

# Shoalhaven City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2011

---

*We will work together in the Shoalhaven to foster  
a safe and attractive community for people to live, work, stay and play;  
where sustainable growth, development and environmental protection  
are managed to provide a unique and relaxed lifestyle.*

**Shoalhaven**  
City Council

# Shoalhaven City Council

## General Purpose Financial Statements

for the financial year ended 30 June 2011

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors &amp; Management</b>	3
<b>3. Primary Financial Statements:</b>	
- Income Statement	4
- Statement of Comprehensive Income	5
- Balance Sheet	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])	69
- On the Conduct of the Audit (Sect 417 [3])	71

---

### Overview

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

(ii) Shoalhaven City Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 04/11/11. Council has the power to amend and reissue the financial statements.

---

## Shoalhaven City Council

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

## Understanding Council's Financial Statements

---

### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited Financial Statements to their Council & Community.

### What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2011.

The format of the Financial Statements is standard across all NSW Councils and complies with both the accounting & reporting requirements of Australian Accounting Standards and requirements as set down by the NSW Division 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 & ownership of the Financial Statements.

### About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

#### 1. An Income Statement

A summary of Council's financial performance for the year, listing all income & expenses.

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

#### 2. A Statement of Comprehensive Income

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant & Equip.

#### 3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.

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

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

#### 5. A 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 5 Primary Financial Statements.

### About the Auditor's Reports

Council's Financial Statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the Financial Statements present fairly the Council's financial performance & position, &
2. Their observations on the conduct of the Audit including the Council's financial performance & financial position.

### Who uses the Financial Statements ?

The Financial Statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the Financial Statements.

Council is required to forward an audited set of Financial Statements to the Division of Local Government.

# Shoalhaven City Council

## General Purpose Financial Statements

for the financial year ended 30 June 2011

### Statement by Councillors and Management

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

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

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

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

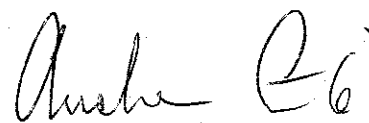
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records

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

**Signed in accordance with a resolution of Council made on 27 October 2011.**



Paul Green  
MAYOR



Andrew Guile  
COUNCILLOR



Russ Pigg  
GENERAL MANAGER



Peter Dun  
RESPONSIBLE ACCOUNTING OFFICER

## Shoalhaven City Council

## Income Statement

for the financial year ended 30 June 2011

Budget <sup>(1)</sup>				Actual	Actual
2011	\$ '000		Notes	2011	2010
<b>Income from Continuing Operations</b>					
<b>Revenue:</b>					
90,841	Rates & Annual Charges	3a		90,457	85,961
50,724	User Charges & Fees	3b		49,126	47,512
3,507	Interest & Investment Revenue	3c		7,483	7,530
3,119	Other Revenues	3d		4,466	3,839
17,115	Grants & Contributions provided for Operating Purposes	3e,f		21,261	17,610
5,777	Grants & Contributions provided for Capital Purposes	3e,f		12,202	19,275
<b>Other Income:</b>					
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19		-	-
<b>171,083</b>	<b>Total Income from Continuing Operations</b>			<b>184,995</b>	<b>181,727</b>
<b>Expenses from Continuing Operations</b>					
63,745	Employee Benefits & On-Costs	4a		62,428	59,338
4,660	Borrowing Costs	4b		4,955	5,241
38,259	Materials & Contracts	4c		44,641	44,364
33,312	Depreciation & Amortisation	4d		47,016	32,374
-	Impairment	4d		-	-
22,653	Other Expenses	4e		20,169	19,215
-	Net Losses from the Disposal of Assets	5		1,080	853
<b>162,629</b>	<b>Total Expenses from Continuing Operations</b>			<b>180,289</b>	<b>161,385</b>
<b>8,454</b>	<b>Operating Result from Continuing Operations</b>			<b>4,706</b>	<b>20,342</b>
<b>Discontinued Operations</b>					
-	Net Profit/(Loss) from Discontinued Operations	24		-	-
<b>8,454</b>	<b>Net Operating Result for the Year</b>			<b>4,706</b>	<b>20,342</b>
8,454	Net Operating Result attributable to Council			4,706	20,342
-	Net Operating Result attributable to Minority Interests			-	-
<b>2,677</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>			<b>(7,496)</b>	<b>1,067</b>

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

## Shoalhaven City Council

## Statement of Comprehensive Income

for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)		<b>4,706</b>	<b>20,342</b>
<b>Other Comprehensive Income</b>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	165,115	167,961
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in Reserves	20b (ii)	-	-
<b>Total Other Comprehensive Income for the year</b>		<b>165,115</b>	<b>167,961</b>
<b>Total Comprehensive Income for the Year</b>		<b>169,821</b>	<b>188,303</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>169,821</b>	<b>188,303</b>
<b>Total Comprehensive Income attributable to Minority Interests</b>		<b>-</b>	<b>-</b>

## Shoalhaven City Council

## Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	84,527	27,757
Investments	6b	15,623	58,265
Receivables	7	11,927	13,456
Inventories	8	3,202	3,373
Other	8	1,449	1,280
Non-current assets classified as "held for sale"	22	-	-
<b>Total Current Assets</b>		<b>116,728</b>	<b>104,131</b>
<b>Non-Current Assets</b>			
Investments	6b	7,326	14,383
Receivables	7	11,039	9,680
Inventories	8	6,618	6,804
Infrastructure, Property, Plant & Equipment	9	2,257,079	2,093,271
Investments accounted for using the equity method	19	-	-
Investment Property	14	1,508	1,477
Intangible Assets	25	-	-
<b>Total Non-Current Assets</b>		<b>2,283,570</b>	<b>2,125,615</b>
<b>TOTAL ASSETS</b>		<b>2,400,298</b>	<b>2,229,746</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	16,929	16,149
Borrowings	10	8,680	8,153
Provisions	10	30,482	30,630
<b>Total Current Liabilities</b>		<b>56,091</b>	<b>54,932</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	63,271	64,233
Provisions	10	9,842	9,308
<b>Total Non-Current Liabilities</b>		<b>73,113</b>	<b>73,541</b>
<b>TOTAL LIABILITIES</b>		<b>129,204</b>	<b>128,473</b>
<b>Net Assets</b>		<b>2,271,094</b>	<b>2,101,273</b>
<b>EQUITY</b>			
Retained Earnings	20	1,269,390	1,264,684
Revaluation Reserves	20	1,001,704	836,589
Council Equity Interest		2,271,094	2,101,273
Minority Equity Interest		-	-
<b>Total Equity</b>		<b>2,271,094</b>	<b>2,101,273</b>

## Shoalhaven City Council

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
<b>2011</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		1,264,707	648,201	<b>1,912,908</b>	-	<b>1,912,908</b>
a. Correction of Prior Period Errors	20 (c)	(23)	188,388	<b>188,365</b>	-	<b>188,365</b>
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/10)		<b>1,264,684</b>	<b>836,589</b>	<b>2,101,273</b>	-	<b>2,101,273</b>
<b>c. Net Operating Result for the Year</b>		<b>4,706</b>	-	<b>4,706</b>	-	<b>4,706</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	165,115	<b>165,115</b>	-	<b>165,115</b>
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	<b>165,115</b>	<b>165,115</b>	-	<b>165,115</b>
<b>Total Comprehensive Income</b> (c&d)		<b>4,706</b>	<b>165,115</b>	<b>169,821</b>	-	<b>169,821</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>1,269,390</b>	<b>1,001,704</b>	<b>2,271,094</b>	-	<b>2,271,094</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
<b>2010</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		1,241,940	480,240	<b>1,722,180</b>	-	<b>1,722,180</b>
a. Correction of Prior Period Errors	20 (c)	2,425	-	<b>2,425</b>	-	<b>2,425</b>
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/09)		<b>1,244,365</b>	<b>480,240</b>	<b>1,724,605</b>	-	<b>1,724,605</b>
<b>c. Net Operating Result for the Year</b>		<b>20,342</b>	-	<b>20,342</b>	-	<b>20,342</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	167,961	<b>167,961</b>	-	<b>167,961</b>
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	<b>167,961</b>	<b>167,961</b>	-	<b>167,961</b>
<b>Total Comprehensive Income</b> (c&d)		<b>20,342</b>	<b>167,961</b>	<b>188,303</b>	-	<b>188,303</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>1,264,707</b>	<b>648,201</b>	<b>1,912,908</b>	-	<b>1,912,908</b>



## Shoalhaven City Council

## Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
90,335	Rates & Annual Charges		89,967	87,878
50,724	User Charges & Fees		49,480	47,406
3,507	Investment & Interest Revenue Received		7,212	5,884
22,892	Grants & Contributions		33,025	36,352
-	Bonds & Deposits Received		222	-
3,119	Other		4,532	13,572
<b>Payments:</b>				
(62,905)	Employee Benefits & On-Costs		(62,555)	(57,694)
(38,259)	Materials & Contracts		(44,911)	(51,409)
(4,660)	Borrowing Costs		(4,616)	(4,902)
(22,616)	Other		(19,167)	(25,598)
<b>42,137</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>53,189</b>	<b>51,489</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
-	Sale of Investment Securities		184,586	117,130
2,680	Sale of Real Estate Assets		27	-
2,389	Sale of Infrastructure, Property, Plant & Equipment		2,513	1,898
-	Deferred Debtors Receipts		27	28
<b>Payments:</b>				
-	Purchase of Investment Securities		(134,447)	(123,916)
(60,140)	Purchase of Infrastructure, Property, Plant & Equipment		(48,527)	(50,120)
(1,700)	Purchase of Real Estate Assets		(39)	(501)
-	Deferred Debtors & Advances Made		(11)	(39)
<b>(56,771)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>4,129</b>	<b>(55,520)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
20,874	Proceeds from Borrowings & Advances		7,606	6,034
<b>Payments:</b>				
(8,144)	Repayment of Borrowings & Advances		(8,154)	(7,983)
<b>12,730</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(548)</b>	<b>(1,949)</b>
<b>(1,904)</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>56,770</b>	<b>(5,980)</b>
100,405	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	27,757	33,737
<b>98,501</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>84,527</b>	<b>27,757</b>
Additional Information:				
	plus: <b>Investments on hand - end of year</b>	6b	22,949	72,648
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		<b>107,476</b>	<b>100,405</b>

Please refer to Note 11 for additional cash flow information.

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2(a)	Council Functions / Activities - Financial Information	24
2(b)	Council Functions / Activities - Component Descriptions	25
3	Income from Continuing Operations	26
4	Expenses from Continuing Operations	31
5	Gains or Losses from the Disposal of Assets	34
6(a)	Cash & Cash Equivalent Assets	35
6(b)	Investment Securities	36
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	37
7	Receivables	39
8	Inventories & Other Assets	40
9(a)	Infrastructure, Property, Plant & Equipment	42
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	43
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	43 n/a
10(a)	Payables, Borrowings & Provisions	44
10(b)	Description of (& movements in) Provisions	45
11	Statement of Cash Flows - Additional Information	46
12	Commitments for Expenditure	48
13a	Statements of Performance Measures:	
	- Local Government Industry Indicators (Consolidated)	50
	- Local Government Industry Graphs (Consolidated)	51
13b	Statement of Performance Measures - Indicators (by Fund)	52
14	Investment Properties	53
15	Financial Risk Management	54
16	Material Budget Variations	58
17	Statement of Developer Contributions	59
18	Contingencies and Other Liabilities/Assets not recognised	61
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	62 n/a
20	Equity - Retained Earnings and Revaluation Reserves	62
21	Financial Result & Financial Position by Fund	64
22	"Held for Sale" Non Current Assets & Disposal Groups	66 n/a
23	Events occurring after Balance Sheet date	66
24	Discontinued Operations	66 n/a
25	Intangible Assets	67 n/a
26	Reinstatement, Rehabilitation & Restoration Liabilities	67
<b>Additional Council Disclosures</b>		
27	Council Information & Contact Details	68

n/a - not applicable

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

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

##### (a) Basis of preparation

###### (i) Background

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

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

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

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

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

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

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

###### (iii) Basis of Accounting

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

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

###### (iv) Changes in Accounting Policies

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

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

###### (v) Critical Accounting Estimates

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

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

###### (b) Revenue recognition

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

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

Revenue is measured on major income categories as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

##### **Interest and Rents**

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

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

##### (c) Principles of Consolidation

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

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

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

##### (i) The Consolidated Fund

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

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

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

- *General Purpose Operations*
- *Water Supply*
- *Sewerage Service*
- *Domestic Waste Services*
- *Southern Water Services*

##### (ii) The Trust Fund

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

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

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

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

##### (iii) Joint Ventures

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

##### (d) Leases

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

##### Finance Leases

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

##### Operating Leases

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

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

Cash and cash equivalents includes;

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

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

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

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

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

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

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

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

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

Assets in this category are primarily classified as current.

##### (ii) Loans and receivables

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

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

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

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

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

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

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

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

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

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

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

##### (i) Initial Recognition

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

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

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

##### (ii) Subsequent Measurement

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

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

##### (iii) Types of Investments

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

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

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

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

##### (g) Fair value estimation

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

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

##### (h) Receivables

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

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

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

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

##### (i) Inventories

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

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

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure.

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

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

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

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

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

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

##### Acquisition of assets

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

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

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

##### Initial Recognition

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

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

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

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

##### Subsequent costs

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

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

##### Asset Revaluations (including Indexation)

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

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



## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

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

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

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

#### Capitalisation Thresholds

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

##### Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

##### Plant & Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$2,000

##### Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$2,000
Other Structures	> \$2,000

##### Water & Sewer Assets

All Infrastructure	> \$2,000
--------------------	-----------

##### Stormwater Assets

Stormwater Drainage	> \$5,000
---------------------	-----------

##### Transport Assets

Road construction & reconstruction	100% capitalised
Reseal/Re-sheet & major repairs:	> \$2,000

Bridge construction & reconstruction	100% capitalised
--------------------------------------	------------------

#### Depreciation

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

Land is not depreciated.

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

##### Plant & Equipment

- Office Equipment	10 years
- Office furniture	10 years
- Computer Equipment	4 years
- Vehicles	3 to 5 years
- Heavy Plant/Road Making equip.	6 years
- Other plant and equipment	10 to 30 years

##### Other Equipment

- Playground equipment	4 to 20 years
- Benches, seats etc	10 to 20 years

##### Buildings

- Small Buildings (eg. toilet block)	40 years
- Large Buildings : Other	60 years

##### Stormwater Drainage

- Various	60 to 80 years
-----------	----------------

##### Transportation Assets

- Roads and Carpark Pavement	20 to 80 years
- Roads and Carpark Surface	12 to 40 years
- Traffic Facilities	40 years
- Kerb & Gutter	70 years
- Bus shelters	20 years
- Crash barriers & Fencing	20 to 40 years
- Bridges	40 to 80 Years
- Footpaths	35 to 50 years

##### Water & Sewer Assets

- Various	40 to 100 years
-----------	-----------------

##### Other Infrastructure Assets

- Other Structures	20 to 50 years
--------------------	----------------

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

Following the revaluation of road, drainage and bridge assets at 30 June 2010, the residual values and useful lives were reviewed resulting in a significant increase in depreciation of those assets. The average depreciation rate increased from 1% to 2% in addition to the increase in value.

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

#### Disposal and De-recognition

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

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

#### (k) Land

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

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

#### (l) Land under roads

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

Council has elected 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.

#### (m) Crown Reserves

Council acts as trustee for a number of crown reserves and these land parcels have not been recognised as assets of the Council.

Ownership of the reserves remains with the Crown however, Council is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

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

#### (n) Rural Fire Service assets

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

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

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

#### (o) Investment property

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

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

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

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

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

The exception to this is plant and motor vehicles which are turned over on a regular basis.

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

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

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

#### **(r) Impairment of assets**

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

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

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

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

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

which is approximated as its written down replacement cost.

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

#### **(s) Payables**

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

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

#### **(t) Borrowings**

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

Borrowings are subsequently measured at amortised cost.

