	33,031
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>1,309,599</b>	<b>1,309,599</b>
<b>Non-recurring fair value measurements</b>					
<b>Non-current assets classified as 'held for sale'</b>					
Land held for sale		–	–	829	829
<b>Total NCA's classified as 'held for sale'</b>		<b>–</b>	<b>–</b>	<b>829</b>	<b>829</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. Fair value measurement (continued)

\$ '000

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

2017	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	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment		–	–	14,806	14,806
Office equipment		–	–	1,567	1,567
Furniture and fittings		–	–	264	264
Operational land	30/06/15	–	–	64,154	64,154
Community land	30/06/16	–	–	104,062	104,062
Land under roads	30/06/14	–	–	19,921	19,921
Land improvements – non-depreciable	30/06/16	–	–	32	32
Land improvements – depreciable	30/06/16	–	–	568	568
Buildings	30/06/13	–	–	53,842	53,842
Other recreational assets	30/06/16	–	–	33,917	33,917
Other structures	30/06/16	–	–	8,978	8,978
Roads	30/06/15	–	–	373,053	373,053
Bridges	30/06/15	–	–	26,735	26,735
Footpaths	30/06/15	–	–	24,558	24,558
Stormwater drainage	30/06/15	–	–	84,201	84,201
Water supply network	30/06/17	–	–	189,322	189,322
Sewerage network	30/06/17	–	–	236,083	236,083
Swimming pools	30/06/16	–	–	1,394	1,394
Library books		–	–	626	626
Other		–	–	5	5
Capital Works in Progress		–	–	25,572	25,572
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>1,263,660</b>	<b>1,263,660</b>
<b>Non-recurring fair value measurements</b>					
<b>Non-current assets classified as 'held for sale'</b>					
Land held for sale	30/06/17	–	–	445	445
<b>Total NCA's classified as 'held for sale'</b>		<b>–</b>	<b>–</b>	<b>445</b>	<b>445</b>

## (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 2018

#### Note 19. 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 APV Asset Management 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 Englob 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 Englob valuation methodology are unobservable.

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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\$ '000

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

###### Land improvements – depreciable and non-depreciable

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

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

###### Buildings – non-specialised and specialised

Council engaged APV Asset Management Pty Ltd to value all buildings and shelters in 2017-18. The valuation methodology adopted was dependent on whether a market exists to substantiate the value of the asset.

The valuation methodology is in accordance with AASB113 Fair Value measurement and is a market based measurement. The buildings were physically inspected and measured. The useful life of the long life portion of the components has been assessed taking into account the normal range of time between renewals. The valuation was determined using actual construction costs or purchase prices, appropriate APV database, Rawlinson's construction guide, development costs using first principle's and benchmarking against other valuations. Some Buildings previously classified as non-specialised have been valued using the cost approach and not the market approach for various reasons.

The pattern of consumption requires extensive professional judgement and impacted on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs.

###### Other structures

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

###### Roads

This asset class includes road pavements and surfaces.

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

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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\$ '000

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

###### Bridges

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

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

###### Footpaths

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

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

###### Stormwater drainage

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

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

###### Water supply network

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

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

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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\$ '000

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

###### Sewerage network

Assets within this class include treatment works, pumping stations and sewerage mains, including reuse systems.

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

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

###### Swimming pools

Assets within this classification comprise the swimming pools.

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

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

###### Other open space / recreational assets

Council's 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.

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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\$ '000

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

###### **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.

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###### **Non-current assets classified as 'held for sale'**

Non-current assets "held for sale" are based on an external valuation and all fair values are derived with reference to market influences.

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## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. 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
<b>Opening balance – 1/7/16</b>	16,488	1,636	260	62,123	80,507
Purchases (GBV)	3,403	440	64	406	4,313
Disposals (WDV)	(717)	–	–	–	(717)
Depreciation and impairment	(2,361)	(513)	(60)	(10)	(2,944)
Adjustments and transfers	(2,007)	4	–	1,635	(368)
<b>Closing balance – 30/6/17</b>	<b>14,806</b>	<b>1,567</b>	<b>264</b>	<b>64,154</b>	<b>80,791</b>
Purchases (GBV)	2,907	2,634	12	–	5,553
Disposals (WDV)	(469)	–	–	–	(469)
Depreciation and impairment	(2,036)	(519)	(66)	–	(2,621)
Reclassified from Commercial Land	–	–	–	(499)	(499)
Reclassified to land held for resale	–	–	–	(730)	(730)
Revaluation decrements to equity (ARR)	–	–	–	(6,682)	(6,682)
<b>Closing balance – 30/6/18</b>	<b>15,208</b>	<b>3,682</b>	<b>210</b>	<b>56,243</b>	<b>75,343</b>

	Community land	Land under roads	Land improvements non- depreciable	Land improvements depreciable	Total
<b>Opening balance – 1/7/16</b>	105,939	19,393	32	581	125,946
Purchases (GBV)	–	529	–	–	529
Depreciation and impairment	(5)	(1)	–	(13)	(19)
Adjustments and transfers	(1,872)	–	–	–	(1,872)
<b>Closing balance – 30/6/17</b>	<b>104,062</b>	<b>19,921</b>	<b>32</b>	<b>568</b>	<b>124,584</b>
Purchases (GBV)	–	431	–	–	431
Depreciation and impairment	–	–	–	(14)	(14)
Reclassification to Operational Land	499	–	–	–	499
Reclassified to land held for resale	(6)	–	–	–	(6)
<b>Closing balance – 30/6/18</b>	<b>104,555</b>	<b>20,352</b>	<b>32</b>	<b>554</b>	<b>125,494</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. Fair value measurement (continued)

\$ '000

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

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

	Buildings	Buildings specialised n/a in 16-17	Other structures	Roads	Total
<b>Opening balance – 1/7/16</b>	51,709	–	9,064	369,551	430,324
Purchases (GBV)	4,716	–	15	11,969	16,700
Disposals (WDV)	(2)	–	(12)	(1,166)	(1,180)
Depreciation and impairment	(2,385)	–	(513)	(7,298)	(10,196)
Adjustments and transfers	(196)	–	424	(3)	225
<b>Closing balance – 30/6/17</b>	<b>53,842</b>	<b>–</b>	<b>8,978</b>	<b>373,053</b>	<b>435,873</b>
Purchases (GBV)	757	–	880	15,939	17,576
Disposals (WDV)	–	–	–	(1,471)	(1,471)
Depreciation and impairment	(2,791)	–	(594)	(7,681)	(11,066)
Reclassified from Stormwater asset class	–	–	–	12,492	12,492
Revaluation increment to equity (ARR)	34,928	–	–	–	34,928
<b>Closing balance – 30/6/18</b>	<b>86,736</b>	<b>–</b>	<b>9,264</b>	<b>392,332</b>	<b>488,332</b>

	Bridges	Footpaths	Stormwater drainage	Water supply network	Total
<b>Opening balance – 1/7/16</b>	25,086	23,755	83,856	281,802	414,499
Purchases (GBV)	2,802	1,506	1,723	2,430	8,461
Disposals (WDV)	(560)	(210)	(269)	(1,450)	(2,489)
Depreciation and impairment	(592)	(600)	(1,109)	(6,394)	(8,695)
Adjustments and transfers	(1)	107	–	1,686	1,792
Revaluation decrements to equity (ARR)	–	–	–	(88,752)	(88,752)
<b>Closing balance – 30/6/17</b>	<b>26,735</b>	<b>24,558</b>	<b>84,201</b>	<b>189,322</b>	<b>324,816</b>
Purchases (GBV)	6,335	2,082	1,980	2,293	12,690
Disposals (WDV)	(645)	(60)	(135)	(239)	(1,079)
Depreciation and impairment	(612)	(604)	(922)	(6,049)	(8,187)
Reclassified to Roads asset class	–	–	(12,492)	–	(12,492)
Revaluation increment to equity (ARR)	–	–	–	1,264	1,264
<b>Closing balance – 30/6/18</b>	<b>31,813</b>	<b>25,976</b>	<b>72,632</b>	<b>186,591</b>	<b>317,012</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. 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 recreational assets	Library books	Total
<b>Opening balance – 1/7/16</b>	235,361	1,412	33,660	597	271,030
Purchases (GBV)	14,971	156	2,049	213	17,389
Disposals (WDV)	(671)	(1)	(214)	–	(886)
Depreciation and impairment	(7,224)	(174)	(1,573)	(183)	(9,154)
Adjustments and transfers	(11)	–	(6)	–	(17)
Revaluation decrements to equity (ARR)	(6,343)	1	1	(1)	(6,342)
<b>Closing balance – 30/6/17</b>	<b>236,083</b>	<b>1,394</b>	<b>33,917</b>	<b>626</b>	<b>272,020</b>
Purchases (GBV)	4,660	63	2,130	197	7,050
Disposals (WDV)	(850)	(1)	(273)	–	(1,124)
Depreciation and impairment	(7,171)	(175)	(1,597)	(191)	(9,134)
Revaluation increment to equity (ARR)	1,574	–	–	–	1,574
<b>Closing balance – 30/6/18</b>	<b>234,296</b>	<b>1,281</b>	<b>34,177</b>	<b>632</b>	<b>270,386</b>

	Other	Land held for sale	Total
<b>Opening balance – 1/7/16</b>	5	26	31
Disposals (WDV)	–	(415)	(415)
Adjustments and transfers	–	596	596
Revaluation increments to equity (ARR)	–	238	238
<b>Closing balance – 30/6/17</b>	<b>5</b>	<b>445</b>	<b>450</b>
Transfers from/(to) another asset class	–	735	735
Disposals (WDV)	–	(352)	(352)
<b>Closing balance – 30/6/18</b>	<b>5</b>	<b>828</b>	<b>833</b>

## (5). Highest and best use

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Related party transactions

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 \$ '000
 

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**a. Key management personnel**

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

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

<b>Compensation:</b>	<b>2018</b>	<b>2017</b>
Short-term benefits	1,573	1,250
Post-employment benefits	119	126
Other long-term benefits	129	66
<b>Total</b>	<b>1,821</b>	<b>1,442</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Related party transactions (continued)

**b. Other transactions with KMP and their related parties**

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

<b>Nature of the transaction</b>	<b>Value of transactions during year</b>	<b>Outstanding balance</b> (incl. loans and commitments)	<b>Terms and conditions</b>	<b>Provisions for doubtful debts outstanding</b>	<b>Doubtful debts expense recognised</b>
	Actual \$	Actual \$		Actual \$	Actual \$
<b>2018</b>					
Supply of goods and trade services	133,394	-	30 day terms on invoices	-	-
Employee expenses relating to close family members	64,173	-	Council Staff Award	-	-
<b>2017</b>					
Supply of goods and trade services	78,000	9,000	30 day terms on invoices	-	-
Payment of Insurance Premiums (KMP is Board Member)	1,035,000	-	30 day terms on invoices	-	-
Employee expenses relating to close family members	82,000	-	Council Staff Award	-	-

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

## 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	1,988	522	–	57	(158)	(218)	2,191	(218)
Parking	183	–	–	5	–	–	188	–
Open space	(117)	111	540	(2)	–	8	–	8
Community facilities	(7)	7	–	(1)	–	1	–	1
Cycleways/Pedestrian	65	20	–	2	(55)	(32)	–	(32)
Administration	(217)	17	–	(6)	(35)	241	–	241
Waste Disposal	218	21	–	3	(236)	–	6	–
<b>S7.11 contributions – under a plan</b>	<b>2,113</b>	<b>698</b>	<b>540</b>	<b>58</b>	<b>(484)</b>	<b>–</b>	<b>2,385</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>1,068</b>	<b>358</b>	<b>–</b>	<b>31</b>	<b>–</b>	<b>–</b>	<b>1,457</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>3,181</b>	<b>1,056</b>	<b>540</b>	<b>89</b>	<b>(484)</b>	<b>–</b>	<b>3,842</b>	<b>–</b>
S7.11 not under plans	231	36	2,307	6	–	–	273	–
S64 contributions	3,613	2,684	3,446	119	(1,009)	–	5,407	–
<b>Total contributions</b>	<b>7,025</b>	<b>3,776</b>	<b>6,293</b>	<b>214</b>	<b>(1,493)</b>	<b>–</b>	<b>9,522</b>	<b>–</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Statement of developer contributions (continued)

\$ '000

## S7.11 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	(117)	2	–	(3)	–	118	–	118
– Central district	36	4	–	1	–	(41)	–	(41)
– Southern district	74	1	–	1	–	(76)	–	(76)
<b>Total</b>	<b>(7)</b>	<b>7</b>	<b>–</b>	<b>(1)</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>1</b>

## 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					
Waste Facilities	218	21	–	3	(236)	–	6	–
<b>Total</b>	<b>218</b>	<b>21</b>	<b>–</b>	<b>3</b>	<b>(236)</b>	<b>–</b>	<b>6</b>	<b>–</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Statement of developer contributions (continued)

\$ '000

**S7.11 CONTRIBUTIONS – UNDER A PLAN**

## 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	120	–	–	3	–	(69)	54	(69)
– Moruya	(68)	–	–	(1)	–	69	–	69
– Narooma	131	–	–	3	–	–	134	–
<b>Total</b>	<b>183</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>188</b>	<b>–</b>

## Eurobodalla Local Infrastructure Contributions Plan 2012, Urban Roadworks

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	199	362	–	11	(150)	(218)	204	(218)
<b>Total</b>	<b>199</b>	<b>362</b>	<b>–</b>	<b>11</b>	<b>(150)</b>	<b>(218)</b>	<b>204</b>	<b>(218)</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## 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	166	55	540	5	–	(226)	–	(226)
– Northern district	34	39	–	1	–	(74)	–	(74)
– Central district	(215)	16	–	(5)	–	204	–	204
– Southern district	(102)	1	–	(3)	–	104	–	104
<b>Total</b>	<b>(117)</b>	<b>111</b>	<b>540</b>	<b>(2)</b>	<b>–</b>	<b>8</b>	<b>–</b>	<b>8</b>

## 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					
Development Contribution Administration	(217)	17	–	(6)	(35)	241	–	241
<b>Total</b>	<b>(217)</b>	<b>17</b>	<b>–</b>	<b>(6)</b>	<b>(35)</b>	<b>241</b>	<b>–</b>	<b>241</b>

## 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	24	9	–	1	(20)	(14)	–	(14)
– Central district	36	10	–	1	(35)	(12)	–	(12)
– Southern district	5	1	–	–	–	(6)	–	(6)
<b>Total</b>	<b>65</b>	<b>20</b>	<b>–</b>	<b>2</b>	<b>(55)</b>	<b>(32)</b>	<b>–</b>	<b>(32)</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Statement of developer contributions (continued)

\$ '000

## S7.11 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	54	4	–	1	(8)	–	51	–
– Area 2A - NW Batemans Bay	426	57	–	11	–	–	494	–
– Area 2B - Long Beach	74	4	–	2	–	–	80	–
– Area 3B - Surf Beach/Malua Bay	321	–	–	8	–	–	329	–
– Area 4 - Bimbimbi	85	–	–	2	–	–	87	–
– Area 5 - Polwambra	150	–	–	4	–	–	154	–
– Area 6 - Moruya	46	35	–	1	–	–	82	–
– Area 7 - Congo/Bingi	195	47	–	5	–	–	247	–
– Area 8 - South Narooma	264	13	–	7	–	–	284	–
– Area 9 - Tilba	174	–	–	5	–	–	179	–
<b>Total</b>	<b>1,789</b>	<b>160</b>	<b>–</b>	<b>46</b>	<b>(8)</b>	<b>–</b>	<b>1,987</b>	<b>–</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Statement of developer contributions (continued)

\$ '000

**S7.12 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	1,068	358	–	31	–	–	1,457	–
<b>Total</b>	<b>1,068</b>	<b>358</b>	<b>–</b>	<b>31</b>	<b>–</b>	<b>–</b>	<b>1,457</b>	<b>–</b>

**S7.11 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	222	36	2,307	6	–	–	264	–
Parking	9	–	–	–	–	–	9	–
<b>Total</b>	<b>231</b>	<b>36</b>	<b>2,307</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>273</b>	<b>–</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Statement of developer contributions (continued)

\$ '000

**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	2,902	1,470	479	89	(476)	–	3,985	–
<b>Total</b>	<b>2,902</b>	<b>1,470</b>	<b>479</b>	<b>89</b>	<b>(476)</b>	<b>–</b>	<b>3,985</b>	<b>–</b>

## 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	711	1,214	2,967	30	(533)	–	1,422	–
<b>Total</b>	<b>711</b>	<b>1,214</b>	<b>2,967</b>	<b>30</b>	<b>(533)</b>	<b>–</b>	<b>1,422</b>	<b>–</b>

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	6,565	19,189	35,305
User charges and fees	11,107	897	20,654
Interest and investment revenue	648	397	1,708
Other revenues	6	91	1,550
Grants and contributions provided for operating purposes	203	194	14,009
Grants and contributions provided for capital purposes	1,812	5,943	11,384
<b>Total income from continuing operations</b>	<b>20,341</b>	<b>26,711</b>	<b>84,610</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	3,886	2,845	32,244
Borrowing costs	57	761	1,919
Materials and contracts	4,818	7,017	13,007
Depreciation and amortisation	6,160	7,334	17,531
Other expenses	811	898	6,722
Net losses from the disposal of assets	239	850	2,490
<b>Total expenses from continuing operations</b>	<b>15,971</b>	<b>19,705</b>	<b>73,913</b>
<b>Operating result from continuing operations</b>	<b>4,370</b>	<b>7,006</b>	<b>10,697</b>
<b>Net operating result attributable to each council fund</b>	<b>4,370</b>	<b>7,006</b>	<b>10,697</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>2,558</b>	<b>1,063</b>	<b>(687)</b>

<sup>1</sup> 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 2018

## Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	26,389	26,799	(36,947)
Investments	3,985	–	93,015
Receivables	3,386	196	8,849
Inventories	59	–	617
Other	12	–	453
Non-current assets classified as 'held for sale'	–	–	829
<b>Total current assets</b>	<b>33,831</b>	<b>26,995</b>	<b>66,816</b>
<b>Non-current assets</b>			
Receivables	–	–	46
Infrastructure, property, plant and equipment	196,171	256,816	856,612
<b>Total non-current assets</b>	<b>196,171</b>	<b>256,816</b>	<b>856,658</b>
<b>TOTAL ASSETS</b>	<b>230,002</b>	<b>283,811</b>	<b>923,474</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	545	1,499	6,218
Income received in advance	–	–	413
Borrowings	70	2,747	5,765
Provisions	–	–	10,533
<b>Total current liabilities</b>	<b>615</b>	<b>4,246</b>	<b>22,929</b>
<b>Non-current liabilities</b>			
Borrowings	925	18,008	36,201
Provisions	–	–	2,081
<b>Total non-current liabilities</b>	<b>925</b>	<b>18,008</b>	<b>38,282</b>
<b>TOTAL LIABILITIES</b>	<b>1,540</b>	<b>22,254</b>	<b>61,211</b>
<b>Net assets</b>	<b>228,462</b>	<b>261,557</b>	<b>862,263</b>
<b>EQUITY</b>			
Accumulated surplus	165,196	134,391	487,531
Revaluation reserves	63,266	127,166	374,732
<b>Total equity</b>	<b>228,462</b>	<b>261,557</b>	<b>862,263</b>

<sup>1</sup> 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 2018

## Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>6,513</u>	<b>5.79%</b>	Restated		> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>112,523</u>		8.03%	9.14%	
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>98,117</u>	<b>74.52%</b>	71.32%	72.10%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>131,662</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>42,238</u>	<b>2.51x</b>	2.38x	2.66x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>16,802</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>40,275</u>	<b>3.34x</b>	3.43x	2.92x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>12,070</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>1,745</u>	<b>2.77%</b>	2.50%	3.05%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>62,884</u>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>113,241</u>	<b>14.77 mths</b>	14.7 mths	13.1 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>7,667</u>				

## Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Notes 11 and 12.