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

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

#### **(u) 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.

#### **(v) Employee benefits**

##### **(i) Short Term Obligations**

Short term employee benefit obligations include liabilities for wages and salaries (including non-

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

monetary benefits), annual leave and vesting sick leave expected to be settled within the 12 months after the reporting period.

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

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

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

#### (ii) Other Long Term Obligations

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

These liabilities are measured at the present value of the expected future payments to be made using the industry estimate of present value measurement.

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

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

#### (iii) Retirement benefit obligations

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

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

#### Defined Benefit Plans

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

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

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans.

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

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

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities.

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

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

arrangement where assets and liabilities are pooled together for all member councils.

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

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

#### Define Contribution Plans

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

#### (iv) Employee Benefit On-Costs

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

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

#### (w) Self insurance

Council has determined to self-insure for workers compensation.

A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10.

Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

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

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

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

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

#### Exceptions

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

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

#### (y) Taxes

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

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

#### Goods & Services Tax (GST)

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

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

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

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

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

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

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

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

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

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

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

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

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

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

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

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

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

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

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

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

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

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

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

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

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

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

None

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

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

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

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

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

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

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

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

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

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

AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale.

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

#### **(aa) Rounding of amounts**

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

#### **(ab) Comparative Figures**

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

#### **(ac) Disclaimer**

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



# Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Governance	12	13	11	1,478	1,372	1,411	(1,466)	(1,359)	(1,400)	-	-	3,456	3,056
Administration	8	7	9	772	547	556	(764)	(540)	(547)	-	-	1,379	1,204
Society	13,256	13,470	14,135	36,379	33,321	30,216	(23,123)	(19,851)	(16,081)	3,572	3,894	95,552	74,547
Economy	272	629	599	2,710	1,982	1,978	(2,438)	(1,353)	(1,379)	-	230	5,064	4,284
Environment	20,431	20,003	18,067	21,302	19,532	16,885	(871)	471	1,182	698	793	49,172	36,574
Infrastructure	4,127	6,229	15,034	50,983	55,496	46,042	(46,856)	(49,267)	(31,008)	3,175	12,440	1,937,792	1,831,852
Organisation	74,746	85,423	75,328	49,005	68,039	64,297	25,741	17,384	11,031	1,143	1,352	307,883	278,229
<b>Total Functions &amp; Activities</b>	<b>112,852</b>	<b>125,774</b>	<b>123,183</b>	<b>162,629</b>	<b>180,289</b>	<b>161,385</b>	<b>(49,777)</b>	<b>(54,515)</b>	<b>(38,202)</b>	<b>8,588</b>	<b>18,709</b>	<b>2,400,298</b>	<b>2,229,746</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income <sup>1</sup>	58,231	59,221	58,544	-	-	-	58,231	59,221	58,544	11,479	10,690	-	-
<b>Operating Result from Continuing Operations</b>	<b>171,083</b>	<b>184,995</b>	<b>181,727</b>	<b>162,629</b>	<b>180,289</b>	<b>161,385</b>	<b>8,454</b>	<b>4,706</b>	<b>20,342</b>	<b>20,067</b>	<b>29,399</b>	<b>2,400,298</b>	<b>2,229,746</b>

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

## Shoalhaven City Council

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

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

Costs relating to corporate support and other support services.

##### **SOCIETY**

Health, fire protection, SES, VRA, Community Buildings, Community Services, Library, Child Care, Open space, Cycleways, beaches, Swimming pools, Development Control, Companion Animals, Cemeteries and By Laws.

##### **ECONOMY**

Town Centres, marketing and promotion.

##### **ENVIRONMENT**

Landcare, lakes restoration, pollution and environmental systems.

##### **INFRASTRUCTURE**

Roads, drainage, water and waste.

##### **ORGANISATION**

Workforce, finance, equipment and support systems, administration and caravan parks.

## Shoalhaven City Council

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

#### Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		39,331	38,066
Farmland		1,575	1,520
Business		3,994	3,928
<b>Total Ordinary Rates</b>		<b>44,900</b>	<b>43,514</b>
<b>Special Rates</b>			
Town Improvement		10	10
Town Planning		207	208
<b>Total Special Rates</b>		<b>217</b>	<b>218</b>
<b>Annual Charges</b> (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		11,726	10,830
Stormwater Management Services		1,030	1,021
Water Supply Services		3,701	3,200
Sewerage Services		28,674	26,961
Waste Management Services (non-domestic)		209	217
<b>Total Annual Charges</b>		<b>45,340</b>	<b>42,229</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>90,457</b>	<b>85,961</b>

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

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Water Supply Services		12,626	12,341
Sewerage Services		1,887	1,819
Waste Management Services (non-domestic)		5,630	5,316
<b>Total User Charges</b>		<b>20,143</b>	<b>19,476</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s608 & 610A)			
Animal Charges		164	90
Building Services		842	148
Food Inspection Fees		120	125
Health Licence Fees		98	103
Private Works - Section 67		1,857	1,774
Town Planning		2,174	2,969
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>5,255</b>	<b>5,209</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.610C)			
Cemeteries		1,104	1,150
Communication Charges		753	674
Entertainment Centre		1,048	610
Family Day Care		177	158
Hire of Council Property		199	229
Leaseback Fees - Council Vehicles		851	847
Library		71	74
Swimming / Leisure Centres		3,212	3,341
Tourism		199	134
Tourist Parks		15,885	15,486
Other		229	124
<b>Total Fees &amp; Charges - Other</b>		<b>23,728</b>	<b>22,827</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>49,126</b>	<b>47,512</b>

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges		496	492
- Interest earned on Investments (interest & coupon payment income)		6,542	5,580
<b>Fair Value Adjustments</b>			
- Fair Valuation movements in Investments (at FV or Held for Trading)		440	1,122
<b>Amortisation of Premiums &amp; Discounts</b>			
- Interest Free (& Interest Reduced) Loans provided		3	10
<b>Fair Valuation of Financial Liabilities on recognition</b>			
- Interest Free (or favourable) Loans & Advances Received		2	326
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<b>7,483</b>	<b>7,530</b>

#### Interest Revenue is attributable to:

##### Unrestricted Investments/Financial Assets:

Overdue Rates & Annual Charges	348	492
General Council Cash & Investments	5,184	4,302

##### Restricted Investments/Funds - External:

Development Contributions		
- Section 94	(418)	1,386
- Section 64	(693)	557
Water Fund Operations	1,790	271
Sewerage Fund Operations	737	522
Domestic Waste Management operations	535	-

<b>Total Interest &amp; Investment Revenue Recognised</b>	<b>7,483</b>	<b>7,530</b>
---	--------------	--------------

#### (d). Other Revenues

Fair Value Adjustments - Investment Properties	14	31	30
Rental Income - Investment Properties	14	126	124
Rental Income - Other Council Properties		782	790
Parking Fines		669	603
Other Fines		232	237
Legal Fees Recovery - Rates & Charges (Extra Charges)		343	332
Legal Fees Recovery - Other		146	67
Commissions & Agency Fees		43	72
Diesel Rebate		54	50
Discounts Received		12	14
Employment Subsidies		138	165
Inhouse Canteen Charges		178	175
Insurance Claim Recoveries		639	329
Library - Other Councils		113	133

...continued on next page

## Shoalhaven City Council

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

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>(d). Other Revenues (continued)</b>			
Sales - General		15	4
Waste Levy Refunds		476	355
Credit Card Service Fees		88	-
Insurance Rebates		134	-
Other		247	359
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>4,466</u></b>	<b><u>3,839</u></b>

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	7,466	6,875	-	-
Financial Assistance - Local Roads Component	2,838	2,638	-	-
Pensioners' Rates Subsidies - General Component	1,175	1,177	-	-
<b>Total General Purpose</b>	<b><u>11,479</u></b>	<b><u>10,690</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Water	492	480	-	-
- Sewerage	500	494	-	-
- Domestic Waste Management	385	370	-	-
Sewerage Services	-	33	197	5,044
Bushfire & Emergency Services	854	1,103	433	1,033
Community Care	1,518	1,321	14	101
Community Centres	-	-	175	2,000
Environmental Protection	846	593	12	10
Heritage & Cultural	10	12	-	-
Recreation & Culture	-	-	573	717
Street Lighting	73	71	-	-
Transport (Other Roads & Bridges Funding)	14	266	2,370	4,473
Other	101	89	21	499
<b>Total Specific Purpose</b>	<b><u>4,793</u></b>	<b><u>4,832</u></b>	<b><u>3,795</u></b>	<b><u>13,877</u></b>
<b>Total Grants</b>	<b><u>16,272</u></b>	<b><u>15,522</u></b>	<b><u>3,795</u></b>	<b><u>13,877</u></b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	11,311	10,641	1,755	5,921
- State Funding	4,956	4,966	2,019	7,791
- Other Funding	5	(85)	21	165
	<b><u>16,272</u></b>	<b><u>15,522</u></b>	<b><u>3,795</u></b>	<b><u>13,877</u></b>

## Shoalhaven City Council

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

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

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
<b>(f). Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b>				
S 94 - Contributions towards amenities/services	-	-	3,153	1,639
S 64 - Water Supply Contributions	-	-	1,734	1,388
S 64 - Sewerage Service Contributions	-	-	2,199	1,646
<b>Total Developer Contributions</b>	<b>17 -</b>	<b>-</b>	<b>7,086</b>	<b>4,673</b>
<b>Other Contributions:</b>				
Bushfire Services	-	-	-	40
Dedications (other than by S94)	-	-	570	271
Environmental	310	301	-	-
Kerb & Gutter	-	-	157	249
Recreation & Culture	-	-	227	6
Roads & Bridges	122	58	115	38
RTA Contributions (Regional/Local, Block Grant)	1,914	1,611	209	-
Water Supplies (excl. Section 64 contributions)	-	-	-	75
Emergency Event	2,443	-	-	-
Other	200	118	43	46
<b>Total Other Contributions</b>	<b>4,989</b>	<b>2,088</b>	<b>1,321</b>	<b>725</b>
<b>Total Contributions</b>	<b>4,989</b>	<b>2,088</b>	<b>8,407</b>	<b>5,398</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>21,261</b>	<b>17,610</b>	<b>12,202</b>	<b>19,275</b>

\$ '000	Actual 2011	Actual 2010
---------	----------------	----------------

**(g). Restrictions relating to Grants and Contributions****Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the Close of the Previous Reporting Period	30,193	27,634
<b>add:</b> Grants & contributions recognised in the current period not yet spent:	7,157	8,871
<b>less:</b> Grants & contributions recognised in a previous reporting period & now spent	(9,640)	(6,312)
<b>Net Increase (Decrease) in Restricted Assets</b>	<b>(2,483)</b>	<b>2,559</b>
<b>Unexpended and held as Restricted Assets</b>	<b>27,710</b>	<b>30,193</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	1,812	2,864
- Developer Contributions	25,898	27,329
	<b>27,710</b>	<b>30,193</b>

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		47,442	44,545
Travelling		34	30
Employee Leave Entitlements (ELE)		7,677	8,982
Superannuation		7,094	7,123
Workers' Compensation Insurance		589	(184)
Fringe Benefit Tax (FBT)		183	174
Payroll Tax		762	733
Training Costs (other than Salaries & Wages)		963	776
Other		89	83
<b>Total Employee Costs</b>		<b>64,833</b>	<b>62,262</b>
less: Capitalised Costs		(2,405)	(2,924)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>62,428</b>	<b>59,338</b>
Number of "Equivalent Full Time" Employees at year end		<b>769</b>	<b>758</b>
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		4,380	4,734
Interest on Advances		180	159
<b>Total Interest Bearing Liability Costs</b>		<b>4,560</b>	<b>4,893</b>
less: Capitalised Costs		(14)	-
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>4,546</b>	<b>4,893</b>
<b>(ii) Other Borrowing Costs</b>			
Fair Value Adjustments on Recognition of Advances & Deferred Debtor			
- Interest Free (or favourable) Loans and Advances made by Council		14	12
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	280	283
Amortisation of Premiums & Discounts			
- Low Interest Loans Received		115	53
<b>Total Other Borrowing Costs</b>		<b>409</b>	<b>348</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>4,955</b>	<b>5,241</b>



## Shoalhaven City Council

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

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		10,648	12,076
Contractor & Consultancy Costs		30,404	29,168
Auditors Remuneration			
- Audit Services: Council's Auditor		70	63
- Other Services: Council's Auditor		43	-
Legal Expenses:			
- Legal Expenses: Planning & Development		540	258
- Legal Expenses: Other		124	185
- Legal Expenses: Debt Recovery		364	379
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>(1)</sup>		97	124
Fuel		2,351	2,111
<b><u>TOTAL MATERIALS &amp; CONTRACTS</u></b>		<b><u>44,641</u></b>	<b><u>44,364</u></b>

#### 1. Operating Lease Payments are attributable to:

- Buildings	5	31
- Other	92	93
	<b><u>97</u></b>	<b><u>124</u></b>

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010

#### (d) Depreciation, Amortisation & Impairment

Plant and Equipment	-	-	4,068	3,681
Office Equipment	-	-	1,110	1,058
Furniture & Fittings	-	-	60	64
Land Improvements (depreciable)	-	-	3,537	1,853
Buildings - Non Specialised	-	-	12	12
Buildings - Specialised	-	-	4,444	4,185
Other Structures	-	-	642	1,370
Infrastructure:				
- Roads, Bridges & Footpaths	-	-	17,794	6,068
- Stormwater Drainage	-	-	1,955	1,473
- Water Supply Network	-	-	5,825	5,610
- Sewerage Network	-	-	7,200	6,641
Other Assets				
- Library Books	-	-	303	289
Asset Reinstatement Costs	9 & 26	-	66	70
<b><u>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>-</u></b>	<b><u>-</u></b>	<b><u>47,016</u></b>
			<b><u>32,374</u></b>	

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		494	680
Bad & Doubtful Debts		29	412
Bank Charges		581	553
Computer Software, Equipment & Maintenance		1,013	1,116
Contributions/Levies to Other Levels of Government			
- Department of Lands		772	752
- Emergency Services Levy		99	90
- NSW Fire Brigade Levy		223	205
- NSW Rural Fire Service Levy		792	577
- Waste Levy		4,394	3,361
Councillor Expenses - Mayoral Fee		35	34
Councillor Expenses - Councillors' Fees		208	201
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		176	219
Donations, Contributions & Assistance to other organisations (Section 356)		445	493
Electricity & Heating		4,026	3,658
Insurance		2,877	2,652
Motor Vehicle Registrations		247	222
Postage		238	231
Printing & Stationery		427	500
Rain Water Tank Rebates		-	27
Street Lighting		1,461	1,387
Subscriptions & Publications		396	474
Telephone & Communications		856	948
Valuation Fees		316	310
Washing Machine Rebates		-	1
Other		64	112
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>20,169</u></b>	<b><u>19,215</u></b>

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2011	Actual 2010
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal		452	5
less: Carrying Amount of Property Assets Sold		(402)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>50</b>	<b>5</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal		2,061	1,893
less: Carrying Amount of P&E Assets Sold		(3,188)	(2,751)
<b>Net Gain/(Loss) on Disposal</b>		<b>(1,127)</b>	<b>(858)</b>
<b>Infrastructure</b>			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(30)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>(30)</b>	<b>-</b>
<b>Real Estate Assets Held For Sale</b>			
Proceeds from Disposal		27	-
less: Carrying Amount of Real Estate Assets Sold		-	-
<b>Net Gain/(Loss) on Disposal</b>		<b>27</b>	<b>-</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions		184,586	117,130
less: Carrying Amount of Financial Assets Sold / Redeemed		(184,586)	(117,130)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(1,080)</b>	<b>(853)</b>