<sup>(4)</sup> Refer to Note 11(b) and 12(b) – 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 2018

## Note 23(b). Statement of performance measures – by fund

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Local government industry indicators – by fund</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses		Restated		Restated		Restated	
<u>Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions</u>	<b>4.03%</b>	10.74%	<b>13.65%</b>	3.36%	<b>4.96%</b>	2.02%	> 0.00%
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<u>Total continuing operating revenue <sup>(1)</sup></u>	<b>70.02%</b>	65.15%	<b>90.09%</b>	89.13%	<b>76.93%</b>	77.70%	> 60.00%
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions <sup>(2)</sup>							
<u>Current liabilities less specific purpose liabilities <sup>(3, 4)</sup></u>	<b>2.51x</b>	2.38x	<b>55.10x</b>	333.19x	<b>5.51x</b>	7.20x	> 1.5x

## Notes

(1) - (4) Refer to Notes at Note 23a 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 2018

## Note 23(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>2.53x</b>	3.20x	<b>68.87x</b>	56.07x	<b>2.97x</b>	2.17x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>4.70%</b>	4.14%	<b>0.00%</b>	0.45%	<b>0.00%</b>	0.00%	< 10% regional & rural
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>7.83 months</b>	20.45 months	<b>0.00 months</b>	0.95 months	<b>0.00 months</b>	0.52 months	> 3 months
Monthly payments from cash flow of operating and financing activities							

## Notes

(1) Refer to Notes at Note 23a above.

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

END OF AUDITED FINANCIAL STATEMENTS

# Eurobodalla Shire Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 23(c). Statement of performance measures – consolidated results (graphs)



**Purpose of operating performance ratio**

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

**Commentary on 2017/18 result**

**2017/18 ratio 5.79%**

General operating revenue was in line with the previous year while costs increased by 4 percent, with employee costs the biggest impact.

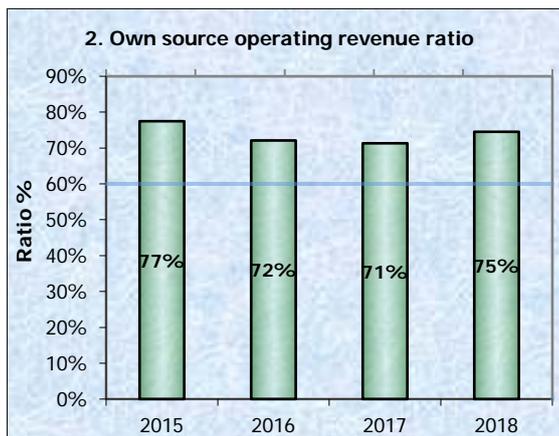
Benchmark: ——— Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26



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 2017/18 result**

**2017/18 ratio 74.52%**

As in prior years Council continues to perform above the benchmark, indicating Council's ability to maintain adequate own source funding levels. This meets Council's Fit for the Future requirement. The result is in line with last year's and has again been influenced by the early payment of half of the 2018-19 Financial Assistance Grant.

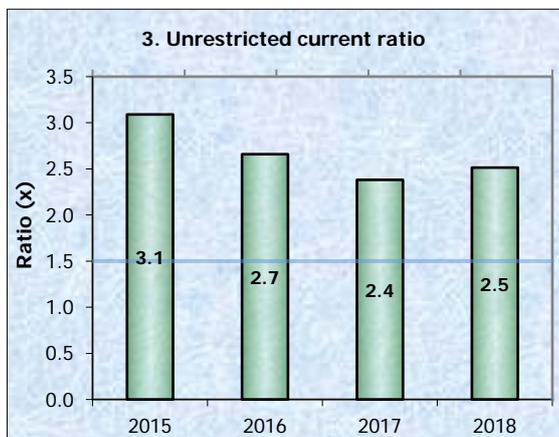
Benchmark: ——— Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26



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 2017/18 result**

**2017/18 ratio 2.51x**

This result which is above minimum benchmark requirements indicates that Council is in a sound position to satisfy short term unrestricted financial obligations.

Benchmark: ——— Minimum  $\geq 1.50$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26



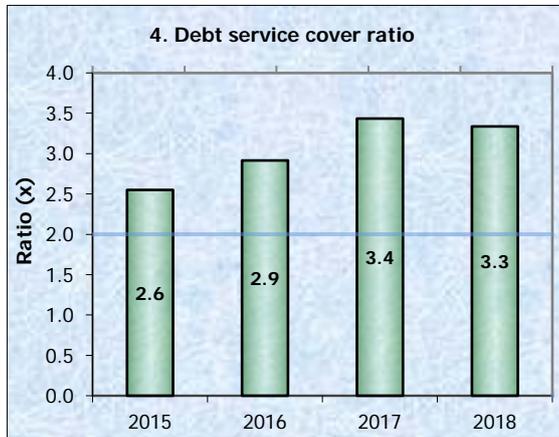
Ratio achieves benchmark

Ratio is outside benchmark

# Eurobodalla Shire Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 23(c). Statement of performance measures – consolidated results (graphs)



**Purpose of debt service cover ratio**

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

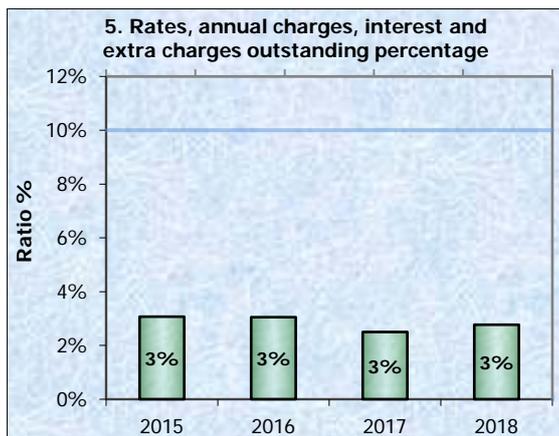
**Commentary on 2017/18 result**

**2017/18 ratio 3.34x**

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

Benchmark: ——— Minimum  $\geq 2.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ 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.

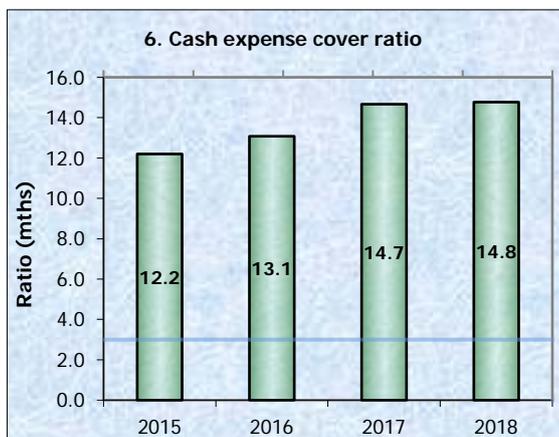
**Commentary on 2017/18 result**

**2017/18 ratio 2.77%**

Although a slight increase to last year this ratio is well below the benchmark of 10% confirming the high standard of Council's management of the debt collection process.

Benchmark: ——— Maximum  $< 10.00\%$   
Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

■ 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 2017/18 result**

**2017/18 ratio 14.77 mths**

There has been a 14% increase in cash compared to last year. The result indicates Council's increased ability to meet short term debt obligations.

Benchmark: ——— Minimum  $\geq 3.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial report**  
**Eurobodalla Shire Council**

To the Councillors of the Eurobodalla Shire Council

## Opinion

I have audited the accompanying financial report of Eurobodalla Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

## Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note on Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Karen Taylor  
Director, Financial Audit Services

20 December 2018  
SYDNEY

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

Contact: Karen Taylor  
Phone no: 02 9275 7100  
Our ref: D1830974/1722

20 December 2018

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2018  
Eurobodalla Shire Council**

I have audited the general purpose financial statements of the Eurobodalla Shire Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

	2018 \$m	2017 \$m	Variance %
<b>Rates and annual charges revenue</b>	61.1	57.7	↑ 5.9
<b>Grants and contributions revenue</b>	33.5	37.0	↓ 9.5
<b>Operating result for the year</b>	22.1	21.3	↑ 3.8
<b>Net operating result before capital amounts</b>	2.9	5.1	↓ 43.5

Council’s operating result for the year was a \$22.1 million surplus, \$0.8 million higher than the 2016–17 result. The increase was due to:

- \$3.4 million increase in rates and annual charges primarily due to the 2017-18 special rate variation
- \$3.2 million increase in user charges and fee, community service programs (\$2.7 million) and planning and building regulation (\$1.2 million)
- \$ 3.5 million decrease in grants and contribution for 2017-18 due to timing of receipt of financial assistance grant over the past two financial years.
- \$1.9 million higher employee cost in 2017-18.