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		6,847	-	1,577	-
Cash-Equivalent Assets <sup>1</sup>					
- Short Term Deposits		77,680	-	26,180	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>84,527</b>	<b>-</b>	<b>27,757</b>	<b>-</b>
<b>Investment Securities (Note 6b)</b>					
- Managed Funds		5,501	-	5,265	-
- Long Term Deposits		8,125	-	53,000	-
- NCD's, FRN's (with Maturities > 3 months)		1,997	4,961	-	12,300
- CDO's		-	2,349	-	2,067
- Unlisted Equity Securities		-	16	-	16
<b>Total Investment Securities</b>		<b>15,623</b>	<b>7,326</b>	<b>58,265</b>	<b>14,383</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>100,150</b>	<b>7,326</b>	<b>86,022</b>	<b>14,383</b>

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

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

**Cash & Cash Equivalents**

a. "At Fair Value through the Profit & Loss"		<b>84,527</b>	<b>-</b>	<b>27,757</b>	<b>-</b>
--	--	---------------	----------	---------------	----------

**Investments**

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	7,498	3,310	5,265	7,367
b. "Held to Maturity"	6(b-ii)	8,125	4,000	53,000	7,000
c. "Available for Sale"	6(b-iv)	-	16	-	16
<b>Investments</b>		<b>15,623</b>	<b>7,326</b>	<b>58,265</b>	<b>14,383</b>

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 6b. Investments (continued)

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	5,265	7,367	6,148	6,746
Revaluations (through the Income Statement)	-	440	-	1,122
Additions	462	-	586	-
Disposals (sales & redemptions)	(226)	(2,500)	(1,470)	(500)
Transfers between Current/Non Current	1,997	(1,997)	1	(1)
<b>Balance at End of Year</b>	<b>7,498</b>	<b>3,310</b>	<b>5,265</b>	<b>7,367</b>
<b>Comprising:</b>				
- Managed Funds	5,501	-	5,265	-
- NCD's, FRN's (with Maturities > 3 months)	1,997	961	-	5,300
- CDO's	-	2,349	-	2,067
<b>Total</b>	<b>7,498</b>	<b>3,310</b>	<b>5,265</b>	<b>7,367</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	53,000	7,000	44,830	7,000
Additions	133,985	-	123,330	-
Disposals (sales & redemptions)	(178,860)	(3,000)	(115,160)	-
<b>Balance at End of Year</b>	<b>8,125</b>	<b>4,000</b>	<b>53,000</b>	<b>7,000</b>
<b>Comprising:</b>				
- Long Term Deposits	8,125	-	53,000	-
- NCD's, FRN's (with Maturities > 3 months)	-	4,000	-	7,000
<b>Total</b>	<b>8,125</b>	<b>4,000</b>	<b>53,000</b>	<b>7,000</b>
<b>Note 6(b-iii)</b>				
<b>Reconciliation of Investments classified as "Available for Sale"</b>				
Balance at the Beginning of the Year	-	16	-	16
<b>Balance at End of Year</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>16</b>
<b>Comprising:</b>				
- Unlisted Equity Securities	-	16	-	16
<b>Total</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>16</b>

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
<b>Total Cash, Cash Equivalents and Investment Securities</b>	<b>100,150</b>	<b>7,326</b>	<b>86,022</b>	<b>14,383</b>
<b>attributable to:</b>				
External Restrictions (refer below)	64,584	7,326	49,295	14,383
Internal Restrictions (refer below)	30,073	-	31,475	-
Unrestricted (H)	5,493	-	5,252	-
	<b>100,150</b>	<b>7,326</b>	<b>86,022</b>	<b>14,383</b>

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

## Details of Restrictions

**External Restrictions - Included in Liabilities**

Specific Purpose Unexpended Loans-General (A)	3,841	4,575	(3,817)	4,599
Self Insurance Claims (C)	4,044	233	-	4,277
<b>External Restrictions - Included in Liabilities</b>	<b>7,885</b>	<b>4,808</b>	<b>(3,817)</b>	<b>8,876</b>

**External Restrictions - Other**

Developer Contributions - General (D)	18,658	2,727	(2,397)	18,988
Developer Contributions - Water Fund (D)	5,539	1,372	(437)	6,474
Developer Contributions - Sewer Fund (D)	3,132	1,868	(4,564)	436
Specific Purpose Unexpended Grants (F)	2,864	1,190	(2,242)	1,812
Water Supplies (G)	9,392	6,256	-	15,648
Sewerage Services (G)	7,742	2,533	-	10,275
Domestic Waste Management (G)	6,813	26,736	(24,862)	8,687
Stormwater Management (G)	762	1,030	(1,078)	714
Other Special Levies (G)	891	-	(891)	-
<b>External Restrictions - Other</b>	<b>55,793</b>	<b>43,712</b>	<b>(36,471)</b>	<b>63,034</b>
<b>Total External Restrictions</b>	<b>63,678</b>	<b>48,520</b>	<b>(40,288)</b>	<b>71,910</b>

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- C** Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.
- H** The amount of unrestricted cash required to fund incomplete works as at 30 June 2011 was \$4,001K (\$4,253K in 2010).

## Shoalhaven City Council

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

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	1,647	8,900	(7,869)	2,678
Employees Leave Entitlement	4,390	822	(1,930)	3,282
Committed Capital Works	-	1,222	-	1,222
General insurance	-	2,174	(1,936)	238
Land Development Reserve	1,226	114	(670)	670
North Nowra Link Road	10,768	-	(200)	10,568
Plant Replacement Cemeteries	90	20	(85)	25
Provision for Investment Losses	2,000	-	-	2,000
Sporting Facilities	276	42	(171)	147
Strategic Projects	8,773	3,698	(5,311)	7,160
S94 Matching Funds	2,305	-	(222)	2,083
<b>Total Internal Restrictions</b>	<b>31,475</b>	<b>16,992</b>	<b>(18,394)</b>	<b>30,073</b>
<b>TOTAL RESTRICTIONS</b>	<b>95,153</b>	<b>65,512</b>	<b>(58,682)</b>	<b>101,983</b>

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		2,921	3,450	2,574	3,444
Interest & Extra Charges		378	1,065	352	1,084
User Charges & Fees		2,793	1,696	4,428	291
Accrued Revenues					
- Interest on Investments		777	-	958	-
- Other Income Accruals		222	-	342	-
Deferred Debtors		43	4,828	37	4,861
Government Grants & Subsidies		3,549	-	3,688	-
Net GST Receivable		1,595	-	1,561	-
Other Debtors		51	-	62	-
<b>Total</b>		<b>12,329</b>	<b>11,039</b>	<b>14,002</b>	<b>9,680</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		(382)	-	(519)	-
User Charges & Fees		(20)	-	(27)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(402)</b>	<b>-</b>	<b>(546)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>11,927</u></b>	<b><u>11,039</u></b>	<b><u>13,456</u></b>	<b><u>9,680</u></b>
<b>Externally Restricted Receivables</b>					
<b>Water Supply</b>					
- Specific Purpose Grants		491	-	480	-
- Rates & Availability Charges		1,467	-	1,152	-
- Other		603	-	1,081	-
<b>Sewerage Services</b>					
- Specific Purpose Grants		501	-	494	-
- Rates & Availability Charges		3,542	-	3,108	-
- Other		832	-	606	-
<b>Domestic Waste Management</b>		<b>634</b>	<b>-</b>	<b>1,671</b>	<b>-</b>
<b>Total External Restrictions</b>		<b>8,070</b>	<b>-</b>	<b>8,592</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>3,857</b>	<b>11,039</b>	<b>4,864</b>	<b>9,680</b>
<b>TOTAL NET RECEIVABLES</b>		<b><u>11,927</u></b>	<b><u>11,039</u></b>	<b><u>13,456</u></b>	<b><u>9,680</u></b>

**Notes on Debtors above:**

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2010 9.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.



## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 8. Inventories &amp; Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Real Estate for resale (refer below)		2,205	6,618	2,205	6,804
Stores & Materials		997	-	1,168	-
<b>Total Inventories</b>		<b>3,202</b>	<b>6,618</b>	<b>3,373</b>	<b>6,804</b>
<b>Other Assets</b>					
Prepayments		1,449	-	1,280	-
<b>Total Other Assets</b>		<b>1,449</b>	<b>-</b>	<b>1,280</b>	<b>-</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>4,651</b>	<b>6,618</b>	<b>4,653</b>	<b>6,804</b>
Externally Restricted Assets					
<b>Water</b>					
Prepayments		18	-	7	-
<b>Total Water</b>		<b>18</b>	<b>-</b>	<b>7</b>	<b>-</b>
<b>Sewerage</b>					
Prepayments		1	-	4	-
<b>Total Sewerage</b>		<b>1</b>	<b>-</b>	<b>4</b>	<b>-</b>
Total Externally Restricted Assets		19	-	11	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		4,632	6,618	4,642	6,804
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>		<b>4,651</b>	<b>6,618</b>	<b>4,653</b>	<b>6,804</b>

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 8. Inventories &amp; Other Assets (continued)

\$ '000	2011		2010	
	Current	Non Current	Current	Non Current
<b>(i) Other Disclosures</b>				
<b>(a) Details for Real Estate Development</b>				
Industrial/Commercial	2,205	6,618	2,205	6,804
<b>Total Real Estate for Resale</b>	<b>2,205</b>	<b>6,618</b>	<b>2,205</b>	<b>6,804</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition Costs	-	349	-	349
Development Costs	2,205	5,829	2,205	6,015
Other Properties - Book Value	-	440	-	440
<b>Total Real Estate for Resale</b>	<b>2,205</b>	<b>6,618</b>	<b>2,205</b>	<b>6,804</b>
<b>Movements:</b>				
Real Estate assets at beginning of the year	2,205	6,804	8,508	-
- Purchases and other costs	-	39	152	349
- Transfers in from (out to) Note 9	-	(225)	-	-
- Transfer between Current/Non Current	-	-	(6,455)	6,455
<b>Total Real Estate for Resale</b>	<b>2,205</b>	<b>6,618</b>	<b>2,205</b>	<b>6,804</b>

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

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

	2011	2010
Real Estate for Resale	-	-
	-	-

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

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2010					Asset Movements during the Reporting Period					as at 30/6/2011				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Deprec.	Impairment	Value						Cost	Fair Value	Dep'n	Impairment	Value
Plant & Equipment	-	61,852	29,789	-	32,063	7,505	(3,188)	(4,068)	23	-	-	63,836	31,501	-	32,335
Office Equipment	-	15,873	13,464	-	2,409	764	-	(1,110)	121	-	-	16,759	14,575	-	2,184
Furniture & Fittings	-	1,889	1,501	-	388	22	-	(60)	(121)	-	-	1,790	1,561	-	229
<b>Land:</b>															
- Operational Land	-	181,913	-	-	181,913	1,851	(402)	-	-	-	-	183,362	-	-	183,362
- Community Land	40,565	-	-	-	40,565	-	-	-	-	60,178	-	100,743	-	-	100,743
- Land under Roads (pre 1/7/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Land under Roads (post 30/6/08)	-	767	-	-	767	-	-	-	-	-	-	767	-	-	767
Land Improvements - depreciable	39,212	-	10,900	-	28,312	5,638	-	(3,537)	25,434	104,685	-	220,323	59,791	-	160,532
Buildings - Non Specialised	-	726	493	-	233	-	-	(12)	-	-	-	725	504	-	221
Buildings - Specialised	-	222,418	87,162	-	135,256	4,407	(30)	(4,444)	34	-	-	226,732	91,509	-	135,223
Other Structures	43,925	-	18,537	-	25,388	2,309	-	(642)	(25,491)	15,583	-	30,841	13,694	-	17,147
<b>Infrastructure:</b>															
- Roads, Bridges, Footpaths	-	969,510	222,153	-	747,357	8,847	-	(17,794)	-	-	-	978,357	239,947	-	738,410
- Bulk Earthworks (non-depreciable)	-	63,139	-	-	63,139	-	-	-	-	-	-	63,139	-	-	63,139
- Stormwater Drainage	-	131,370	57,951	-	73,419	2,327	-	(1,955)	-	42,433	-	204,452	88,228	-	116,224
- Water Supply Network	-	472,028	182,483	-	289,545	2,054	-	(5,825)	-	4,360	-	482,021	191,887	-	290,134
- Sewerage Network	-	636,681	165,798	-	470,883	13,273	-	(7,200)	-	(62,124)	-	589,099	174,267	-	414,832
<b>Other Assets:</b>															
- Library Books	5,606	-	4,957	-	649	332	-	(303)	-	-	-	5,938	5,260	-	678
<b>Restatement, Rehabilitation &amp; Restoration Assets</b> (refer Note 26)															
- Tip Asset	3,929	-	2,944	-	985	-	-	(66)	-	-	-	3,929	3,010	-	919
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>133,237</b>	<b>2,758,166</b>	<b>798,132</b>	<b>-</b>	<b>2,093,271</b>	<b>49,329</b>	<b>(3,620)</b>	<b>(47,016)</b>	<b>-</b>	<b>165,115</b>	<b>-</b>	<b>3,172,813</b>	<b>915,734</b>	<b>-</b>	<b>2,257,079</b>

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Actual 2011				Actual 2010			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
<b>Water Supply</b>								
Plant & Equipment	-	5,312	2,452	<b>2,860</b>	-	5,395	2,512	<b>2,883</b>
Office Equipment	-	1,753	1,450	<b>303</b>	-	1,721	1,357	<b>364</b>
Furniture & Fittings	-	79	79	-	-	79	79	-
Land								
- Operational Land	-	10,085	-	<b>10,085</b>	-	10,146	-	<b>10,146</b>
- Improvements - depreciable	-	80	-	<b>80</b>	-	-	-	-
Buildings	-	2,039	87	<b>1,952</b>	-	2,039	66	<b>1,973</b>
Other Structures	-	236	77	<b>159</b>	316	-	65	<b>251</b>
Infrastructure	-	482,021	191,887	<b>290,134</b>	-	472,028	182,483	<b>289,545</b>
<b>Total Water Supply</b>	-	<b>501,605</b>	<b>196,032</b>	<b>305,573</b>	<b>316</b>	<b>491,408</b>	<b>186,562</b>	<b>305,162</b>
<b>Sewerage Services</b>								
Plant & Equipment	-	5,920	2,888	<b>3,032</b>	-	5,865	2,729	<b>3,136</b>
Office Equipment	-	1,130	936	<b>194</b>	-	1,065	863	<b>202</b>
Furniture & Fittings	-	70	20	<b>50</b>	-	70	20	<b>50</b>
Land								
- Operational Land	-	30,457	-	<b>30,457</b>	-	32,960	-	<b>32,960</b>
- Community Land	-	433	-	<b>433</b>	-	-	-	-
Buildings	-	708	477	<b>231</b>	-	658	429	<b>229</b>
Other Structures	-	308	177	<b>131</b>	288	-	168	<b>120</b>
Infrastructure	-	589,099	174,267	<b>414,832</b>	-	636,681	165,798	<b>470,883</b>
<b>Total Sewerage Services</b>	-	<b>628,125</b>	<b>178,765</b>	<b>449,360</b>	<b>288</b>	<b>677,299</b>	<b>170,007</b>	<b>507,580</b>
<b>Domestic Waste Management</b>								
Plant & Equipment	-	2,528	940	<b>1,588</b>	-	2,765	923	<b>1,842</b>
Land								
- Operational Land	-	6,568	-	<b>6,568</b>	-	6,728	-	<b>6,728</b>
- Community Land	-	122	-	<b>122</b>	-	-	-	-
- Improvements - depreciable	-	69,785	6,272	<b>63,513</b>	11,008	-	3,982	<b>7,026</b>
Buildings	-	1,961	633	<b>1,328</b>	-	1,620	594	<b>1,026</b>
Other Assets	-	1,095	228	<b>867</b>	-	1,799	328	<b>1,471</b>
<b>Total DWM</b>	-	<b>82,059</b>	<b>8,073</b>	<b>73,986</b>	<b>11,008</b>	<b>12,912</b>	<b>5,827</b>	<b>18,093</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	-	<b>1,211,789</b>	<b>382,870</b>	<b>828,919</b>	<b>11,612</b>	<b>1,181,619</b>	<b>362,396</b>	<b>830,835</b>

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

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

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		11,048	-	11,489	-
Payments Received In Advance		302	-	171	-
Accrued Expenses:					
- Borrowings		654	-	724	-
- Other Expenditure Accruals		2,665	-	1,681	-
Security Bonds, Deposits & Retentions		2,260	-	2,038	-
Mayoral Ball Funds		-	-	46	-
<b>Total Payables</b>		<b>16,929</b>	<b>-</b>	<b>16,149</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		7,803	59,092	7,159	59,228
Government Advances		867	4,051	933	4,896
Ratepayers' Advances		10	128	61	109
<b>Total Borrowings</b>		<b>8,680</b>	<b>63,271</b>	<b>8,153</b>	<b>64,233</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		4,968	-	4,961	-
Sick Leave		13,718	-	13,883	-
Long Service Leave		11,130	410	11,095	414
Sub Total - Aggregate Employee Benefits		29,816	410	29,939	414
Self Insurance - Workers Compensation		666	3,611	691	3,353
Asset Remediation/Restoration (Future Works) <sup>26</sup>		-	5,821	-	5,541
<b>Total Provisions</b>		<b>30,482</b>	<b>9,842</b>	<b>30,630</b>	<b>9,308</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>56,091</b>	<b>73,113</b>	<b>54,932</b>	<b>73,541</b>
<b>(i) Liabilities relating to Restricted Assets</b>					
		2011		2010	
		Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>					
Domestic Waste Management		7,805	-	367	-
Water		1,323	1,293	1,238	1,633
Sewer		6,086	33,424	6,140	33,854
Self Insurance		666	3,611	691	3,353
Liabilities relating to externally restricted assets		15,880	38,328	8,436	38,840
<b>Internally Restricted Assets</b>					
Nil					
<b>Total Liabilities relating to restricted assets</b>		<b>15,880</b>	<b>38,328</b>	<b>8,436</b>	<b>38,840</b>

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

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

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011	2010
<b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	21,456	23,587
	<b>21,456</b>	<b>23,587</b>

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

Class of Provision	2010		2011			Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	4,961	5,649	(5,642)	-	-	4,968
Sick Leave	13,883	2,474	(2,639)	-	-	13,718
Long Service Leave	11,509	1,491	(1,460)	-	-	11,540
Self Insurance	4,044	233	-	-	-	4,277
Asset Remediation	5,541	280	-	-	-	5,821
<b>TOTAL</b>	<b>39,938</b>	<b>10,127</b>	<b>(9,741)</b>	<b>-</b>	<b>-</b>	<b>40,324</b>

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

b. Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.