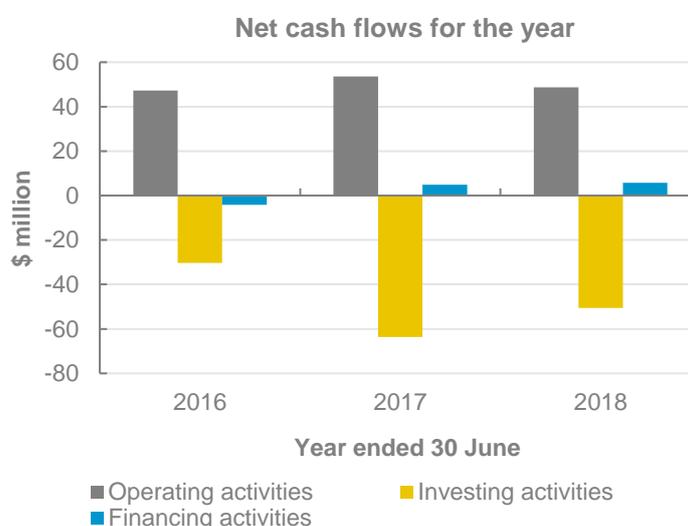
The net operating result before capital grants and contributions of \$2.9 million was \$2.2 million lower than 2016–17. This variation was impacted by higher capital grants and contributions in the current year.

## STATEMENT OF CASH FLOWS

Net cash provided by operating activities decreased by \$5.0 million as growth in payments made exceeded the growth in rates, annual and user charges.

Net cash used in investing activities decreased by \$13.0 million. This was mainly due to \$15.8 million decrease in purchase of investment securities and \$3.8 million in purchase of infrastructure, property, plant and equipment offset by decrease in sale of investment securities by \$5.9 million.

Net cash provided by financing activities slightly improved by \$0.8 million primarily due to further drawdowns of loans in 2017-18.



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	81.7	60.9	Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council’s balance increased mainly due to water and sewer loans increasing by \$13.2 million.
Internal restrictions	25.3	21.0	
Unrestricted	6.2	22.6	
<b>Cash and investments</b>	<b>113.2</b>	<b>104.4</b>	Internally restricted cash and investments are restricted in their use by resolution or policy of Council. As at 30 June 2018, it increased by \$4.3 million  Council’s unrestricted cash and investments decreased by \$16.4 million but they have sufficient liquidity for day-to-day operations.

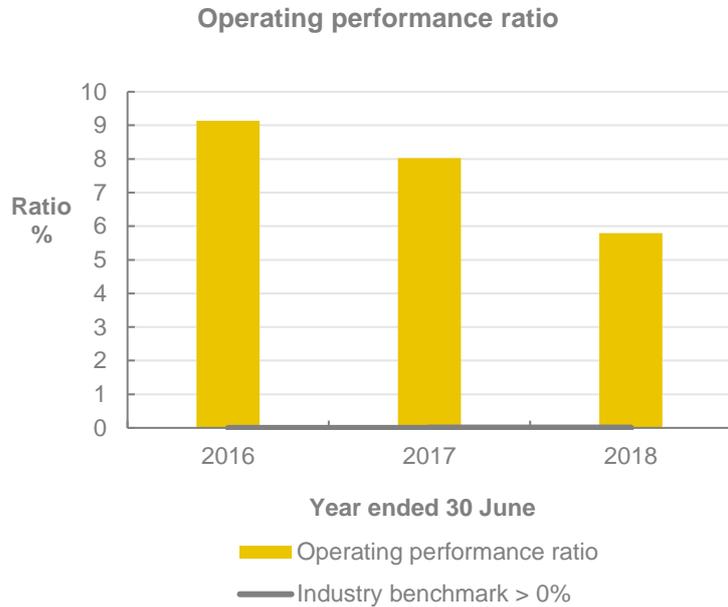
At the end of the financial year, the Council had unrestricted access to a \$2.3 million line of credit (2017: \$2.3 million), which consists of \$2.0 million in bank overdraft facilities and \$0.3 million in credit or purchase cards. The bank overdraft facility was not used.

## PERFORMANCE RATIOS

### Operating performance ratio

Council's operating performance ratio at 5.8 per cent in 2017-18 continues to exceed the industry benchmark.

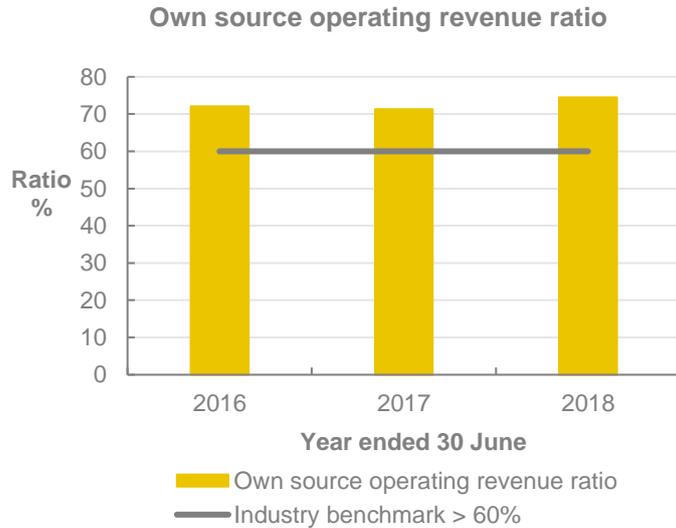
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



### Own source operating revenue ratio

Council's own source operating ratio of 74.5 per cent reflects a low level of reliance on grant revenue and exceeds the industry benchmark. The ratio has remained stable over the last three years.

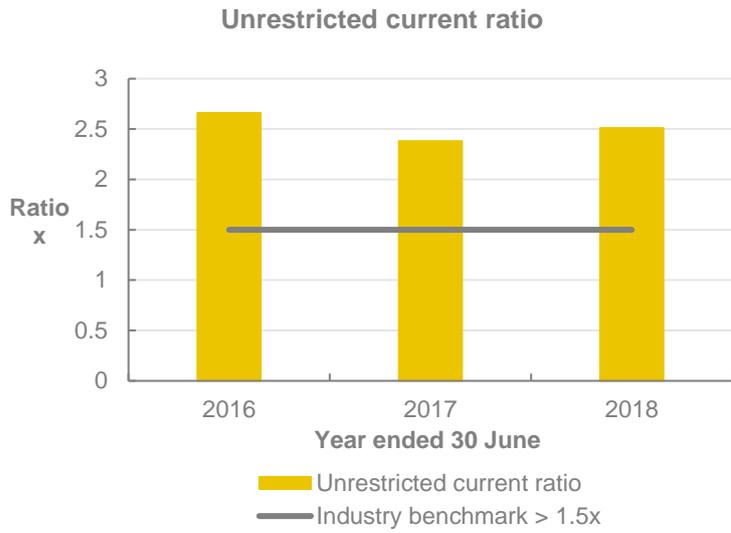
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the OLG is greater than 60 per cent.



### Unrestricted current ratio

The ratio indicates the Council has \$2.51 available to service every \$1.00 of unrestricted current liabilities. This reflects a sufficient operating buffer for use in Council’s operations and exceeds the industry benchmark.

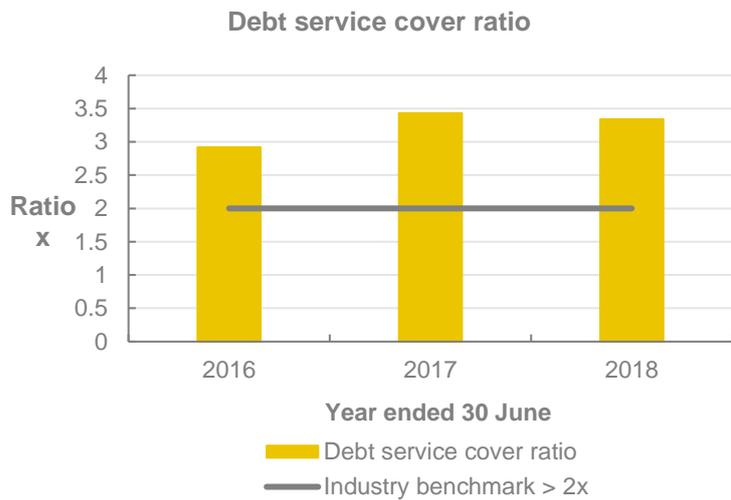
The ‘unrestricted current ratio’ is specific to local government and represents council’s ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

The Council’s debt service cover ratio of 3.3 times continues to exceed the industry benchmark. The ratio is marginally lower than the previous year due to a slight increase in borrowing costs.

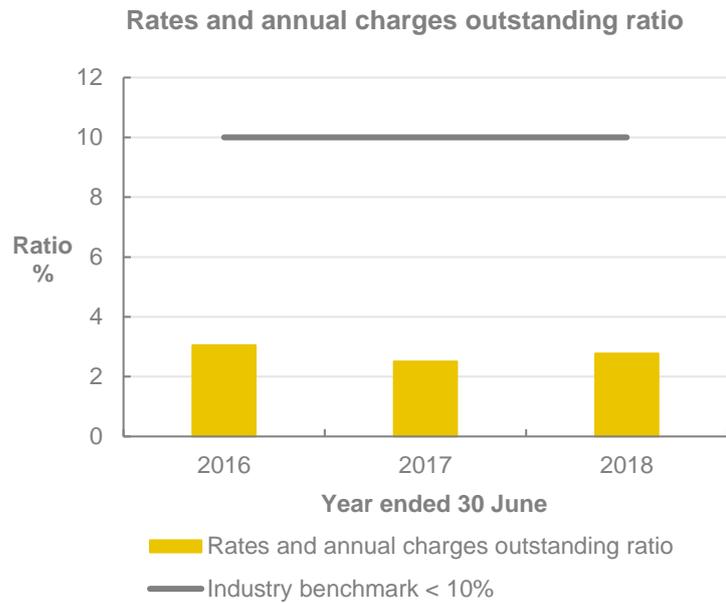
The ‘debt service cover ratio’ measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding ratio

Council's outstanding rates and charges ratio remains within the benchmark for non-metropolitan councils in the past three years.

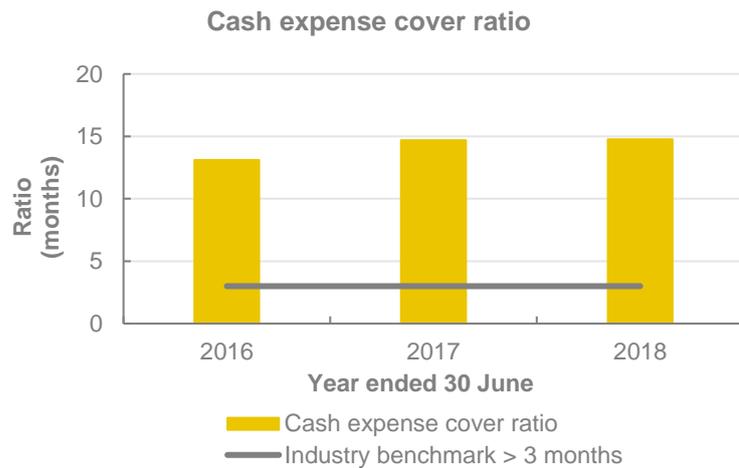
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts.



## Cash expense cover ratio

The Council's cash expense cover ratio was 14.8 months, which is above the industry benchmark, showing Council can cover 14.8 months of operating cash expenditure without additional cash inflows.

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

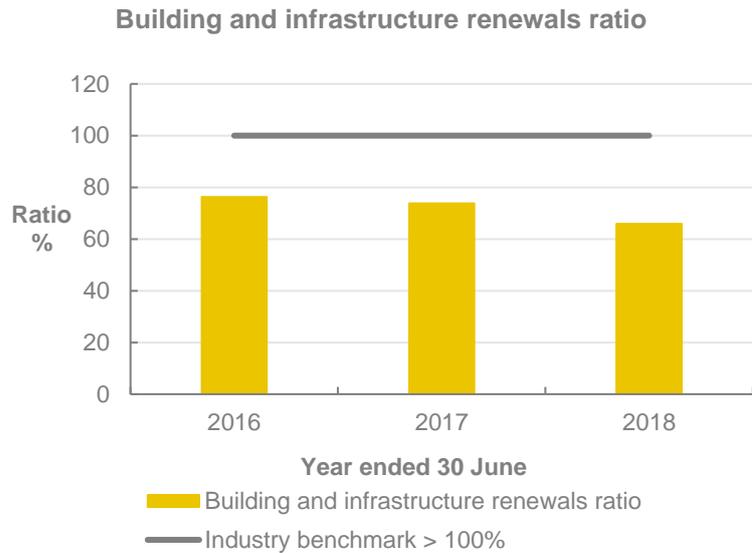


## Building and infrastructure renewals ratio (unaudited)

Council's infrastructure renewals ratio is below the industry benchmark. This ratio is again lower than the previous year and illustrates a downward trend. This ratio excludes the \$17 million spent on new infrastructure.

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

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



## OTHER MATTERS

### New accounting standards implemented

#### AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

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

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 13.

### Legislative compliance

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

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

Karen Taylor  
Director, Financial Audit Services

# Eurobodalla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2018

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## Eurobodalla Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
<b>3. Notes to the Special Purpose Financial Statements</b>	9
<b>4. Auditor’s Report</b>	19

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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 2018

### 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.**

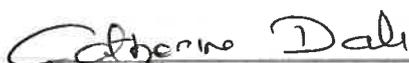
**Signed in accordance with a resolution of Council made on 27 November 2018.**



L Innes  
Mayor  
27 November 2018



L Brown  
Councillor  
27 November 2018



Dr Catherine Dale  
General manager  
27 November 2018



A O'Reilly  
Responsible accounting officer  
27 November 2018

## Eurobodalla Shire Council

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

for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	6,565	6,191
User charges	10,715	10,682
Fees	392	374
Interest	648	563
Grants and contributions provided for non-capital purposes	203	206
Other income	6	75
<b>Total income from continuing operations</b>	<b>18,529</b>	<b>18,091</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	3,886	2,942
Borrowing costs	57	57
Materials and contracts	4,818	5,576
Depreciation, amortisation and impairment	6,160	6,736
Loss on sale of assets	239	1,442
Calculated taxation equivalents	28	30
Other expenses	811	726
<b>Total expenses from continuing operations</b>	<b>15,999</b>	<b>17,509</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,530</b>	<b>582</b>
Grants and contributions provided for capital purposes	1,812	1,976
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>4,342</b>	<b>2,558</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>4,342</b>	<b>2,558</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(759)	(175)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,583</b>	<b>2,383</b>
<b>Plus opening retained profits</b>	161,350	158,854
<b>Plus/less: asset revaluation reserve transfers</b>	106	536
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	28	30
– Corporate taxation equivalent	759	175
<b>Less:</b>		
– Tax equivalent dividend paid	(28)	(30)
– Surplus dividend paid	(602)	(598)
<b>Closing retained profits</b>	<b>165,196</b>	<b>161,350</b>
<b>Return on capital %</b>	<b>1.3%</b>	<b>0.3%</b>
<b>Subsidy from Council</b>	<b>2,572</b>	<b>3,146</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	3,583	2,383
Less: capital grants and contributions (excluding developer contributions)	(342)	(26)
<b>Surplus for dividend calculation purposes</b>	<b>3,241</b>	<b>2,357</b>
<b>Potential dividend calculated from surplus</b>	<b>1,621</b>	<b>1,179</b>

## Eurobodalla Shire Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	19,189	18,206
User charges	893	686
Liquid trade waste charges	–	121
Fees	4	–
Interest	397	423
Grants and contributions provided for non-capital purposes	194	194
Other income	91	84
<b>Total income from continuing operations</b>	<b>20,768</b>	<b>19,714</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,845	3,748
Borrowing costs	761	729
Materials and contracts	7,017	5,919
Depreciation, amortisation and impairment	7,334	7,389
Loss on sale of assets	850	660
Calculated taxation equivalents	41	42
Other expenses, including electricity	898	838
<b>Total expenses from continuing operations</b>	<b>19,746</b>	<b>19,325</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,022</b>	<b>389</b>
Grants and contributions provided for capital purposes	5,943	5,402
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>6,965</b>	<b>5,791</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>6,965</b>	<b>5,791</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(307)	(117)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>6,658</b>	<b>5,674</b>
<b>Plus opening retained profits</b>	127,621	122,275
<b>Plus/less: asset revaluation reserve transfers</b>	353	98
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	41	42
– Corporate taxation equivalent	307	117
<b>Less:</b>		
– Tax equivalent dividend paid	(41)	(42)
– Surplus dividend paid	(548)	(543)
<b>Closing retained profits</b>	<b>134,391</b>	<b>127,621</b>
<b>Return on capital %</b>	<b>0.7%</b>	<b>0.4%</b>
<b>Subsidy from Council</b>	<b>4,971</b>	<b>4,096</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	6,658	5,674
Less: capital grants and contributions (excluding developer contributions)	(4,729)	(3,003)
<b>Surplus for dividend calculation purposes</b>	<b>1,929</b>	<b>2,671</b>
<b>Potential dividend calculated from surplus</b>	<b>965</b>	<b>1,336</b>

## Eurobodalla Shire Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

Batemans Bay  
Beach Resort

Category 1

\$ '000	2018	2017
<b>Income from continuing operations</b>		
User charges	2,729	2,434
Interest	(35)	–
Other income	31	37
<b>Total income from continuing operations</b>	<b>2,725</b>	<b>2,471</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	8	4
Borrowing costs	467	505
Materials and contracts	979	954
Depreciation, amortisation and impairment	409	526
Calculated taxation equivalents	35	35
Other expenses	586	426
<b>Total expenses from continuing operations</b>	<b>2,484</b>	<b>2,450</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>241</b>	<b>21</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>241</b>	<b>21</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>241</b>	<b>21</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(72)	(6)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>169</b>	<b>15</b>
<b>Plus opening retained profits</b>	(3,618)	(3,639)
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	35	35
– Corporate taxation equivalent	72	6
<b>Less:</b>		
– TER dividend paid	(35)	(35)
<b>Closing retained profits</b>	<b>(3,377)</b>	<b>(3,618)</b>
<b>Return on capital %</b>	<b>8.3%</b>	<b>6.1%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>

## Eurobodalla Shire Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2018

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	26,389	795
Investments	3,985	22,826
Receivables	3,386	3,421
Inventories	59	60
Other	12	122
<b>Total current assets</b>	<b>33,831</b>	<b>27,224</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	196,171	195,566
<b>Total non-current assets</b>	<b>196,171</b>	<b>195,566</b>
<b>TOTAL ASSETS</b>	<b>230,002</b>	<b>222,790</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	545	2
Borrowings	70	71
<b>Total current liabilities</b>	<b>615</b>	<b>73</b>
<b>Non-current liabilities</b>		
Borrowings	925	995
<b>Total non-current liabilities</b>	<b>925</b>	<b>995</b>
<b>TOTAL LIABILITIES</b>	<b>1,540</b>	<b>1,068</b>
<b>NET ASSETS</b>	<b>228,462</b>	<b>221,722</b>
<b>EQUITY</b>		
Accumulated surplus	165,196	161,350
Revaluation reserves	63,266	60,372
<b>TOTAL EQUITY</b>	<b>228,462</b>	<b>221,722</b>