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

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	84,527	27,757
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>84,527</b>	<b>27,757</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>4,706</b>	<b>20,342</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		47,016	32,374
Net Losses/(Gains) on Disposal of Assets		1,080	853
Non Cash Capital Grants and Contributions		(577)	(271)
<b>Losses/(Gains) recognised on Fair Value Re-measurements through the P&amp;L:</b>			
- Investments classified as "@ Fair Value" or "Held for Trading"		(440)	(1,122)
- Investment Properties		(31)	(30)
- Favourable Financial Liabilities (ie. Loans with no Interest Payable)		(2)	(326)
- Interest Free Advances made by Council (Deferred Debtors)		14	12
<b>Amortisation of Premiums, Discounts &amp; Prior Period Fair Valuations</b>			
- Interest on all fair value adjusted Interest Free Advances made by Council		(3)	(10)
- Interest Exp. on Interest Free Loans received by Council (previously Fair Valued)		115	53
Unwinding of Discount Rates on Reinstatement Provisions		280	283
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		287	847
Increase/(Decrease) in Provision for Doubtful Debts		(144)	277
Decrease/(Increase) in Inventories		171	163
Decrease/(Increase) in Other Assets		(169)	(144)
Increase/(Decrease) in Payables		(441)	(2,436)
Increase/(Decrease) in accrued Interest Payable		(70)	(9)
Increase/(Decrease) in other accrued Expenses Payable		984	289
Increase/(Decrease) in Other Liabilities		307	(698)
Increase/(Decrease) in Employee Leave Entitlements		(127)	1,644
Increase/(Decrease) in Other Provisions		233	(602)
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>53,189</b>	<b>51,489</b>

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
S94 Contributions "in kind"		7	-
Dedications		570	271
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>577</b>	<b>271</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		400	400
Credit Cards / Purchase Cards		107	105
<b>Total Financing Arrangements</b>		<b>507</b>	<b>505</b>
<b>Amounts utilised as at Balance Date:</b>			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		34	22
<b>Total Financing Arrangements Utilised</b>		<b>34</b>	<b>22</b>

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

**(ii) Secured Loan Liabilities**

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



## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Buildings		303	880
Plant & Equipment		1,297	385
Other		16,598	11,532
<b>Total Commitments</b>		<b>18,198</b>	<b>12,797</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		18,198	12,797
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
<b>Total Payable</b>		<b>18,198</b>	<b>12,797</b>
<b>(b) Other Expenditure Commitments (exclusive of GST)</b>			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
DWM & Recycling Services		41,521	15,756
Cleaning Services		-	96
Audit Services		130	195
Operating Leases		46	50
Property Rental		89	13
Surf Life Saving		549	-
<b>Total Commitments</b>		<b>42,335</b>	<b>16,110</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		7,762	6,288
Later than one year and not later than 5 years		29,501	7,902
Later than 5 years		5,072	1,920
<b>Total Payable</b>		<b>42,335</b>	<b>16,110</b>

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
<b>(c) Finance Lease Commitments</b>			
Nil			
<b>(d) Operating Lease Commitments (Non Cancellable)</b>			
Nil			
<b>(e) Investment Property Commitments</b>			
Nil			
<b>(f) Remuneration Commitments</b>			
Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:			
Within the next year		613	1,306
Later than one year and not later than 5 years		478	1,060
Later than 5 years		-	-
<b>Total Payable</b>		<b>1,091</b>	<b>2,366</b>

## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Amounts 2011	Indicator 2011	Prior Periods 2010      2009	
<b>Local Government Industry Indicators</b>				
<b>1. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(1)</sup>	<u>44,055</u>	2.35 : 1	2.02	2.50
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	<u>18,755</u>			
<b>2. Debt Service Ratio</b>				
Debt Service Cost	<u>12,714</u>	7.80%	8.28%	9.71%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>163,011</u>			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>				
Rates & Annual Charges	<u>90,457</u>	48.90%	47.30%	49.75%
Income from Continuing Operations	<u>184,995</u>			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual & Extra Charges Outstanding	<u>7,432</u>	7.57%	7.25%	10.09%
Rates, Annual & Extra Charges Collectible	<u>98,231</u>			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>				
Asset Renewals <sup>(4)</sup> [Buildings & Infrastructure]	<u>8,542</u>	22.94%	41.94%	60.99%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>37,230</u>			

## Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

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

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

## Shoalhaven City Council

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

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

<p><b>1. Unrestricted Current Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>2.69</td> </tr> <tr> <td>2009</td> <td>2.50</td> </tr> <tr> <td>2010</td> <td>2.02</td> </tr> <tr> <td>2011</td> <td>2.35</td> </tr> </tbody> </table>	Year	Ratio : 1	2008	2.69	2009	2.50	2010	2.02	2011	2.35	<p><b>Purpose of Unrestricted Current Ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2010/11 Result</b></p> <p><b>2010/11 Ratio 2.35 : 1</b></p> <p>Council's ability to maximise the use of available funds allows the unrestricted current ratio to continue to remain stable and above the industry benchmark of 2:1</p>
Year	Ratio : 1											
2008	2.69											
2009	2.50											
2010	2.02											
2011	2.35											
<p><b>2. Debt Service Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>9.36%</td> </tr> <tr> <td>2009</td> <td>9.71%</td> </tr> <tr> <td>2010</td> <td>8.28%</td> </tr> <tr> <td>2011</td> <td>7.80%</td> </tr> </tbody> </table>	Year	Ratio %	2008	9.36%	2009	9.71%	2010	8.28%	2011	7.80%	<p><b>Purpose of Debt Service Ratio</b></p> <p>To assess the impact of loan principal &amp; interest repayments on the discretionary revenue of council.</p>	<p><b>Commentary on 2010/11 Result</b></p> <p><b>2010/11 Ratio 7.80%</b></p> <p>Council's Debt Service ratio has steadily improved in over the past three years. This is due to revenues increasing while borrowings have remained stable. The ratio is quite reasonable given the DLG's benchmark of &lt;10% being satisfactory.</p>
Year	Ratio %											
2008	9.36%											
2009	9.71%											
2010	8.28%											
2011	7.80%											
<p><b>3. Rates &amp; Annual Charges Coverage Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>47.69%</td> </tr> <tr> <td>2009</td> <td>49.75%</td> </tr> <tr> <td>2010</td> <td>47.30%</td> </tr> <tr> <td>2011</td> <td>48.90%</td> </tr> </tbody> </table>	Year	Ratio %	2008	47.69%	2009	49.75%	2010	47.30%	2011	48.90%	<p><b>Purpose of Rates &amp; Annual Charges Coverage Ratio</b></p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p><b>Commentary on 2010/11 Result</b></p> <p><b>2010/11 Ratio 48.90%</b></p> <p>Due to rates and annual charges and other income being consistent, this ratio has remained stable over the last several years.</p>
Year	Ratio %											
2008	47.69%											
2009	49.75%											
2010	47.30%											
2011	48.90%											
<p><b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>8.24%</td> </tr> <tr> <td>2009</td> <td>10.09%</td> </tr> <tr> <td>2010</td> <td>7.25%</td> </tr> <tr> <td>2011</td> <td>7.57%</td> </tr> </tbody> </table>	Year	Ratio %	2008	8.24%	2009	10.09%	2010	7.25%	2011	7.57%	<p><b>Purpose of Rates &amp; Annual Charges Outstanding Ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 2010/11 Result</b></p> <p><b>2010/11 Ratio 7.57%</b></p> <p>The percentage of outstanding rates remains stable. While the ratio is above the benchmark of 5%, this can be attributed to council's policy on rate debt recovery.</p>
Year	Ratio %											
2008	8.24%											
2009	10.09%											
2010	7.25%											
2011	7.57%											
<p><b>5. Building &amp; Infrastructure Renewals Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>45.25%</td> </tr> <tr> <td>2009</td> <td>60.99%</td> </tr> <tr> <td>2010</td> <td>41.94%</td> </tr> <tr> <td>2011</td> <td>22.94%</td> </tr> </tbody> </table>	Year	Ratio %	2008	45.25%	2009	60.99%	2010	41.94%	2011	22.94%	<p><b>Purpose of Bldg &amp; Infrastructure Renewals Ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on Result</b></p> <p><b>2010/11 Ratio 22.94%</b></p> <p>The sharp decrease in this ratio is due largely to the increase in depreciation of roads due to revaluation review as explained in note 16, and possibly partly due to the calculation of renewals as our systems may not accurately identify what is a renewal as opposed to growth.</p>
Year	Ratio %											
2008	45.25%											
2009	60.99%											
2010	41.94%											
2011	22.94%											

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Water 2011	Sewer 2011	General <sup>1</sup> 2011
<b>Local Government Industry Indicators</b>			
<b>1. Unrestricted Current Ratio</b>			
<u>Current Assets less all External Restrictions<sup>(1)</sup></u>	<b>13.45 : 1</b>	<b>2.17 : 1</b>	<b>2.29 : 1</b>
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>			
<b>2. Debt Service Ratio</b>			
<u>Debt Service Cost</u>	<b>1.76%</b>	<b>19.55%</b>	<b>5.44%</b>
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>			
<u>Rates &amp; Annual Charges</u>	<b>13.72%</b>	<b>80.82%</b>	<b>47.29%</b>
Income from Continuing Operations			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>			
<u>Rates, Annual &amp; Extra Charges Outstanding</u>	<b>39.64%</b>	<b>11.78%</b>	<b>3.76%</b>
Rates, Annual & Extra Charges Collectible			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>			
<u>Asset Renewals<sup>(4)</sup> [Buildings &amp; Infrastructure]</u>	<b>17.52%</b>	<b>11.88%</b>	<b>27.71%</b>
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)			

#### Notes

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 14. Investment Properties

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a) Investment Properties at Fair value</b>			
<b>Investment Properties on Hand</b>		<b>1,508</b>	<b>1,477</b>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance		1,477	1,447
- Net Gain/(Loss) from Fair Value Adjustments		31	30
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<b>1,508</b>	<b>1,477</b>

#### (b) Valuation Basis

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

The 2011 revaluations for Buildings were based on Independent Assessments made by Scott Fullarton Valuations Pty Ltd for insurance purposes. The land valuations were based on the NSW Valuer General's land valuations at 19th August 2008.

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

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

#### (d) Leasing Arrangements

Details of leased Investment Properties are as follows;

Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:

Within 1 year	105	107
Later than 1 year but less than 5 years	114	71
Later than 5 years	-	-
<b>Total Minimum Lease Payments Receivable</b>	<b>219</b>	<b>178</b>

#### (e) Investment Property Income & Expenditure - summary

<b>Rental Income from Investment Properties:</b>		
- Minimum Lease Payments	126	124
<b>Direct Operating Expenses on Investment Properties:</b>		
- that generated rental income	(17)	(17)
<b>Net Revenue Contribution from Investment Properties</b>	<b>109</b>	<b>107</b>
plus: Fair Value Movement for year	31	30
<b>Total Income attributable to Investment Properties</b>	<b>140</b>	<b>137</b>

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 15. Financial Risk Management

\$ '000

##### Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2011	2010	2011	2010
<b>Financial Assets</b>				
Cash and Cash Equivalents	84,527	27,757	84,527	27,757
Investments				
- "Held for Trading"	10,808	12,632	10,808	12,648
- "Held to Maturity"	12,125	60,000	12,125	60,000
- "Available for Sale"	16	16	16	-
Receivables	22,966	23,136	22,966	23,143
<b>Total Financial Assets</b>	<b>130,442</b>	<b>123,541</b>	<b>130,442</b>	<b>123,548</b>
<b>Financial Liabilities</b>				
Payables	16,627	15,978	16,628	15,892
Loans / Advances	71,951	72,386	71,951	72,386
<b>Total Financial Liabilities</b>	<b>88,578</b>	<b>88,364</b>	<b>88,579</b>	<b>88,278</b>

Fair Value is determined as follows:

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

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

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

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

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

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

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

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

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

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>2011</b>				
Possible impact of a 10% movement in Market Values	1,081	1,081	(1,081)	(1,081)
Possible impact of a 1% movement in Interest Rates	1,075	1,075	(1,075)	(1,075)
<b>2010</b>				
Possible impact of a 10% movement in Market Values	1,263	1,263	(1,263)	(1,263)
Possible impact of a 1% movement in Interest Rates	1,004	1,004	(1,004)	(1,004)



## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

##### (b) Receivables

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date with penalty interest rates applied to overdue rates.

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

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:

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
<b>(i) Ageing of Receivables</b>				
Current (not yet overdue)	2,921	9,408	2,574	11,428
Past Due	3,450	7,589	3,444	6,236
	<u>6,371</u>	<u>16,997</u>	<u>6,018</u>	<u>17,664</u>
<b>(ii) Movement in Provision for Impairment of Receivables</b>			2011	2010
Balance at the beginning of the year			546	269
+ new provisions recognised during the year			-	277
- amounts already provided for & written off this year			(144)	-
<b>Balance at the end of the year</b>			<u>402</u>	<u>546</u>

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

##### (c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2011</b>									
Trade/Other Payables	2,260	14,367	-	-	-	-	-	16,627	16,627
Loans & Advances	-	8,679	8,687	8,495	7,877	6,745	31,822	72,305	71,951
<b>Total Financial Liabilities</b>	<b>2,260</b>	<b>23,046</b>	<b>8,687</b>	<b>8,495</b>	<b>7,877</b>	<b>6,745</b>	<b>31,822</b>	<b>88,932</b>	<b>88,578</b>
<b>2010</b>									
Trade/Other Payables	2,038	13,940	-	-	-	-	-	15,978	15,978
Loans & Advances	-	8,153	8,229	8,117	8,014	7,317	33,023	72,853	72,386
<b>Total Financial Liabilities</b>	<b>2,038</b>	<b>22,093</b>	<b>8,229</b>	<b>8,117</b>	<b>8,014</b>	<b>7,317</b>	<b>33,023</b>	<b>88,831</b>	<b>88,364</b>

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

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

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	16,627	0.0%	15,978	0.0%
Loans & Advances - Fixed Interest Rate	71,951	6.6%	72,386	6.9%
	<u>88,578</u>		<u>88,364</u>	

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 10/11 was incorporated as part of its Delivery Program and Operational Plan which was adopted by Council on 28 June 2010.