## Eurobodalla Shire Council

Statement of Financial Position – Council's Sewerage Business Activity  
as at 30 June 2018

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	26,799	656
Investments	–	18,821
Receivables	196	189
<b>Total current Assets</b>	<b>26,995</b>	<b>19,666</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	256,816	251,348
<b>Total non-current assets</b>	<b>256,816</b>	<b>251,348</b>
<b>TOTAL ASSETS</b>	<b>283,811</b>	<b>271,014</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,499	11
Borrowings	2,747	2,542
<b>Total current liabilities</b>	<b>4,246</b>	<b>2,553</b>
<b>Non-current liabilities</b>		
Borrowings	18,008	14,990
<b>Total non-current liabilities</b>	<b>18,008</b>	<b>14,990</b>
<b>TOTAL LIABILITIES</b>	<b>22,254</b>	<b>17,543</b>
<b>NET ASSETS</b>	<b>261,557</b>	<b>253,471</b>
<b>EQUITY</b>		
Accumulated surplus	134,391	127,621
Revaluation reserves	127,166	125,850
<b>TOTAL EQUITY</b>	<b>261,557</b>	<b>253,471</b>

## Eurobodalla Shire Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

Batemans Bay  
Beach Resort  
Category 1

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	38	28
<b>Total Current Assets</b>	<b>38</b>	<b>28</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	8,559	8,674
<b>Total non-current assets</b>	<b>8,559</b>	<b>8,674</b>
<b>TOTAL ASSETS</b>	<b>8,597</b>	<b>8,702</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	3,026	3,216
Payables	79	123
Borrowings	2,866	1,349
<b>Total current liabilities</b>	<b>5,971</b>	<b>4,688</b>
<b>Non-current liabilities</b>		
Borrowings	5,057	7,111
<b>Total non-current liabilities</b>	<b>5,057</b>	<b>7,111</b>
<b>TOTAL LIABILITIES</b>	<b>11,028</b>	<b>11,799</b>
<b>NET ASSETS</b>	<b>(2,431)</b>	<b>(3,097)</b>
<b>EQUITY</b>		
Accumulated surplus	(3,377)	(3,619)
Revaluation reserves	946	522
<b>TOTAL EQUITY</b>	<b>(2,431)</b>	<b>(3,097)</b>

## Eurobodalla Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

#### 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	14
3	Sewerage Business Best-Practice Management disclosure requirements	16

## Eurobodalla Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies

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

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

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

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

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

#### National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

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

#### Declared business activities

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

##### Category 1

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

##### a. Eurobodalla Water Supply

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

## Eurobodalla Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

##### b. Eurobodalla Sewerage Fund

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

##### c. Batemans Bay Beach Resort

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

#### Category 2

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

*Council has no Category 2 Business Activities*

#### Monetary amounts

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

As required by Crown Lands and Water (CLAW), 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. Where this is the case, they are disclosed as a cost of operations just like all other costs.

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

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

##### Notional rate applied (%)

###### Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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 Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

## Eurobodalla Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

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

##### **Income tax**

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

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

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

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

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

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

##### **Local government rates and charges**

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

##### **Loan and debt guarantee fees**

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

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

##### *(ii) Subsidies*

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

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.

## Eurobodalla Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

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##### *(iii) Return on investments (rate of return)*

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

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

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

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.79% at 30/6/18.

##### *(iv) Dividends*

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

**END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS**

## Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 2. Water supply business  
best-practice management disclosure requirements

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

2018

**1. Calculation and payment of tax-equivalents**

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

(i)	Calculated tax equivalents	28,000
(ii)	Number of assessments multiplied by \$3/assessment	63,990
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	28,000
(iv)	Amounts actually paid for tax equivalents	28,387

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,620,500
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	611,900
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	7,860,562

2018 Surplus	3,241,000	2017 Surplus	2,357,422	2016 Surplus	2,860,600
		2017 Dividend	598,460	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	611,900
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	602,402
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	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 2018Note 2. Water supply business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	19,734
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	58.22%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	186,590,444
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	9,516
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	8,008
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	0.00%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- 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 2018Note 3. Sewerage business  
best-practice management disclosure requirements

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

2018

**1. Calculation and payment of tax-equivalents**

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

(i)	Calculated tax equivalents	41,000
(ii)	Number of assessments multiplied by \$3/assessment	60,744
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	41,000
(iv)	Amounts actually paid for tax equivalents	40,577

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	964,700
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	566,440
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	7,826,360

2018 Surplus	1,929,400	2017 Surplus	2,671,300	2016 Surplus	4,300,000
		2017 Dividend	543,340	2016 Dividend	531,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	566,440
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	547,890
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	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 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	24,543
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	234,295,538
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	10,900
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	12,013
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.00%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	1,755

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

<b>NWI F3</b>	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	43,188
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.91%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	20,021
<b>NWI F19</b>	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)]	%	0.00%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	1,150
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	13.76%

## Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2018

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

<b>NWI F22</b>	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)]	%	–7.23%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	8,358
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	392

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial report**  
**Eurobodalla Shire Council**

To the Councillors of the Eurobodalla Shire Council

## Opinion

I have audited the accompanying special purpose financial report (the financial report) of Eurobodalla Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Batemans Bay Beach Resort.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

## Basis for Opinion

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Karen Taylor  
Director, Financial Audit Services

20 December 2018  
SYDNEY

# Eurobodalla Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2018

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# Eurobodalla Shire Council

## Special Schedules

for the year ended 30 June 2018

### Contents

Page

#### Special Schedules <sup>1</sup>

<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 2</b>	Permissible income for general rates	4
<b>Special Schedule 2</b>	Independent Auditors Report	5
<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	8
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	11
<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	12
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	15
<b>Notes to Special Schedules 3 and 5</b>		16
<b>Special Schedule 7</b>	Report on Infrastructure Assets	17

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

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#### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the 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 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	1,534	7	–	(1,527)
<b>Administration</b>	347	777	144	574
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,798	359	576	(863)
Beach control	308	19	20	(269)
Enforcement of local government regulations	–	–	–	–
Animal control	913	336	–	(577)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>3,019</b>	<b>714</b>	<b>596</b>	<b>(1,709)</b>
<b>Health</b>	<b>431</b>	<b>145</b>	<b>–</b>	<b>(286)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	309	201	–	(108)
Other environmental protection	1,523	1,594	–	71
Solid waste management	9,770	11,803	30	2,063
Street cleaning	–	–	–	–
Drainage	–	456	–	456
Stormwater management	1,658	–	–	(1,658)
<b>Total environment</b>	<b>13,260</b>	<b>14,054</b>	<b>30</b>	<b>824</b>
<b>Community services and education</b>				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	6,758	6,092	–	(666)
Children's services	1,695	1,347	–	(348)
<b>Total community services and education</b>	<b>8,453</b>	<b>7,439</b>	<b>–</b>	<b>(1,014)</b>
<b>Housing and community amenities</b>				
Public cemeteries	149	153	–	4
Public conveniences	1,805	1	33	(1,771)
Street lighting	–	–	–	–
Town planning	1,168	155	–	(1,013)
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>3,122</b>	<b>309</b>	<b>33</b>	<b>(2,780)</b>
<b>Water supplies</b>	<b>15,971</b>	<b>17,900</b>	<b>1,812</b>	<b>3,741</b>
<b>Sewerage services</b>	<b>19,706</b>	<b>20,179</b>	<b>5,943</b>	<b>6,416</b>

## Eurobodalla Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,805	256	56	(1,493)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	528	188	47	(293)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	1,538	239	19	(1,280)
Sporting grounds and venues	3,151	273	287	(2,591)
Swimming pools	1,233	23	–	(1,210)
Parks and gardens (lakes)	3,900	467	537	(2,896)
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>12,155</b>	<b>1,446</b>	<b>946</b>	<b>(9,763)</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	3,289	2,037	–	(1,252)
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>3,289</b>	<b>2,037</b>	–	<b>(1,252)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	7,144	685	424	(6,035)
Urban roads – regional	2,200	1,489	51	(660)
Sealed rural roads (SRR) – local	3,632	207	3,948	523
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	2,281	862	426	(993)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	318	–	1,838	1,520
Bridges on SRR – local	688	–	–	(688)
Bridges on URR – local	470	–	–	(470)
Bridges on regional roads	–	–	–	–
Parking areas	905	5	–	(900)
Footpaths	1,006	41	2,831	1,866
Aerodromes	601	383	–	(218)
Other transport and communication	1,753	567	117	(1,069)
<b>Total transport and communication</b>	<b>20,998</b>	<b>4,239</b>	<b>9,635</b>	<b>(7,124)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	3,275	4,612	–	1,337
Other economic affairs	4,029	1,055	–	(2,974)
<b>Total economic affairs</b>	<b>7,304</b>	<b>5,667</b>	–	<b>(1,637)</b>
<b>Totals – functions</b>	<b>109,589</b>	<b>74,913</b>	<b>19,139</b>	<b>(15,537)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>37,610</b>		<b>37,610</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	–	–		–
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>109,589</b>	<b>112,523</b>	<b>19,139</b>	<b>22,073</b>

(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 – Permissible income for general rates  
for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	29,012	27,186
Plus or minus adjustments <sup>(2)</sup>	b	252	98
<b>Notional general income</b>	c = (a + b)	<b>29,264</b>	<b>27,284</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	6.37%
Or rate peg percentage	e	2.30%	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)	–	1,738
Or plus rate peg amount	i = c x e	673	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>29,937</b>	<b>29,022</b>
Plus (or minus) last year's carry forward total	l	17	26
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>17</b>	<b>26</b>
<b>Total permissible income</b>	o = k + n	<b>29,954</b>	<b>29,048</b>
Less notional general income yield	p	29,933	29,012
<b>Catch-up or (excess) result</b>	q = o – p	<b>21</b>	<b>36</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	(19)
<b>Carry forward to next year</b>	t = q + r – s	<b>21</b>	<b>17</b>

**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 2 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule 2 - Permissible Income for general rates

#### Eurobodalla Shire Council

To the Councillors of Eurobodalla Shire Council

### Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Eurobodalla Shire Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in blue ink, appearing to read 'Karen Taylor', is positioned above the typed name.