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

**Note that for Variations\* of Budget to Actual :**

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

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

\$ '000	2011 Budget	2011 Actual	2011 Variance*		
<b>REVENUES</b>					
<b>Interest &amp; Investment Revenue</b>	<b>3,507</b>	<b>7,483</b>	<b>3,976</b>	113%	<b>F</b>
The average amount of funds held in cash and investments over the whole year (Actual \$108,332,722) was 185% higher than budgeted (Budget \$58,450,000) due to incompleteness of planned projects.					
<b>Other Revenues</b>	<b>3,119</b>	<b>4,466</b>	<b>1,347</b>	43%	<b>F</b>
Other revenues received was higher than budget due to rental income being coded to user charges in the budget (\$930,000 budget) and the waste levy rebate wasn't included in the budget (actual \$475,000).					
<b>Operating Grants &amp; Contributions</b>	<b>17,115</b>	<b>21,261</b>	<b>4,146</b>	24%	<b>F</b>
Operating contributions is more than budget due to contributions received to fund the clean up after the Fathers day storm (\$2,400,000). Operating grants are more than budget due to receiving more financial assistance grant than budgeted (budget \$9,459,000, actual received \$10,304,000) and additional operating grants received during the year for natural areas (\$350,000), community (\$190,000) and roads (\$75,000).					
<b>Capital Grants &amp; Contributions</b>	<b>5,777</b>	<b>12,202</b>	<b>6,425</b>	111%	<b>F</b>
Capital grants are higher than budgeted due to additional S94 contributions received (budget \$1,164,000, actual \$3,145,000) and S64 contributions received (budget \$1,799,000 actual \$3,933,000). The contributions for land dedications weren't included in the budget (actual \$400,000). Various other contributions and grants were received but not budgeted for (\$1,887,000) including the federal infrastructure grants (\$671,000).					
<b>EXPENSES</b>					
<b>Materials &amp; Contracts</b>	<b>38,259</b>	<b>44,641</b>	<b>(6,382)</b>	(17%)	<b>U</b>
Actual materials and contracts expenditure is higher than budget due largely to receiving and spending additional grants and contributions. In addition, the budget for some of the materials & contracts expenditure was in other expense (see below).					
<b>Depreciation &amp; Amortisation</b>	<b>33,312</b>	<b>47,016</b>	<b>(13,704)</b>	(41%)	<b>U</b>
Following the revaluation of road, drainage and bridge assets at 30 June 2010, the residual values and useful lives were reviewed resulting in a significant increase in depreciation of those assets. The average depreciation rate increased from 1% to 2% in addition to the increase in value.					
<b>Other Expenses</b>	<b>22,653</b>	<b>20,169</b>	<b>2,484</b>	11%	<b>F</b>
As above, the budget for other expenses included some of the funds spent on materials and contracts.					
<b>Net Losses from Disposal of Assets</b>	<b>-</b>	<b>1,080</b>	<b>(1,080)</b>	N/A	<b>U</b>
Council did not budget for any gain or loss on the sale of assets.					

# Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 17. Statement of Developer Contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	503	110	-	(13)	-	-	600	761	(1,361)	-	-
Roads	2,789	1,553	7	(83)	(372)	-	3,894	49,640	(53,534)	-	-
Parking	1,112	5	-	(21)	(1)	-	1,095	18,503	(19,598)	-	-
Open Space	747	39	-	(14)	(9)	-	763	5,513	(6,276)	-	-
Community Facilities	4,930	386	-	(105)	136	-	5,347	11,248	(16,595)	-	-
Other	8,577	1,053	-	(182)	(2,159)	-	7,289	9,982	(17,271)	-	-
<b>S94 Contributions - under a Plan</b>	<b>18,658</b>	<b>3,146</b>	<b>7</b>	<b>(418)</b>	<b>(2,405)</b>	<b>-</b>	<b>18,988</b>	<b>95,647</b>	<b>(114,635)</b>	<b>-</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>				<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>18,658</b>	<b>3,146</b>	<b>7</b>	<b>(418)</b>	<b>(2,405)</b>	<b>-</b>	<b>18,988</b>				<b>-</b>
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	-	-	-	-	-	-	-				
S64 Contributions	8,671	3,933	-	(693)	(5,001)	-	6,910				
<b>Total Contributions</b>	<b>27,329</b>	<b>7,079</b>	<b>7</b>	<b>(1,111)</b>	<b>(7,406)</b>	<b>-</b>	<b>25,898</b>	<b>95,647</b>	<b>(114,635)</b>	<b>-</b>	<b>-</b>

# Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

##### CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	503	110	-	(13)	-	-	600	761	(1,361)	-	-
Roads	2,789	1,553	7	(83)	(372)	-	3,894	49,640	(53,534)	-	-
Parking	1,112	5	-	(21)	(1)	-	1,095	18,503	(19,598)	-	-
Open Space	747	39	-	(14)	(9)	-	763	5,513	(6,276)	-	-
Community Facilities	4,930	386	-	(105)	136	-	5,347	11,248	(16,595)	-	-
Other	8,577	1,053	-	(182)	(2,159)	-	7,289	9,982	(17,271)	-	-
<b>Total</b>	<b>18,658</b>	<b>3,146</b>	<b>7</b>	<b>(418)</b>	<b>(2,405)</b>	<b>-</b>	<b>18,988</b>	<b>95,647</b>	<b>(114,635)</b>	<b>-</b>	<b>-</b>

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

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

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions from 2009/10 & beyond.

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

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

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

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

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

	Notes	Actual 2011	Actual 2010
<b>a. Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		1,264,707	1,241,940
a. Correction of Prior Period Errors	20 (c)	(23)	2,425
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		4,706	20,342
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes		-	-
<b>Balance at End of the Reporting Period</b>		<b>1,269,390</b>	<b>1,264,707</b>

#### b. Reserves

##### (i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		1,001,704	648,201
<b>Total</b>		<b>1,001,704</b>	<b>648,201</b>

##### (ii). Reconciliation of movements in Reserves:

###### Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance		648,201	480,240
- Revaluations for the year	9(a)	165,115	167,961
- Correction of Prior Period Errors	20(c)	188,388	-
<b>- Balance at End of Year</b>		<b>1,001,704</b>	<b>648,201</b>

###### TOTAL VALUE OF RESERVES

<b>1,001,704</b>	<b>648,201</b>
------------------	----------------

##### (iii). Nature & Purpose of Reserves

###### Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>c. Correction of Error/s relating to a Previous Reporting Period</b>			
The 2010 Statements revalued Councils Roads at an incorrect amount			
To rectify the revaluation, a prior year adjustment was made as follows:			
- Adjustment to Replacement cost of Roads as reported 30/6/10		206,513	
- Adjustment to Accumulated Depreciation of Roads as reported 30/6/10		(18,125)	
- Southern Water Services GST receivable adjustment		(8)	
- Southern Water Services Depreciation adjustment		(15)	
<b>Correction of errors initiated in last year's financial statements.</b>			
The 2009 Statements reported the early payment of the Financial Assistance Grant as Prepaid Income.			
			2,425
The reversal of this prepayment entry in 2010 affected the 2010 opening balances of the following Financial Statement lines:			
- Payables			(2,425)
- Retained Earnings			2,425
<b>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.</b>			
<b>These amounted to the following Equity Adjustments:</b>			
- Adjustments to Opening Equity - 1/7/09		-	2,425
(relating to adjustments for the 30/6/09 reporting year end and prior periods)			
- Adjustments to Closing Equity - 30/6/10		188,365	-
(relating to adjustments for the 30/6/10 year end)			
<b>Total Prior Period Adjustments - Prior Period Errors</b>		<b>188,365</b>	<b>2,425</b>

#### d. Voluntary Changes in Accounting Policies

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



## Shoalhaven City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 21. Financial Result &amp; Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
<b>Continuing Operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from Continuing Operations</b>			
Rates & Annual Charges	3,701	28,992	58,687
User Charges & Fees	17,617	2,186	34,162
Interest & Investment Revenue	2,470	407	4,811
Other Revenues	954	1,278	45,222
Grants & Contributions provided for Operating Purposes	509	614	20,138
Grants & Contributions provided for Capital Purposes	1,734	2,396	8,072
<b>Other Income</b>			
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
<b>Total Income from Continuing Operations</b>	<b>26,985</b>	<b>35,873</b>	<b>171,092</b>
<b>Expenses from Continuing Operations</b>			
Employee Benefits & on-costs	8,305	9,121	55,155
Borrowing Costs	127	3,098	2,772
Materials & Contracts	5,939	6,522	35,371
Depreciation & Amortisation	6,233	7,699	33,084
Impairment	-	-	-
Other Expenses	2,683	2,947	49,108
Interest & Investment Losses	-	-	-
Net Losses from the Disposal of Assets	118	118	844
<b>Total Expenses from Continuing Operations</b>	<b>23,405</b>	<b>29,505</b>	<b>176,334</b>
<b>Operating Result from Continuing Operations</b>	<b>3,580</b>	<b>6,368</b>	<b>(5,242)</b>
<b>Discontinued Operations</b>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
<b>Net Operating Result for the Year</b>	<b>3,580</b>	<b>6,368</b>	<b>(5,242)</b>
<b>Net Operating Result attributable to each Council Fund</b>	<b>3,580</b>	<b>6,368</b>	<b>(5,242)</b>
<b>Net Operating Result attributable to Minority Interests</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>1,846</b>	<b>3,972</b>	<b>(13,314)</b>

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

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

## Shoalhaven City Council

## Notes to the Financial Statements

as at 30 June 2011

## Note 21. Financial Result &amp; Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current Assets</b>			
Cash & Cash Equivalents	17,398	8,424	58,705
Investments	3,216	1,557	10,850
Receivables	2,561	4,875	4,491
Inventories	-	-	3,202
Other	1,093	1	1,430
Non-current assets classified as 'held for sale'	-	-	-
<b>Total Current Assets</b>	<b>24,268</b>	<b>14,857</b>	<b>78,678</b>
<b>Non-Current Assets</b>			
Investments	1,508	730	5,088
Receivables	-	-	11,039
Inventories	-	-	6,618
Infrastructure, Property, Plant & Equipment	305,573	449,360	1,502,146
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	1,508
Intangible Assets	-	-	-
Other	14,947	-	-
<b>Total Non-Current Assets</b>	<b>322,028</b>	<b>450,090</b>	<b>1,526,399</b>
<b>TOTAL ASSETS</b>	<b>346,296</b>	<b>464,947</b>	<b>1,605,077</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	983	2,771	13,175
Borrowings	340	3,882	5,533
Provisions	-	-	30,482
<b>Total Current Liabilities</b>	<b>1,323</b>	<b>6,653</b>	<b>49,190</b>
<b>Non-Current Liabilities</b>			
Payables	-	-	-
Borrowings	1,293	43,823	33,102
Provisions	-	-	9,842
<b>Total Non-Current Liabilities</b>	<b>1,293</b>	<b>43,823</b>	<b>42,944</b>
<b>TOTAL LIABILITIES</b>	<b>2,616</b>	<b>50,476</b>	<b>92,134</b>
<b>Net Assets</b>	<b>343,680</b>	<b>414,471</b>	<b>1,512,943</b>
<b>EQUITY</b>			
Retained Earnings	186,615	279,594	803,181
Revaluation Reserves	157,065	134,877	709,762
<b>Total Equity</b>	<b>343,680</b>	<b>414,471</b>	<b>1,512,943</b>

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

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

## Shoalhaven City Council

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

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

---

\$ '000

---

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

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

---

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

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

**Accordingly, the "authorised for issue" date is 04/11/11.**

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

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

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

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

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

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

#### Note 24. Discontinued Operations

---

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 25. Intangible Assets

\$ '000

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

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

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

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2011	2010
Waste Depot Remediation	Varied	5,821	5,541
<b>Balance at End of the Reporting Period</b>	10	<b>5,821</b>	<b>5,541</b>

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

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

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

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

Balance at beginning of year	5,541	5,258
Amortisation of discount (expensed to borrowing costs)	280	283
Expenditure incurred attributable to Provisions	-	-
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<b>5,821</b>	<b>5,541</b>

#### Amount of Expected Reimbursements

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

## Shoalhaven City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 27. Council Information & Contact Details

---

**Principal Place of Business:**

Bridge Road  
NOWRA NSW 2541

**Contact Details****Mailing Address:**

PO Box 42  
NOWRA NSW 2541

**Opening Hours:**

Monday to Friday  
9:00 am to 5:00pm

**Telephone:** 02 4429 3111

**Facsimile:** 02 4422 1816

**Internet:** [www.shoalhaven.nsw.gov.au](http://www.shoalhaven.nsw.gov.au)

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

**Officers****GENERAL MANAGER**

Russ Pigg

**RESPONSIBLE ACCOUNTING OFFICER**

Peter Dun

**PUBLIC OFFICER**

Rob McLean

**AUDITORS**

Carl Millington  
Pitcher Partners

**Elected Members****MAYOR**

Paul Green

**COUNCILLORS**

Gareth Ward  
Andrew Guile  
Gary Kearney  
Nigel Soames  
David Bennett  
Bohdan Brumerski  
John Ferguson  
Greg Watson  
Amanda Findley  
Robert Miller  
Bob Proudfoot  
Josi Young

**Other Information**

**ABN:** 59 855 182 344



# PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

Level 22 MLC Centre  
19 Martin Place  
Sydney NSW 2000  
Australia

Postal Address:  
GPO Box 1615  
Sydney NSW 2001  
Australia

Tel: +61 2 9221 2099  
Fax: +61 2 9223 1762

[www.pitcher.com.au](http://www.pitcher.com.au)  
[partners@pitcher-nsw.com.au](mailto:partners@pitcher-nsw.com.au)

Pitcher Partners, including Johnston Rorke,  
is an association of independent firms  
Melbourne | Sydney | Perth | Adelaide | Brisbane

## **SHOALHAVEN CITY COUNCIL** **Independent Audit Report to the Council** **General Purpose Financial Statements for the Year ended 30 June 2011**

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

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

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

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

#### *Auditor's Responsibilities*

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

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

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

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

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

#### *Auditor's Opinion*

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

#### **Report on Other Legal and Regulatory Requirements**

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

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

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

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

##### *Auditors' Opinion on other legal and regulatory requirements*

In our opinion:

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

  
PITCHER PARTNERS

  
CARL MILLINGTON  
Partner

Sydney, 4 November 2011



**SHOALHAVEN CITY COUNCIL  
INDEPENDENT AUDITORS' REPORT ON THE CONDUCT OF THE AUDIT  
YEAR ENDED 30 JUNE 2011**

Shoalhaven City Council has prepared a general purpose financial report for the year ended 30 June 2011 on which we issued a separate audit report to the Council dated 4 November 2011. This report has been prepared in accordance with the requirements of the Division of Local Government, and the provisions of Section 417(3) of the Local Government Act, 1993.

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

**Audit Conclusion**

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

**Additional Audit Considerations and Comment**

**Income Statement**

*Summarised Income Statement*

	2011 Actual \$'000	2011 Budget \$'000	* Budget Variance %	2010 Actual \$'000
Operating result	4,706	8,454	45%U	20,342
Operating result before capital revenue	(7,496)	2,677	380%U	1,067
Rates & annual charges	90,457	90,841	0.01%U	85,961
Operating grants & contributions	21,261	17,115	24%F	17,610
Capital grants & contributions	12,202	5,777	111%F	19,275
Depreciation & amortisation	47,016	33,312	41%U	32,374

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



### *Operating Result*

The operating result decreased from \$20.342M in 2010 to \$4.706M in 2011. This compared with a budgeted surplus of \$8.454M for the year. The most significant variations impacting the operating result were improved investment performance, increased operating grants and increased depreciation and amortisation.