Karen Taylor  
Director, Financial Audit Services

20 December 2018  
SYDNEY

## 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 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	4,744	4,685
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	63	78
b. Maintenance expenses	44	33
– <b>Mains</b>		
c. Operation expenses	1,413	1,464
d. Maintenance expenses	677	969
– <b>Reservoirs</b>		
e. Operation expenses	82	163
f. Maintenance expenses	247	104
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	134	43
h. Energy costs	405	417
i. Maintenance expenses	39	124
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	504	421
k. Chemical costs	224	319
l. Maintenance expenses	160	104
– <b>Other</b>		
m. Operation expenses	747	289
n. Maintenance expenses	33	30
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	6,103	6,732
b. Plant and equipment	57	4
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	57	57
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)	631	628
<b>5. Total expenses</b>	<b>16,364</b>	<b>16,664</b>

## 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 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	5,980	5,633
b. Usage charges	8,332	8,306
<b>7. Non-residential charges</b>		
a. Access (including rates)	585	558
b. Usage charges	2,424	2,376
<b>8. Extra charges</b>	–	–
<b>9. Interest income</b>	607	563
<b>10. Other income</b>	398	449
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	201	206
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	1,333	1,897
b. Developer provided assets	479	53
c. Other contributions	2	26
<b>13. Total income</b>	<b>20,341</b>	<b>20,067</b>
<b>14. Gain (or loss) on disposal of assets</b>	(239)	(1,442)
<b>15. Operating result</b>	<b>3,738</b>	<b>1,961</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	3,738	1,961

## 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 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	4,004	75
b. New assets for growth	2,495	672
c. Renewals	1,509	2,276
d. Plant and equipment	–	90
<b>17. Repayment of debt</b>	70	75
<b>18. Totals</b>	<b>8,078</b>	<b>3,188</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	13
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>13</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	19,266	19,010
b. Residential (unoccupied, ie. vacant lot)	1,060	1,061
c. Non-residential (occupied)	940	941
d. Non-residential (unoccupied, ie. vacant lot)	64	67
<b>23. Number of ETs for which developer charges were received</b>	121 ET	158 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 367,472	\$ 373,106

## 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 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	30,374	–	30,374
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	–	–	–
c. User charges	483	–	483
d. Other	2,902	–	2,902
<b>27. Inventories</b>	59	–	59
<b>28. Property, plant and equipment</b>			
a. System assets	–	186,590	186,590
b. Plant and equipment	–	9,581	9,581
<b>29. Other assets</b>	12	–	12
<b>30. Total assets</b>	<b>33,830</b>	<b>196,171</b>	<b>230,001</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	544	–	544
<b>33. Borrowings</b>	70	925	995
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<b>614</b>	<b>925</b>	<b>1,539</b>
<b>36. NET ASSETS COMMITTED</b>	<b>33,216</b>	<b>195,246</b>	<b>228,462</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			160,140
<b>38. Asset revaluation reserve</b>			68,322
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>228,462</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			354,468,948
<b>42. Accumulated current cost</b> depreciation of system assets			(167,878,504)
<b>43. Written down current cost</b> of system assets			<b>186,590,444</b>

## 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 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	3,546	3,635
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	1,037	772
b. Maintenance expenses	512	240
– Pumping stations		
c. Operation expenses (excluding energy costs)	1,179	943
d. Energy costs	341	390
e. Maintenance expenses	862	977
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	2,117	2,080
g. Chemical costs	273	274
h. Energy costs	621	348
i. Effluent management	–	–
j. Biosolids management	–	395
k. Maintenance expenses	–	293
– Other		
l. Operation expenses	339	158
m. Maintenance expenses	73	–
<b>3. Depreciation expenses</b>		
a. System assets	7,264	7,379
b. Plant and equipment	70	10
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	620	729
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)	588	585
<b>5. Total expenses</b>	<b>19,442</b>	<b>19,208</b>

## 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 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	17,468	16,539
<b>7. Non-residential charges</b>		
a. Access (including rates)	1,678	1,625
b. Usage charges	721	686
<b>8. Trade waste charges</b>		
a. Annual fees	43	42
b. Usage charges	131	121
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	438	423
<b>11. Other income</b>	95	80
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	1,755	2,993
b. Grants for pensioner rebates	191	194
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	1,213	1,582
b. Developer provided assets	2,967	817
c. Other contributions	36	14
<b>14. Total income</b>	<u>26,736</u>	<u>25,116</u>
<b>15. Gain (or loss) on disposal of assets</b>	(850)	(660)
<b>16. Operating result</b>	<u>6,444</u>	<u>5,248</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	4,689	2,255

## 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 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	755
b. New assets for growth	9,553	10,311
c. Renewals	2,460	2,005
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	2,401	3,198
<b>19. Totals</b>	<b>14,414</b>	<b>16,269</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	(8)
<b>21. Borrowing utilised</b>	(5,623)	4,811
<b>22. Totals</b>	<b>(5,623)</b>	<b>4,803</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	18,500	17,639
b. Residential (unoccupied, ie. vacant lot)	937	928
c. Non-residential (occupied)	752	1,035
d. Non-residential (unoccupied, ie. vacant lot)	59	61
<b>24. Number of ETs for which developer charges were received</b>	124 ET	154 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 348,145	\$ 351,400

## 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 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	1,422	–	1,422
b. Special purpose grants	983	–	983
c. Accrued leave	–	–	–
d. Unexpended loans	1,184	–	1,184
e. Sinking fund	–	–	–
f. Other	23,210	–	23,210
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	–	–	–
c. User charges	196	–	196
d. Other	–	–	–
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	234,296	234,296
b. Plant and equipment	–	22,520	22,520
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>26,995</b>	<b>256,816</b>	<b>283,811</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	3	–	3
<b>33. Creditors</b>	1,496	–	1,496
<b>34. Borrowings</b>	2,747	18,008	20,755
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<b>4,246</b>	<b>18,008</b>	<b>22,254</b>
<b>37. NET ASSETS COMMITTED</b>	<b>22,749</b>	<b>238,808</b>	<b>261,557</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			130,681
<b>39. Asset revaluation reserve</b>			130,876
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>261,557</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			413,238,236
<b>43. Accumulated current cost</b> depreciation of system assets			(178,942,698)
<b>44. Written down current cost</b> of system assets			<b>234,295,538</b>

## Eurobodalla Shire Council

### Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Notes:

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

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

## Eurobodalla Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'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	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Administration	–	–	352	352	8,321	14,636	7%	55%	38%	0%	0%
	Bush Fire Brigade	280	280	311	311	3,653	5,335	17%	74%	4%	5%	0%
	Caravan Parks/Camp Grounds	–	–	761	761	7,703	10,689	54%	44%	2%	0%	0%
	Community Centres	–	–	121	121	3,008	3,973	20%	69%	11%	0%	0%
	Libraries	–	–	23	23	8,116	10,671	12%	86%	2%	0%	0%
	Operational	–	–	482	482	33,353	44,815	43%	49%	8%	0%	0%
	Parks & Reserves	–	–	–	–	88	122	85%	15%	0%	0%	0%
	Public Halls	–	–	156	156	1,732	2,962	15%	45%	40%	0%	0%
	Public Toilets	690	690	691	691	4,588	6,491	29%	66%	0%	5%	0%
	Sporting Facilities	64	64	289	289	14,170	22,993	46%	34%	20%	0%	0%
	Swimming Pool Centres	–	–	265	265	2,003	3,624	0%	58%	42%	0%	0%
<b>Sub-total</b>	<b>1,034</b>	<b>1,034</b>	<b>3,451</b>	<b>3,451</b>	<b>86,735</b>	<b>126,311</b>	<b>33.3%</b>	<b>52.4%</b>	<b>13.9%</b>	<b>0.5%</b>	<b>0.0%</b>	
Other structures	Other Structures	–	–	1,336	1,336	11,152	19,785	52%	37%	11%	0%	0%
	Waste Not in Buildings	–	–	1,454	1,454	5,665	8,177	72%	12%	16%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>2,790</b>	<b>2,790</b>	<b>16,817</b>	<b>27,962</b>	<b>57.8%</b>	<b>29.7%</b>	<b>12.5%</b>	<b>0.0%</b>	<b>0.0%</b>

## Eurobodalla Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Roads</b>	Road Furniture	1,432	1,432	235	235	6,624	11,261	47%	24%	16%	13%	0%
	Unsealed roads	5,531	5,531	1,088	1,088	57,355	68,561	81%	4%	7%	8%	0%
	Bridges	304	304	121	121	31,813	49,022	43%	47%	9%	1%	0%
	Footpaths	211	211	112	112	13,426	17,296	61%	29%	9%	1%	0%
	Shared Footpaths	167	167	76	76	12,550	17,635	87%	9%	3%	1%	0%
	Kerb & Gutter	–	–	61	61	41,372	68,532	40%	49%	11%	0%	0%
	Sealed Roads Structure Regional	1,511	1,511	306	306	28,620	39,380	78%	17%	1%	4%	0%
	Sealed Roads Structure Rural	2,458	2,458	771	771	83,045	103,088	85%	12%	1%	2%	0%
	Sealed Roads Structure Urban	20,638	20,638	1,630	1,630	132,370	191,946	66%	20%	3%	11%	0%
	Sealed Roads Surface Regional	210	210	95	95	1,946	3,145	43%	29%	21%	7%	0%
	Sealed Roads Surface Rural	262	262	170	170	4,241	7,991	32%	32%	33%	3%	0%
	Sealed Roads Surface Urban	1,561	1,561	281	281	7,767	14,981	33%	28%	29%	10%	0%
	Carparks	706	706	94	94	15,358	21,673	60%	30%	7%	3%	0%
	Bus Shelter	107	107	13	13	884	1,485	77%	0%	16%	7%	0%
<b>Sub-total</b>	<b>35,098</b>	<b>35,098</b>	<b>5,053</b>	<b>5,053</b>	<b>437,371</b>	<b>615,996</b>	<b>65.5%</b>	<b>22.8%</b>	<b>6.0%</b>	<b>5.7%</b>	<b>0.0%</b>	

## Eurobodalla Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Dams	–	–	199	199	17,236	27,991	5%	89%	6%	0%	0%
	Pipeline	4,224	4,224	1,967	1,967	121,888	245,891	25%	44%	29%	2%	0%
	Pump Stations	3,727	3,727	708	708	3,584	9,531	16%	36%	9%	39%	0%
	Reservoirs	–	–	327	327	24,761	45,427	19%	63%	18%	0%	0%
	Treatment Plants	–	–	19	19	19,120	25,628	65%	26%	3%	6%	0%
	<b>Sub-total</b>	<b>7,951</b>	<b>7,951</b>	<b>3,220</b>	<b>3,220</b>	<b>186,590</b>	<b>354,468</b>	<b>25.3%</b>	<b>48.5%</b>	<b>23.4%</b>	<b>2.9%</b>	<b>0.0%</b>
Sewerage network	Pipeline	–	–	1,420	1,420	161,075	256,958	49%	37%	14%	0%	0%
	Pump Stations	7,454	7,454	2,355	2,355	31,746	61,436	32%	37%	19%	12%	0%
	Treatment Works	7,796	7,796	2,778	2,778	41,474	94,844	19%	38%	35%	8%	0%
	<b>Sub-total</b>	<b>15,250</b>	<b>15,250</b>	<b>6,553</b>	<b>6,553</b>	<b>234,295</b>	<b>413,238</b>	<b>39.6%</b>	<b>37.2%</b>	<b>19.6%</b>	<b>3.6%</b>	<b>0.0%</b>

## Eurobodalla Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Drainage Roads	1,036	1,036	214	214	12,752	17,347	84%	4%	6%	6%	0%
	Drainage Works	6,317	6,317	258	258	72,632	98,549	84%	4%	6%	6%	0%
	<b>Sub-total</b>	<b>7,353</b>	<b>7,353</b>	<b>472</b>	<b>472</b>	<b>85,384</b>	<b>115,896</b>	<b>84.0%</b>	<b>4.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	–	–	266	266	1,281	8,194	1%	4%	95%	0%	0%
	Other Open Space Recreational	1,534	1,534	2,085	2,085	21,006	32,431	47%	37%	11%	5%	0%
	Waterways	4,875	4,875	122	122	5,620	9,142	38%	45%	15%	2%	0%
	<b>Sub-total</b>	<b>6,409</b>	<b>6,409</b>	<b>2,473</b>	<b>2,473</b>	<b>27,907</b>	<b>49,767</b>	<b>37.8%</b>	<b>33.0%</b>	<b>25.6%</b>	<b>3.6%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>73,095</b>	<b>73,095</b>	<b>24,012</b>	<b>24,012</b>	<b>1,075,099</b>	<b>1,703,638</b>	<b>48.8%</b>	<b>33.0%</b>	<b>14.2%</b>	<b>4.1%</b>	<b>0.0%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

1	<b>Excellent/very good</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Satisfactory</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Eurobodalla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<u>18,584</u>	<b>65.91%</b>	73.82%	76.23%	>= 100%
Depreciation, amortisation and impairment	<u>28,198</u>				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<u>73,095</u>	<b>6.80%</b>	7.24%	5.40%	< 2.00%
Net carrying amount of infrastructure assets	<u>1,075,650</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>24,012</u>	<b>100.00%</b>	100.00%	100.00%	> 100%
Required asset maintenance	<u>24,012</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>73,095</u>	<b>4.29%</b>	4.51%	3.51%	
Gross replacement cost	<u>1,703,638</u>				

**Notes**

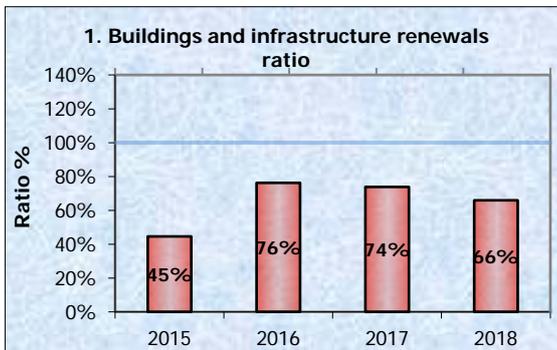
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

(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 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018



**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.

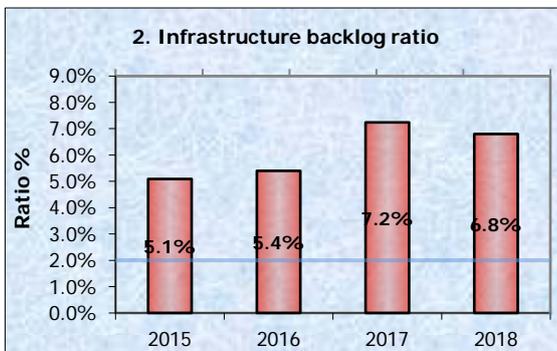
**Commentary on 2017/18 result**

**2017/18 Ratio 65.91%**

Council needs to continue to pursue grant opportunities which has previously supplemented the renewal spend. The current Long term Financial Plan (LTFP) also includes additional spend on targeted infrastructure renewal program commencing in 19/20. This will increase the ratio ensuring sustainability of Council's assets and maintaining acceptable levels of community safety.

Benchmark: ——— Minimum >=100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of infrastructure backlog ratio**

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

**Commentary on 2017/18 result**

**2017/18 Ratio 6.80%**

Council needs to continue to pursue grant opportunities which has previously supplemented the renewal spend. The current Long term Financial Plan (LTFP) also includes additional spend on targeted infrastructure renewal program commencing in 19/20 which will drive this ratio down towards the fit for future benchmark.

Benchmark: ——— Maximum <2.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

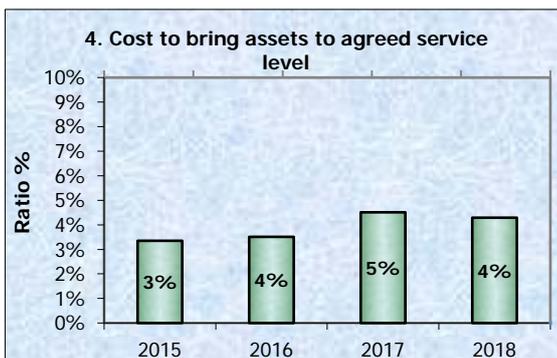
**Commentary on 2017/18 result**

**2017/18 Ratio 100.00%**

Council continues to focus on asset maintenance but is challenged to continue to meet this ratio due to increasing demand for services.

Benchmark: ——— Minimum >100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result**

**2017/18 Ratio 4.29%**

Council needs to continue to pursue grant opportunities which has previously supplemented the renewal spend. The current Long term Financial Plan (LTFP) also includes additional spend on targeted infrastructure renewal program commencing in 19/20 which will drive this ratio down towards the fit for future benchmark.

## Eurobodalla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

	General indicators <sup>(1)</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Infrastructure asset performance indicators by fund</b>							
<b>1. Buildings and infrastructure renewals ratio <sup>(2)</sup></b>							
Asset renewals <sup>(3)</sup>	<b>103.96%</b>	109.10%	<b>24.78%</b>	32.70%	<b>21.11%</b>	40.60%	>= 100%
Depreciation, amortisation and impairment							
<b>2. Infrastructure backlog ratio <sup>(2)</sup></b>							
Estimated cost to bring assets to a satisfactory standard	<b>7.62%</b>	8.66%	<b>4.26%</b>	3.93%	<b>6.51%</b>	6.24%	< 2.00%
Net carrying amount of infrastructure assets							
<b>3. Asset maintenance ratio</b>							
Actual asset maintenance	<b>100.00%</b>	100.00%	<b>100.00%</b>	100.00%	<b>100.00%</b>	100.00%	> 100%
Required asset maintenance							
<b>4. Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	<b>5.33%</b>	5.85%	<b>2.24%</b>	2.12%	<b>3.69%</b>	3.61%	
Gross replacement cost							

## Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Excludes Work In Progress (WIP)
- (3) 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.