### *Operating Result before Capital Revenue.*

The operating result before Capital grants and contributions was a deficit of \$7.496M compared with the prior year surplus of \$1.067M. This compared with the original budget surplus of \$2.677M.

### *Rates and Annual Charges.*

Revenue from rates and annual charges increased to \$90.457M from \$85.961M in the prior year, and was within 0.01% of budget for the 2011 year.

### *Grants and Contributions.*

Operating grants and contributions for the year totalled \$21.261M and represented 11% of total income from continuing operations. This compares with budget of \$17.115M.

Capital grants and contributions amounted to \$12.202M for the 2011 year and represented 7% of total income from continuing operations. This compares with budget of \$5.777M.

### *Depreciation.*

Included in the operating result was \$47.016M for the depreciation and amortisation of infrastructure, property, plant and equipment which increased from \$32.374M in the prior year and compared with the original budget of \$33.312M. This variance results from increased depreciation expense arising from the revaluation of infrastructure assets.

## **Balance Sheet**

Council's equity at 30 June 2011 amounted to \$2,271.1M comprised of retained earnings (\$1,269.39M), and reserves (\$1,001.704M) arising from revaluation of infrastructure assets.

The most significant impact on retained earnings during 2011 was the operating surplus of \$4.706M, whilst the Asset Revaluation Reserve increased by net \$353.503M as a result of the revaluation of other non-current assets and correction of a prior period revaluation error.

At balance date Council had not utilised any of its bank overdraft facility of \$400K.

## **Movements in Cash and Cash Equivalents**

### *Summarised Statement of Cash Flows*

<b>Activities</b>	<b>2011 Actual</b>	<b>2011 Budget</b>	<b>* Budget</b>	<b>2010 Actual</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>Variance %</b>	<b>\$'000</b>
Net cash flows from operations	53,189	42,137	29%F	51,489
Net cash flows from investing	4,129	(56,771)	3%U	(55,520)
Net cash flows from financing	(548)	12,730	71%U	(1,949)
<b>Net movement in cash</b>	<b>56,770</b>	<b>(1,904)</b>		<b>(5,980)</b>

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

Council's cash and cash equivalent balances increased to a total of \$84.527M during the year, with \$53.189M being provided from operations, \$4.129M provided from sale of investments and assets, and \$548K utilised for net repayments of borrowings and advances.

### **Total Investments and Cash Balances**

Council's cash and investments balances totaled \$107.476M at 30 June 2011 compared to \$100.405M in 2010.

Of this total, \$71.91M (2010 - \$63.678M) is externally restricted for use as specified by legislation and/or other regulatory requirements, \$30.073M (2010 - \$31.475M) has been reserved for specific projects and purposes identified by Council, and \$5.493M (2010 - \$5.252M) is unrestricted.

Total external restrictions increased overall by 13%, resulting from a combination of increases in specific purpose unexpended loans, water and sewer fund balances, and a reallocation of prior period investment write-downs.

The total of internally restricted balances decreased by \$1.402M, with movements experienced in all reserves.

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

### **Working Capital (Net Current Assets)**

	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets	116,728	104,131
Current liabilities	56,091	54,932
Net current assets	60,637	49,199
Add: anticipated longer term liabilities included in current	21,456	23,587
Adjusted net Current Assets	82,093	72,786
<i>Less: Working Capital Commitments</i>		
Net external restrictions	56,793	49,455
<b><i>Unrestricted Working Capital</i></b>	<b>25,300</b>	<b>23,331</b>

Council's balance of unrestricted working capital has increased from \$23.331M in 2010 to \$25.3M at the end of the 2011 financial year.

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

### **Performance Indicators and Trends**

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

#### *Unrestricted Current Ratio.*

At 2.35:1, the ratio has improved on the prior year and is above the industry benchmark of 2:1.

#### *Debt Service Ratio.*

The debt service ratio of 7.8% is lower than the prior year, and is well within the industry benchmark of 20%.

#### *Rates and Annual Charges Coverage Ratio.*

Council's rates and annual charges revenue represented 48.9% of 2011 total revenue, which is consistent with prior years.

#### *Rates and Annual Charges Outstanding Percentage.*

The amount of rates uncollected at year end expressed as a percentage of the total rates and annual charges collectible was 7.57%. This ratio has increased slightly on the prior year and is still above industry guidelines of 5%.

#### *Asset Renewals Ratio.*

The ratio decreased from 41.94% in the prior year to 22.94% for 2011, with a large part of the decrease attributable to the significant increase in depreciation.

### **Other Issues**

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

During the 2011 year, Council applied indexed industry reference rates to sewerage network assets, resulting in a revaluation decrement of \$62.125M which is disclosed on Note 9 and included in total revaluations taken to the Asset Revaluation Reserve.

Council has adjusted the allocation of prior period fair value adjustments to investments to match the devaluations with the relevant investment type. This has resulted in net negative investment earnings on accumulated developer contributions as disclosed in Note 17.

### **Legislative Compliance**

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

Council has complied with all statutory reporting requirements relating to Division 2 of Chapter 12 of the Local Government Act, 1993, the Code of Accounting Practice and Financial Reporting (Update 19), and other legislatively prescribed standards.

### **Conduct of the audit**

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

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

*Pitcher Partners*  
PITCHER PARTNERS

*Carl Millington*  
CARL MILLINGTON

Partner

Sydney, 4 November 2011

# Shoalhaven City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2011

---

*We will work together in the Shoalhaven to foster  
a safe and attractive community for people to live, work, stay and play;  
where sustainable growth, development and environmental protection  
are managed to provide a unique and relaxed lifestyle.*

**Shoalhaven**  
City Council

# Shoalhaven City Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2011

Contents	Page
<b>1. Statement by Councillors &amp; Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
- Income Statement of Water Supply Business Activity	3
- Income Statement of Sewerage Business Activity	4
- Income Statement of Other Business Activities	5
- Balance Sheet of Water Supply Business Activity	8
- Balance Sheet of Sewerage Business Activity	9
- Balance Sheet of Other Business Activities	10
<b>3. Notes to the Special Purpose Financial Statements</b>	13
<b>4. Auditor's Report</b>	22

---

### Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

(iv) In preparing these financial 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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

---

# Shoalhaven City Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2011

### 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 & Costing for Council Businesses - A Guide to Competitive Neutrality"
- The Local Government Code of Accounting Practice and Financial Reporting
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage"

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

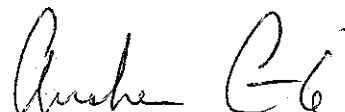
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

**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 October 2011.**



Paul Green  
MAYOR



Andrew Guile  
COUNCILLOR



Russ Pigg  
GENERAL MANAGER



Peter Dun  
RESPONSIBLE ACCOUNTING OFFICER

## Shoalhaven City Council

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

for the financial year ended 30 June 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
<b>Income from continuing operations</b>			
Access charges	3,701	3,200	2,971
User charges	17,617	13,545	10,464
Fees	-	-	-
Interest	2,470	1,780	(1,206)
Grants and contributions provided for non capital purposes	509	487	454
Profit from the sale of assets	-	-	-
Other income	954	1,096	1,764
<b>Total income from continuing operations</b>	<b>25,251</b>	<b>20,108</b>	<b>14,447</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	8,305	6,087	5,969
Borrowing costs	127	154	192
Materials and contracts	5,939	4,858	4,738
Depreciation and impairment	6,233	6,046	5,649
Water purchase charges	-	-	-
Loss on sale of assets	118	41	104
Calculated taxation equivalents	186	188	188
Debt guarantee fee (if applicable)	-	-	-
Other expenses	2,683	1,614	1,636
<b>Total expenses from continuing operations</b>	<b>23,591</b>	<b>18,988</b>	<b>18,476</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>1,660</b>	<b>1,120</b>	<b>(4,029)</b>
Grants and contributions provided for capital purposes	1,734	1,496	876
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>3,394</b>	<b>2,616</b>	<b>(3,153)</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>3,394</b>	<b>2,616</b>	<b>(3,153)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(498)	(336)	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,896</b>	<b>2,280</b>	<b>(3,153)</b>
plus Opening Retained Profits	184,271	181,615	184,728
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	186	188	188
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	498	336	-
less:			
- Tax Equivalent Dividend paid	(150)	(148)	(148)
- Surplus dividend paid	(1,086)	-	-
<b>Closing Retained Profits</b>	<b>186,615</b>	<b>184,271</b>	<b>181,615</b>
<b>Return on Capital %</b>	<b>0.6%</b>	<b>0.4%</b>	<b>0.0%</b>
<b>Subsidy from Council</b>	<b>14,133</b>	<b>5,896</b>	<b>10,863</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	2,896	2,280	(3,153)
less: Capital grants and contributions (excluding developer contributions)	-	(108)	-
<b>Surplus for dividend calculation purposes</b>	<b>2,896</b>	<b>2,172</b>	<b>-</b>
<b>Potential Dividend calculated from surplus</b>	<b>1,448</b>	<b>1,086</b>	<b>-</b>



## Shoalhaven City Council

## Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
<b>Income from continuing operations</b>			
Access charges	28,992	27,473	25,014
User charges	845	441	1,010
Liquid Trade Waste charges	229	197	159
Fees	1,112	1,054	1,195
Interest	407	672	176
Grants and contributions provided for non capital purposes	614	502	496
Profit from the sale of assets	-	-	-
Other income	1,278	1,340	1,469
<b>Total income from continuing operations</b>	<b>33,477</b>	<b>31,679</b>	<b>29,519</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	9,121	8,625	8,373
Borrowing costs	3,098	3,314	2,765
Materials and contracts	6,522	6,947	6,645
Depreciation and impairment	7,699	7,164	7,194
Loss on sale of assets	118	92	153
Calculated taxation equivalents	602	644	644
Debt guarantee fee (if applicable)	-	-	-
Other expenses	2,947	2,308	2,295
<b>Total expenses from continuing operations</b>	<b>30,107</b>	<b>29,094</b>	<b>28,069</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>3,370</b>	<b>2,585</b>	<b>1,450</b>
Grants and contributions provided for capital purposes	2,396	6,689	5,382
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>5,766</b>	<b>9,274</b>	<b>6,832</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>5,766</b>	<b>9,274</b>	<b>6,832</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,011)	(776)	(435)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,755</b>	<b>8,498</b>	<b>6,397</b>
plus Opening Retained Profits	274,598	265,754	259,582
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	602	644	644
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	1,011	776	435
less:			
- Tax Equivalent Dividend paid	(137)	(133)	(130)
- Surplus dividend paid	(1,235)	(941)	(1,174)
<b>Closing Retained Profits</b>	<b>279,594</b>	<b>274,598</b>	<b>265,754</b>
<b>Return on Capital %</b>	<b>1.4%</b>	<b>1.2%</b>	<b>0.9%</b>
<b>Subsidy from Council</b>	<b>16,944</b>	<b>1,954</b>	<b>3,881</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	4,755	8,498	6,397
less: Capital grants and contributions (excluding developer contributions)	(197)	(5,044)	(4,516)
<b>Surplus for dividend calculation purposes</b>	<b>4,558</b>	<b>3,454</b>	<b>1,881</b>
<b>Potential Dividend calculated from surplus</b>	<b>2,279</b>	<b>1,727</b>	<b>941</b>

## Shoalhaven City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Holiday Haven		Cemeteries	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	16,000	15,620	1,114	1,161
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	882	672	-	-
<b>Total income from continuing operations</b>	<b>16,882</b>	<b>16,292</b>	<b>1,114</b>	<b>1,161</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	555	518	560	516
Borrowing costs	252	211	54	68
Materials and contracts	5,490	5,567	215	208
Depreciation and impairment	1,661	1,357	254	178
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	60	16	21
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	4,158	4,016	486	504
<b>Total expenses from continuing operations</b>	<b>12,116</b>	<b>11,729</b>	<b>1,585</b>	<b>1,495</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>4,766</b>	<b>4,563</b>	<b>(471)</b>	<b>(334)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>4,766</b>	<b>4,563</b>	<b>(471)</b>	<b>(334)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>4,766</b>	<b>4,563</b>	<b>(471)</b>	<b>(334)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,430)	(1,369)	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,336</b>	<b>3,194</b>	<b>(471)</b>	<b>(334)</b>
plus Opening Retained Profits	20,881	45,002	(1,807)	(1,494)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	60	16	21
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	1,430	1,369	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(5,587)	(28,744)	-	-
<b>Closing Retained Profits</b>	<b>20,060</b>	<b>20,881</b>	<b>(2,262)</b>	<b>(1,807)</b>
<b>Return on Capital %</b>	<b>21.1%</b>	<b>21.0%</b>	<b>-5.3%</b>	<b>-5.5%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>-</b>	<b>828</b>	<b>685</b>

## Shoalhaven City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Mechanical Services		Electrical Services	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	155	156	313	74
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	4,256	4,190	3,689	2,275
<b>Total income from continuing operations</b>	<b>4,411</b>	<b>4,346</b>	<b>4,002</b>	<b>2,349</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	2,341	2,247	2,181	1,404
Borrowing costs	-	-	-	-
Materials and contracts	556	548	809	399
Depreciation and impairment	25	14	-	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	87	-	36
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	1,090	1,093	904	457
<b>Total expenses from continuing operations</b>	<b>4,012</b>	<b>3,989</b>	<b>3,894</b>	<b>2,296</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>399</b>	<b>357</b>	<b>108</b>	<b>53</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>399</b>	<b>357</b>	<b>108</b>	<b>53</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>399</b>	<b>357</b>	<b>108</b>	<b>53</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(120)	(107)	(32)	(16)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>279</b>	<b>250</b>	<b>76</b>	<b>37</b>
plus Opening Retained Profits	(387)	(831)	(181)	(270)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	87	-	36
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	120	107	32	16
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>12</b>	<b>(387)</b>	<b>(73)</b>	<b>(181)</b>
<b>Return on Capital %</b>	<b>433.7%</b>	<b>302.5%</b>	<b>128.6%</b>	<b>55.2%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Shoalhaven City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Entertainment Centre		Aquatics	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	1,029	434	3,220	3,349
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	101	340	9	5
<b>Total income from continuing operations</b>	<b>1,130</b>	<b>774</b>	<b>3,229</b>	<b>3,354</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	959	647	3,311	3,201
Borrowing costs	389	401	-	-
Materials and contracts	644	567	1,122	1,196
Depreciation and impairment	482	250	788	775
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	75	-	21	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	429	279	1,970	1,839
<b>Total expenses from continuing operations</b>	<b>2,978</b>	<b>2,144</b>	<b>7,212</b>	<b>7,011</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(1,848)</b>	<b>(1,370)</b>	<b>(3,983)</b>	<b>(3,657)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(1,848)</b>	<b>(1,370)</b>	<b>(3,983)</b>	<b>(3,657)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(1,848)</b>	<b>(1,370)</b>	<b>(3,983)</b>	<b>(3,657)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,848)</b>	<b>(1,370)</b>	<b>(3,983)</b>	<b>(3,657)</b>
plus Opening Retained Profits	(18,744)	20,114	(3,153)	6,810
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	75	-	21	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>(20,517)</b>	<b>18,744</b>	<b>(7,115)</b>	<b>3,153</b>
<b>Return on Capital %</b>	<b>-6.0%</b>	<b>-4.0%</b>	<b>-269.1%</b>	<b>-153.8%</b>
<b>Subsidy from Council</b>	<b>2,721</b>	<b>-</b>	<b>4,060</b>	<b>-</b>

## Shoalhaven City Council

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

as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	17,398	5,852
Investments	3,216	4,491
Receivables	2,561	2,575
Inventories	-	-
Other	1,093	1,156
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>24,268</b>	<b>14,074</b>
<b>Non-Current Assets</b>		
Investments	1,508	4,588
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	305,573	305,162
Investments accounted for using equity method	-	-
Investment property	-	-
Other	14,947	16,023
<b>Total non-Current Assets</b>	<b>322,028</b>	<b>325,773</b>
<b>TOTAL ASSETS</b>	<b>346,296</b>	<b>339,847</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	983	920
Interest bearing liabilities	340	318
Provisions	-	-
<b>Total Current Liabilities</b>	<b>1,323</b>	<b>1,238</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	1,293	1,633
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>1,293</b>	<b>1,633</b>
<b>TOTAL LIABILITIES</b>	<b>2,616</b>	<b>2,871</b>
<b>NET ASSETS</b>	<b>343,680</b>	<b>336,976</b>
<b>EQUITY</b>		
Retained earnings	186,615	184,271
Revaluation reserves	157,065	152,705
Council equity interest	343,680	336,976
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>343,680</b>	<b>336,976</b>

## Shoalhaven City Council

## Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	8,424	3,712
Investments	1,557	3,624
Receivables	4,875	4,212
Inventories	-	-
Other	1	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>14,857</b>	<b>11,548</b>
<b>Non-Current Assets</b>		
Investments	730	3,538
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	449,360	507,580
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>450,090</b>	<b>511,118</b>
<b>TOTAL ASSETS</b>	<b>464,947</b>	<b>522,666</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	2,771	3,227
Interest bearing liabilities	3,882	3,446
Provisions	-	-
<b>Total Current Liabilities</b>	<b>6,653</b>	<b>6,673</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	43,823	44,820
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>43,823</b>	<b>44,820</b>
<b>TOTAL LIABILITIES</b>	<b>50,476</b>	<b>51,493</b>
<b>NET ASSETS</b>	<b>414,471</b>	<b>471,173</b>
<b>EQUITY</b>		
Retained earnings	279,594	274,598
Revaluation reserves	134,877	196,575
Council equity interest	414,471	471,173
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>414,471</b>	<b>471,173</b>

## Shoalhaven City Council

## Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Holiday Haven		Cemeteries	
	Category 1		Category 2	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	4,628	7,262	600	578
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>4,628</b>	<b>7,262</b>	<b>600</b>	<b>578</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	23,762	22,742	7,888	4,866
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>23,762</b>	<b>22,742</b>	<b>7,888</b>	<b>4,866</b>
<b>TOTAL ASSETS</b>	<b>28,390</b>	<b>30,004</b>	<b>8,488</b>	<b>5,444</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	3,893	3,672	501	835
Interest bearing liabilities	995	1,014	128	248
Provisions	-	-	-	-
<b>Total Current Liabilities</b>	<b>4,888</b>	<b>4,686</b>	<b>629</b>	<b>1,083</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	3,442	4,437	503	766
Provisions	-	-	-	-
Other Liabilities	-	-	9,618	4,525
<b>Total Non-Current Liabilities</b>	<b>3,442</b>	<b>4,437</b>	<b>10,121</b>	<b>5,291</b>
<b>TOTAL LIABILITIES</b>	<b>8,330</b>	<b>9,123</b>	<b>10,750</b>	<b>6,374</b>
<b>NET ASSETS</b>	<b>20,060</b>	<b>20,881</b>	<b>(2,262)</b>	<b>(930)</b>
<b>EQUITY</b>				
Retained earnings	20,060	20,881	(2,262)	(1,807)
Revaluation reserves	-	-	-	877
Council equity interest	<b>20,060</b>	<b>20,881</b>	<b>(2,262)</b>	<b>(930)</b>
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>20,060</b>	<b>20,881</b>	<b>(2,262)</b>	<b>(930)</b>

## Shoalhaven City Council

## Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Mechanical Services Category 1		Electrical Services Category 1	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	503	(14)	-	-
Investments	-	-	-	-
Receivables	335	498	279	318
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>838</b>	<b>484</b>	<b>279</b>	<b>318</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	92	118	84	96
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>92</b>	<b>118</b>	<b>84</b>	<b>96</b>
<b>TOTAL ASSETS</b>	<b>930</b>	<b>602</b>	<b>363</b>	<b>414</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	918	989	29	44
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
<b>Total Current Liabilities</b>	<b>918</b>	<b>989</b>	<b>29</b>	<b>44</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	407	490
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>407</b>	<b>490</b>
<b>TOTAL LIABILITIES</b>	<b>918</b>	<b>989</b>	<b>436</b>	<b>534</b>
<b>NET ASSETS</b>	<b>12</b>	<b>(387)</b>	<b>(73)</b>	<b>(120)</b>
<b>EQUITY</b>				
Retained earnings	12	(387)	(73)	(181)
Revaluation reserves	-	-	-	61
Council equity interest	12	(387)	(73)	(120)
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>12</b>	<b>(387)</b>	<b>(73)</b>	<b>(120)</b>



## Shoalhaven City Council

## Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Entertainment Centre		Aquatics	
	Category 2		Category 1	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	247	164	1,474	1,277
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>247</b>	<b>164</b>	<b>1,474</b>	<b>1,277</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	24,227	24,453	1,480	2,377
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>24,227</b>	<b>24,453</b>	<b>1,480</b>	<b>2,377</b>
<b>TOTAL ASSETS</b>	<b>24,474</b>	<b>24,617</b>	<b>2,954</b>	<b>3,654</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	444	333	598	501
Interest bearing liabilities	384	177	-	-
Provisions	-	-	-	-
<b>Total Current Liabilities</b>	<b>828</b>	<b>510</b>	<b>598</b>	<b>501</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	7,629	5,363	-	-
Provisions	-	-	-	-
Other Liabilities	36,534	-	9,471	-
<b>Total Non-Current Liabilities</b>	<b>44,163</b>	<b>5,363</b>	<b>9,471</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>44,991</b>	<b>5,873</b>	<b>10,069</b>	<b>501</b>
<b>NET ASSETS</b>	<b>(20,517)</b>	<b>18,744</b>	<b>(7,115)</b>	<b>3,153</b>
<b>EQUITY</b>				
Retained earnings	(20,517)	18,744	(7,115)	3,153
Revaluation reserves	-	-	-	-
Council equity interest	(20,517)	18,744	(7,115)	3,153
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>(20,517)</b>	<b>18,744</b>	<b>(7,115)</b>	<b>3,153</b>

## Shoalhaven City Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2011

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

Note	Details	Page
1	Summary of Significant Accounting Policies	14
2	Water Supply Business Best Practice Management disclosure requirements	17
3	Sewerage Business Best Practice Management disclosure requirements	19

## Shoalhaven City Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Significant Accounting Policies

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

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

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

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

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

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing

and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

#### Declared Business Activities

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

##### Category 1

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

##### a. Shoalhaven Water

Water Supply

##### b. Shoalhaven Sewer

Sewerage Services

##### c. Holiday Haven

Caravan Park Operations

##### d. Shoalhaven Mechanical Services

Mechanical Services

##### e. Electrical Technology Services

Electrical Services

##### f. Aquatic Recreation Facilities

Swimming pools and Aquatics Centres

##### Category 2

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

##### g. Shoalhaven Memorial Gardens

Cemetery and Crematorium Services

##### h. Shoalhaven Entertainment Centre

Venue for entertainment, hire and community activities.

#### Monetary Amounts

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

## Shoalhaven City Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

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

As required by the NSW Office of Water (Department of Environment, Climate Change and Water) some amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

##### (i) Taxation Equivalent Charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

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

##### Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$387,000** of combined land values attracts **0%**. From \$387,001 to \$2,366,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,366,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$658,000.

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

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

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the

payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income Tax

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

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

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

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

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

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

##### Local Government Rates & Charges

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

##### Loan & Debt Guarantee Fees

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

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

## Shoalhaven City Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

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

##### (ii) Subsidies

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

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

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

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

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

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

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

The Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

**Written Down Value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.21% at 30/6/11.

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

##### (iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either (i) 50% of this surplus in any one year, or (ii) the number of water supply or sewerage assessments at 30 June 2011 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

##### (v) Asset Adjustment in balance Sheet

A complete trial balance is not maintained for the following business activities:

- Holiday haven
- Memorial Gardens
- Mechanical Services
- Electrical Services
- Aquatic Recreation Facilities
- Shoalhaven Entertainment Centre

The accounts that are maintained have been reported accordingly. Total assets are determined by reference to the accumulated surplus / (Deficit) brought forward in the Income Statements by Business Activity and adjusted accordingly.

## Shoalhaven City Council

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

#### Note 2. Water Supply Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2011

#### 1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	186,151
(ii)	No of assessments multiplied by \$3/assessment	150,273
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	150,273
(iv)	Amounts actually paid for Tax Equivalents	149,547

#### 2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	1,447,778
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	1,352,457
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	3,981,968

2011 Surplus	2,895,555	2010 Surplus	2,172,826	2009 Surplus	-
		2010 Dividend	1,086,413	2009 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	1,352,457
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	1,086,413

#### 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

## Shoalhaven City Council

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

#### Note 2. Water Supply Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2011

#### National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F1</b>	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	21,091
<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)]	%	71.81%
<b>NWI F9</b>	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	290,134
<b>NWI F11</b>	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	13,504
<b>NWI F14</b>	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	18,092
<b>NWI F17</b>	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	0.44%
<b>NWI F26</b>	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
  - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

## Shoalhaven City Council

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

#### Note 3. Sewerage Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2011

##### 1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i) Calculated Tax Equivalents	602,245
(ii) No of assessments multiplied by \$3/assessment	137,658
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	137,658
(iv) Amounts actually paid for Tax Equivalents	137,160

##### 2. Dividend from Surplus

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	2,278,745
(ii) No. of assessments x (\$30 less tax equivalent charges per assessment)	1,238,922
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	7,717,563

2011 Surplus	4,557,489	2010 Surplus	3,453,961	2009 Surplus	1,881,000
		2010 Dividend	1,234,440	2009 Dividend	940,447

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	1,238,922
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	1,234,440

##### 3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i) Completion of Strategic Business Plan (including Financial Plan)	YES
(ii) Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
Complying charges (a) Residential [Item 2(c) in Table 1]	YES
(b) Non Residential [Item 2(c) in Table 1]	YES
(c) Trade Waste [Item 2(d) in Table 1]	YES
DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii) Complete Performance Reporting Form (by 15 September each year)	YES
(iv) a. Integrated Water Cycle Management Evaluation	YES
b. Complete and implement Integrated Water Cycle Management Strategy	YES



## Shoalhaven City Council

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

#### Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2011

##### National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	35,269
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	414,832
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	17,979
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	73,007
<b>NWI F18</b>	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	2.13%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	197

##### National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

<b>NWI F3</b>	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	56,125
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.77%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	91,099
<b>NWI F19</b>	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	1.45%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	2,321
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	24.52%

## Shoalhaven City Council

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

#### Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2011

#### National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

<b>NWI F22</b>	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	2.18%
<b>NWI F23</b>	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest  Earnings before Interest & 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)		31
<b>NWI F24</b>	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	9,464
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	992

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
  - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.



# PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

Level 22 MLC Centre  
19 Martin Place  
Sydney NSW 2000  
Australia

Postal Address:  
GPO Box 1615  
Sydney NSW 2001  
Australia

Tel: +61 2 9221 2099  
Fax: +61 2 9223 1762

[www.pitcher.com.au](http://www.pitcher.com.au)  
[partners@pitcher-nsw.com.au](mailto:partners@pitcher-nsw.com.au)

Pitcher Partners, including Johnston Rorke,  
is an association of independent firms  
Melbourne | Sydney | Perth | Adelaide | Brisbane

## **SHOALHAVEN CITY COUNCIL Special Purpose Financial Report Independent Auditors' Report to the Council for the Year ended 30 June 2011**

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

We have audited the accompanying financial statements, being special purpose financial statements, of Shoalhaven City Council's declared business activities, which comprises the balance sheet as at 30 June 2011 and the income statement for the year then ended, a summary of significant accounting policies, and other explanatory notes and the Statement by Councilors and Management.

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

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

#### *Auditor's Responsibilities*

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

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

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

**Auditor's Opinion**

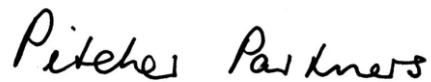
In our opinion, the financial statements present fairly, in all material respects, the financial position of Shoalhaven City Council as of 30 June 2011 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the special purpose financial statements.

**Basis of Accounting**

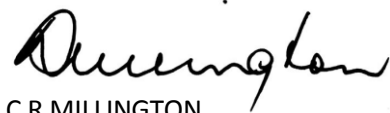
Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the New South Wales Division of Local Government for the purpose of fulfilling the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

**Other Matter**

Shoalhaven City Council has prepared a separate financial report for the year ended 30 June 2011 in accordance with Australian Accounting Standards and the Code of Accounting Practice and Financial Reporting on which we issued a separate auditor's report to the Council dated 4 November 2011.



PITCHER PARTNERS



C R MILLINGTON  
Partner

Sydney, 4 November 2011

# Shoalhaven City Council

SPECIAL SCHEDULES

for the year ended 30 June 2011

---

*We will work together in the Shoalhaven to foster  
a safe and attractive community for people to live, work, stay and play,  
where sustainable growth, development and environmental protection  
are managed to provide a unique and relaxed lifestyle.*

**Shoalhaven**  
City Council

# Shoalhaven City Council

## Special Schedules

for the financial year ended 30 June 2011

### Contents

Page

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

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	5
- Special Schedule No. 3	Water Supply - Income Statement	6
- Special Schedule No. 4	Water Supply - Balance Sheet	10
- Special Schedule No. 5	Sewerage Service - Income Statement	11
- Special Schedule No. 6	Sewerage Service - Balance Sheet	15
- Notes to Special Schedules No. 3 & 5		16
- Special Schedule No. 7	Condition of Public Works	17
- Special Schedule No. 8	Financial Projections	20

<sup>1</sup> Special Purpose Schedules are not audited.

---

#### 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,
  - the Department of Environment, Climate Change and Water, and
  - the Division of Local Government (DLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.

## Shoalhaven City Council

## Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>1,229</b>	<b>13</b>	<b>-</b>	<b>(1,216)</b>
<b>Administration</b>	<b>33,021</b>	<b>4,393</b>	<b>570</b>	<b>(28,058)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	3,438	2,352	776	(310)
Beach Control	298	-	-	(298)
Enforcement of Local Govt Regs	1,022	733	-	(289)
Animal Control	521	316	-	(205)
Other	28	-	-	(28)
<b>Total Public Order &amp; Safety</b>	<b>5,307</b>	<b>3,401</b>	<b>776</b>	<b>(1,130)</b>
<b>Health</b>	<b>1,196</b>	<b>311</b>	<b>1</b>	<b>(884)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	396	235	-	(161)
Other Environmental Protection	4,596	661	19	(3,916)
Solid Waste Management	16,482	19,673	-	3,191
Street Cleaning	515	-	-	(515)
Drainage	12	-	-	(12)
Stormwater Management	-	1,031	197	1,228
<b>Total Environment</b>	<b>22,001</b>	<b>21,600</b>	<b>216</b>	<b>(185)</b>
<b>Community Services and Education</b>				
Administration & Education	317	15	-	(302)
Social Protection (Welfare)	157	43	14	(100)
Aged Persons and Disabled	149	30	-	(119)
Childrens Services	1,396	1,194	16	(186)
<b>Total Community Services &amp; Education</b>	<b>2,019</b>	<b>1,282</b>	<b>30</b>	<b>(707)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	1,140	1,114	-	(26)
Public Conveniences	983	-	-	(983)
Street Lighting	1,466	73	-	(1,393)
Town Planning	2,789	568	149	(2,072)
Other Community Amenities	24	2	-	(22)
<b>Total Housing and Community Amenities</b>	<b>6,402</b>	<b>1,757</b>	<b>149</b>	<b>(4,496)</b>
<b>Water Supplies</b>	<b>18,026</b>	<b>19,760</b>	<b>1,734</b>	<b>3,468</b>
<b>Sewerage Services</b>	<b>18,423</b>	<b>31,906</b>	<b>2,396</b>	<b>15,879</b>

## Shoalhaven City Council

## Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2011

\$'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	2,343	624	72	(1,647)
Museums	7	1	-	(6)
Art Galleries	239	69	-	(170)
Community Centres and Halls	968	117	460	(391)
Performing Arts Venues	2,515	1,130	-	(1,385)
Other Performing Arts	-	-	-	-
Other Cultural Services	521	157	-	(364)
Sporting Grounds and Venues	1,438	48	759	(631)
Swimming Pools	6,086	3,228	60	(2,798)
Parks & Gardens (Lakes)	3,258	141	64	(3,053)
Other Sport and Recreation	1,059	155	183	(721)
<b>Total Recreation and Culture</b>	<b>18,434</b>	<b>5,670</b>	<b>1,598</b>	<b>(11,166)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	5,173	2,486	-	(2,687)
Other Mining, Manufacturing & Construction	723	838	21	136
<b>Total Mining, Manufacturing and Const.</b>	<b>5,896</b>	<b>3,324</b>	<b>21</b>	<b>(2,551)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	13,857	1,820	1,450	(10,587)
Urban Roads - Regional	417	-	-	(417)
Sealed Rural Roads (SRR) - Local	4,520	17	2,131	(2,372)
Sealed Rural Roads - Regional	1,236	271	504	(461)
Unsealed Rural Roads (URR) - Local	4,505	-	57	(4,448)
Unsealed Rural Roads (URR) - Regional	157	-	-	(157)
Bridges on UR - Local	305	-	125	(180)
Bridges on SRR - Local	484	-	-	(484)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	80	-	-	(80)
Parking Areas	941	7	7	(927)
Footpaths	923	-	50	(873)
Aerodromes	-	-	-	-
Other Transport & Communication	4,356	812	387	(3,157)
<b>Total Transport and Communication</b>	<b>31,781</b>	<b>2,927</b>	<b>4,711</b>	<b>(24,143)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	9,876	16,139	-	6,263
Other Economic Affairs	6,678	1,089	-	(5,589)
<b>Total Economic Affairs</b>	<b>16,554</b>	<b>17,228</b>	-	<b>674</b>
<b>Totals – Functions</b>	<b>180,289</b>	<b>113,572</b>	<b>12,202</b>	<b>(54,515)</b>
<b>General Purpose Revenues<sup>(2)</sup></b>		<b>59,221</b>		<b>59,221</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	-	-		-
<b>NET OPERATING RESULT<sup>(1)</sup></b>	<b>180,289</b>	<b>172,793</b>	<b>12,202</b>	<b>4,706</b>

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)



# Shoalhaven City Council

## Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2011

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	100	100	-	-	-	-	6	-	100	100
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	7,110	58,700	65,810	7,554	7,110	-	-	4,303	7,650	58,604	66,254
Other	49	895	944	-	49	-	-	71	152	743	895
<b>Total Loans</b>	<b>7,159</b>	<b>59,695</b>	<b>66,854</b>	<b>7,554</b>	<b>7,159</b>	<b>-</b>	<b>-</b>	<b>4,380</b>	<b>7,802</b>	<b>59,447</b>	<b>67,249</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	61	109	170	30	62	-	-	7	10	128	138
Government Advances	933	4,896	5,829	22	933	-	-	173	867	4,051	4,918
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Debt</b>	<b>994</b>	<b>5,005</b>	<b>5,999</b>	<b>52</b>	<b>995</b>	<b>-</b>	<b>-</b>	<b>180</b>	<b>877</b>	<b>4,179</b>	<b>5,056</b>
<b>Total Debt</b>	<b>8,153</b>	<b>64,700</b>	<b>72,853</b>	<b>7,606</b>	<b>8,154</b>	<b>-</b>	<b>-</b>	<b>4,560</b>	<b>8,679</b>	<b>63,626</b>	<b>72,305</b>

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

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

# Shoalhaven City Council

## Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2011

\$'000

### Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	5,985	508	5,056
Water			
Sewer	12,000	567	10,966
Domestic Waste Management			
Gas			
Other			
<b>Totals</b>	<b>17,985</b>	<b>1,075</b>	<b>16,022</b>

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

### Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
General Fund	Water Fund	11/06/09	30/06/09	10	30/06/19	6.07%	5,985	508	5,056
Sewer Fund	Water Fund	11/06/09	30/06/09	15	30/06/24	6.28%	12,000	567	10,966
<b>Totals</b>							<b>17,985</b>	<b>1,075</b>	<b>16,022</b>

## Shoalhaven City Council

## Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
<b>A Expenses and Income Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	4,331	4,393
b. Engineering and Supervision	1,608	1,298
<b>2. Operation and Maintenance expenses</b>		
<b>- Dams &amp; Weirs</b>		
a. Operation expenses	209	140
b. Maintenance expenses	1	3
<b>- Mains</b>		
c. Operation expenses	1,444	1,122
d. Maintenance expenses	856	1,043
<b>- Reservoirs</b>		
e. Operation expenses	173	248
f. Maintenance expenses	54	62
<b>- Pumping Stations</b>		
g. Operation expenses (excluding energy costs)	188	162
h. Energy costs	671	860
i. Maintenance expenses	79	156
<b>- Treatment</b>		
j. Operation expenses (excluding chemical costs)	1,032	977
k. Chemical costs	557	467
l. Maintenance expenses	338	329
<b>- Other</b>		
m. Operation expenses	1,892	1,226
n. Maintenance expenses	55	51
o. Purchase of water	16	22
<b>3. Depreciation expenses</b>		
a. System assets	5,976	5,610
b. Plant and equipment	257	436
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	127	154
b. Revaluation Decrements	-	-
c. Other expenses	-	-
<b>5. Total expenses</b>	<b>19,864</b>	<b>18,759</b>

## Shoalhaven City Council

## Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	3,077	2,662
b. Usage charges	7,840	7,394
<b>7. Non-residential charges</b>		
a. Access (including rates)	625	538
b. Usage charges	5,268	5,458
<b>8. Extra charges</b>	-	-
<b>9. Interest income</b>	2,470	1,780
<b>10. Other income</b>	2,041	1,789
<b>11. Grants</b>		
a. Grants for acquisition of assets	-	75
b. Grants for pensioner rebates	492	480
c. Other grants	8	40
<b>12. Contributions</b>		
a. Developer charges	1,734	1,388
b. Developer provided assets	-	-
c. Other contributions	6	-
<b>13. Total income</b>	<b>23,561</b>	<b>21,604</b>
<b>14. Gain or loss on disposal of assets</b>	(117)	(41)
<b>15. Operating Result</b>	<b>3,580</b>	<b>2,804</b>
<b>15a. Operating Result (less grants for acquisition of assets)</b>	3,580	2,729

## Shoalhaven City Council

## Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	16,262	14,479
c. Renewals	1,233	945
d. Plant and equipment	597	538
<b>17. Repayment of debt</b>		
a. Loans	318	498
b. Advances	-	-
c. Finance leases	-	-
<b>18. Transfer to sinking fund</b>	-	-
<b>19. Totals</b>	<b>18,410</b>	<b>16,460</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	217	192
<b>21. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>22. Transfer from sinking fund</b>	-	-
<b>23. Totals</b>	<b>217</b>	<b>192</b>
<b>C Rates and charges</b>		
<b>24. Number of assessments</b>		
a. Residential (occupied)	44,145	43,739
b. Residential (unoccupied, ie. vacant lot)	1,977	2,168
c. Non-residential (occupied)	3,585	3,548
d. Non-residential (unoccupied, ie. vacant lot)	384	394
<b>25. Number of ETs for which developer charges were received</b>	280 ET	231 ET
<b>26. Total amount of pensioner rebates (actual dollars)</b>	\$ 848	\$818K

## Shoalhaven City Council

Special Schedule No. 3 - Water Supply Cross Subsidies  
for the financial year ended 30 June 2011

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>27. Annual charges</b>			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy <b>from</b> residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy <b>to</b> non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy <b>to</b> large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
<b>28. Developer charges</b>			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2010/11 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>29. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (27b +27c + 27d + 28b)</b>			<input type="text" value="-"/>
* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.			
However, disclosure of cross-subsidies is <b>not</b> required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.			

## Shoalhaven City Council

## Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2011

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>30. Cash and investments</b>			
a. Developer charges	6,474	-	6,474
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	14,140	1,508	15,648
<b>31. Receivables</b>			
a. Specific purpose grants	491	-	491
b. Rates and charges	1,467	-	1,467
c. Other	603	-	603
<b>32. Inventories</b>	-	-	-
<b>33. Property, plant and equipment</b>			
a. System assets	-	290,134	290,134
b. Plant and equipment	-	15,439	15,439
<b>34. Other assets</b>	1,093	14,947	16,040
<b>35. Total assets</b>	<b>24,268</b>	<b>322,028</b>	<b>346,296</b>
<b>LIABILITIES</b>			
<b>36. Bank overdraft</b>	-	-	-
<b>37. Creditors</b>	983	-	983
<b>38. Borrowings</b>			
a. Loans	340	1,293	1,633
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>39. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>40. Total liabilities</b>	<b>1,323</b>	<b>1,293</b>	<b>2,616</b>
<b>41. NET ASSETS COMMITTED</b>	<b>22,945</b>	<b>320,735</b>	<b>343,680</b>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			186,615
<b>43. Asset revaluation reserve</b>			157,065
<b>44. TOTAL EQUITY</b>			<b>343,680</b>
<b>Note to system assets:</b>			
<b>45. Current replacement cost</b> of system assets			482,021
<b>46. Accumulated current cost</b> depreciation of system assets			(191,887)
<b>47. Written down current cost</b> of system assets			290,134

## Shoalhaven City Council

## Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
<b>A Expenses and Income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	4,789	4,792
b. Engineering and Supervision	1,608	1,298
<b>2. Operation and Maintenance expenses</b>		
<b>- Mains</b>		
a. Operation expenses	1,966	1,960
b. Maintenance expenses	181	140
<b>- Pumping Stations</b>		
c. Operation expenses (excluding energy costs)	1,904	1,848
d. Energy costs	541	455
e. Maintenance expenses	1,042	919
<b>- Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	2,501	2,448
g. Chemical costs	126	117
h. Energy costs	642	516
i. Effluent Management	114	88
j. Biosolids Management	535	554
k. Maintenance expenses	549	716
<b>- Other</b>		
l. Operation expenses	988	1,123
m. Maintenance expenses	493	326
<b>3. Depreciation expenses</b>		
a. System assets	7,364	6,641
b. Plant and equipment	337	523
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	3,098	3,314
b. Revaluation Decrements	-	-
c. Other expenses	609	580
<b>5. Total expenses</b>	<b>29,387</b>	<b>28,358</b>



## Shoalhaven City Council

## Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	25,751	24,057
<b>7. Non-residential charges</b>		
a. Access (including rates)	2,791	2,643
b. Usage charges	1,112	1,055
<b>8. Trade Waste Charges</b>		
a. Annual Fees	37	27
b. Usage charges	193	170
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
<b>9. Extra charges</b>	1,075	1,142
<b>10. Interest income</b>	407	672
<b>11. Other income</b>	1,603	1,411
<b>12. Grants</b>		
a. Grants for acquisition of assets	197	5,043
b. Grants for pensioner rebates	500	494
c. Other grants	8	8
<b>13. Contributions</b>		
a. Developer charges	2,199	1,646
b. Developer provided assets	-	-
c. Other contributions	-	-
<b>14. Total income</b>	<u>35,873</u>	<u>38,368</u>
<b>15. Gain or loss on disposal of assets</b>	(118)	(92)
<b>16. Operating Result</b>	<u>6,368</u>	<u>9,918</u>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	6,171	4,875

## Shoalhaven City Council

## Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	5,061	10,097
b. New Assets for Growth	67,152	13,826
c. Renewals	239	1,748
d. Plant and equipment	555	708
<b>18. Repayment of debt</b>		
a. Loans	3,446	3,233
b. Advances	-	-
c. Finance leases	-	-
<b>19. Transfer to sinking fund</b>	-	-
<b>20. Totals</b>	<b>76,453</b>	<b>29,612</b>
<b>Non-operating funds employed</b>		
<b>21. Proceeds from disposal of assets</b>	151	165
<b>22. Borrowing utilised</b>		
a. Loans	3,000	-
b. Advances	-	-
c. Finance leases	-	-
<b>23. Transfer from sinking fund</b>	-	-
<b>24. Totals</b>	<b>3,151</b>	<b>165</b>
<b>C Rates and charges</b>		
<b>25. Number of assessments</b>		
a. Residential (occupied)	41,227	40,886
b. Residential (unoccupied, ie. vacant lot)	1,936	2,125
c. Non-residential (occupied)	2,520	2,501
d. Non-residential (unoccupied, ie. vacant lot)	203	208
<b>26. Number of ETs for which developer charges were received</b>	279 ET	216 ET
<b>27. Total amount of pensioner rebates (actual dollars)</b>	\$ 909	\$897K

## Shoalhaven City Council

Special Schedule No. 5 - Sewerage Cross Subsidies  
for the financial year ended 30 June 2011

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
<b>a.</b> Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
<b>b.</b> Cross-subsidy <b>to</b> non-residential customers (page 45 of Guidelines)			<input type="text"/>
<b>c.</b> Cross-subsidy <b>to</b> trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
<b>a.</b> Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>b.</b> Total cross-subsidy in sewerage developer charges for 2010/11 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>30. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (28b + 28c + 29b)</b>			<input type="text" value="-"/>

\* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

## Shoalhaven City Council

## Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2011

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	436	-	436
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	9,545	730	10,275
<b>32. Receivables</b>			
a. Specific purpose grants	501	-	501
b. Rates and charges	3,542	-	3,542
c. Other	832	-	832
<b>33. Inventories</b>	-	-	-
<b>34. Property, plant and equipment</b>			
a. System assets	-	414,832	414,832
b. Plant and equipment	-	34,528	34,528
<b>35. Other assets</b>	1	-	1
<b>36. Total Assets</b>	<u>14,857</u>	<u>450,090</u>	<u>464,947</u>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>	-	-	-
<b>38. Creditors</b>	2,771	-	2,771
<b>39. Borrowings</b>			
a. Loans	3,767	43,605	47,372
b. Advances	115	218	333
c. Finance leases	-	-	-
<b>40. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>41. Total Liabilities</b>	<u>6,653</u>	<u>43,823</u>	<u>50,476</u>
<b>42. NET ASSETS COMMITTED</b>	<u>8,204</u>	<u>406,267</u>	<u>414,471</u>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			279,594
<b>44. Asset revaluation reserve</b>			134,877
<b>45. TOTAL EQUITY</b>			<u>414,471</u>
<b>Note to system assets:</b>			
<b>46. Current replacement cost</b> of system assets			589,099
<b>47. Accumulated current cost</b> depreciation of system assets			(174,267)
<b>48. Written down current cost</b> of system assets			<u>414,832</u>

## Shoalhaven City Council

### Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2011

---

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

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

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

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

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

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

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

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

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

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

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

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

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

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

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) incl. 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.









## Shoalhaven City Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2011

\$'000	Actual <sup>(1)</sup> 10/11	Forecast 11/12	Forecast 12/13
<b>(i) RECURRENT BUDGET</b>			
Income from continuing operations	184,995	193,541	191,961
Expenses from continuing operations	180,289	170,096	176,050
<b>Operating Result from Continuing Operations</b>	<b><u>4,706</u></b>	<b><u>23,445</u></b>	<b><u>15,911</u></b>
<b>(ii) CAPITAL BUDGET</b>			
New Capital Works <sup>(2)</sup>	<u>58,050</u>	<u>53,444</u>	<u>51,465</u>
<b>Total Capital Budget</b>	<b><u>58,050</u></b>	<b><u>53,444</u></b>	<b><u>51,465</u></b>
<b>Funded by:</b>			
– Loans	5,399	21,229	16,814
– Asset sales	-	-	-
– Reserves	38,156	13,134	20,782
– Grants/Contributions	6,535	15,130	7,771
– Recurrent revenue	7,960	3,951	6,098
– Other	-	-	-
	<b><u>58,050</u></b>	<b><u>53,444</u></b>	<b><u>51,465</u></b>

**Notes:**

(1) From 10/11 Income Statement.

(2) New Capital Works are major non-recurrent projects.