



COMMUNITY REPORT

2013-2014

Shoalhaven
City Council

COMMUNITY REPORT

2013 - 2014



ABOUT THIS REPORT

Welcome to Shoalhaven City Council's Community Report which provides a snapshot of the work undertaken by council during the 2013-14 financial year.

The Shoalhaven is a stunning area on the NSW South Coast and Council is proud to be playing its part in making this area an even better place to live by working to achieve the objectives in the Community Strategic Plan.

Council has been concentrating its efforts in a number of high priority areas such as delivering special rate variation projects including \$2.3M worth of road and footpath renewals, and working to improve its financial position and focus on improved customer service and community engagement through its Transformation Program.

Council continues to work towards improving its services and financial position and making the Shoalhaven a great place to live, work, stay and play.

COMMUNITY REPORT 2013 - 2014

HIGHLIGHTS

The Shoalhaven Community Strategic Plan (CSP) lays the ground work for taking our city towards 2023. With citizens and stakeholders contributing to the vision, objectives and strategies, the plan reflects community aspirations for the City.

Leading the City's planning hierarchy, the Community Strategic Plan identifies the community's aspirations and expectations for the future as well as identifying key objectives. This section addresses the key result areas (KRAs) from the CSP and how Council deliver on its key priorities.



PEOPLE



As the area continues to evolve and grow in size, Council remains focused on providing services and facilities that enhance equity, social inclusion and cultural diversity while continuing to provide for and help create sustainable, resilient and engaged communities.

Key Priorities addressing People include:

- Engage the Shoalhaven community in all we do
- A safe and caring community

Council has made a concerted effort to change the methods we use in engaging with the community to ensure all local residents are provided with an opportunity to have their say.

The last 12 months has seen a far greater focus on engagement through our social media channels and website.

Successful engagements conducted through social media include the plan designed to help find the location for a proposed Skate Park in the Bay and Basin area.

Using the hashtag #sk8bayandbasin, we were inundated with comments from local residents, particularly adolescents, offering their proposed location.

We will continue to utilise social media as an engagement tool in the future, particularly when corresponding with the area's younger residents.

Another positive step taken in the past 12 months was the establishment of the CCB Liaison Role within Council. The solidifying of this role will result in greater communication between the CCBs and Council.

Highlights

- Development of Aboriginal Youth Engagement Strategy to assist those working with Aboriginal youth in carrying out their work. Consultation with Aboriginal young people was undertaken over a two year period to ensure relevance and ownership.

- Shoalhaven Women in Sport campaign launched in a bid to create pathways for local women to become more active.
- The Archibald Prize for Portraiture 2013 exhibition at the Shoalhaven City Arts Gallery attracted large crowds.
- Youth Week launched with a host of different events right throughout the Shoalhaven.
- The completion of over 7,000 external customer requests for maintenance and a further 2,700 internal road risk maintenance requests.
- Shoalhaven Libraries received a Highly Commended in the 2013 NSW Public Libraries Marketing Awards for their travelling Book Week Shows.
- New water filling stations were installed at Callala Beach, Callala Bay and Sanctuary Point.
- More than 15,000 loans for ebooks and eAudiobooks through our libraries as the popularity of this new technology continues to rise.
- One of Australia's most renowned swim coaches, Doug Frost joined the Ulladulla squad team staff.
- Over 300 people attend Cullunghutti (Coolangatta Mountain) celebration as an acknowledgement of spiritual and cultural significance of this area to local Aboriginal people.
- Council launched 'It's Not Cool to be a Tool' campaign aimed at reducing instances of alcohol related assault.



PLACE



Council continues to place a strong emphasis on pursuing sustainable approaches to development and community living to ensure the long term viability of our pristine natural environment. This needs to be achieved in conjunction with ongoing infrastructure maintenance and renewal programs designed to meet the growing needs of the local community.

Key Priorities addressing Place include:

- Bring CBDs Alive and activate our waterfronts
- Build road and footpath connections
- Showcase our unique environments

Council provided an additional \$2.3 million in rates funding towards infrastructure renewal, all of which was exclusively allocated towards road and path renewal projects.

These important works were funded following community consultation for an increase in General Rates by 4.6 percent above the rate pegging limit (3.4 percent) in the 2013/14 financial year in an effort to tackle the area's infrastructure backlog.

While it will take many years to overcome the area's \$37 million backlog of works, the additional funding allowed work to commence on some of the area's most degraded surfaces.

The list of works included -

- Currarong Road - \$624,000
- Jindy Andy Lane - \$364,000
- Quinns Lane - \$512,000
- Lake Conjola Entrance Road - \$200,000
- Orsova Parade - \$100,000
- Woollamia Road (community) path - \$200,000
- Princes Highway (south of Canberra Crescent) path - \$90,000
- Berry Street Nowra CBD path - \$210,000

Shoalhaven Water also undertook a number of major infrastructure projects over the 2013/14 financial year with the opening of the Kangaroo Valley Sewerage Scheme and Strongs Road Water Supply Renewal among the highlights.

The \$18.3 million Kangaroo Valley Sewage Scheme provides a pressure sewer system to collect and treat wastewater from around 250 homes and businesses in the developed areas of Kangaroo Valley and Barrengarry.

Additionally, the \$2.3 million Strongs Road project services 34 properties and replaces the raw water supply constructed in the 1920s.

Highlights

- Council undertook 29 kilometres of bitumen sealing on existing roads and 17 kilometres of gravel re-sheeting works throughout the Shoalhaven.
- Road safety improvements were made at Worrigeer Road and intersection of Wool Road and Macgibbon Parade under Federal 'Black Spot' funding.
- Shoalhaven LEP 2014 approved by NSW State Government.
- Parma Road Bridge was officially opened.
- Ulladulla Civic Centre was officially opened with 1,000 people exploring the facility on the first day.
- Crossroads RFS Station was completed.
- Jerberra Estate Planning Proposal finalised with draft DCP placed on exhibition.
- Major road works to improve safety undertaken on Bolong Road, Coolangatta Road, Gerroa Road, and Braidwood Road.



PROSPERITY



In order to support a growing, evolving community Council must build a sustainable, diverse and competitive economy linked to the area's unique characteristics and natural advantages.

Key Priorities addressing Prosperity include:

- A destination for tourists, business and events
- Partner with industry, government and business
- Promote Shoalhaven's positives

The 2013/14 financial year saw a steady increase in the number of larger development applications considered by Council.

Each of these larger applications will provide huge flow on effects for the entire region including increased employment opportunities, high quality local facilities and further assistance for the local tourism industry.

The list of approved larger development applications includes -

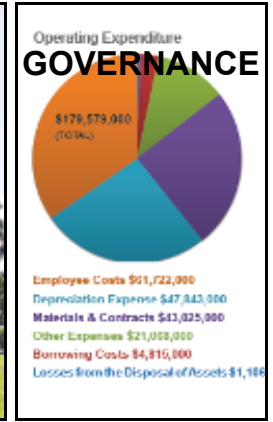
- Motel and conference centre at Mollymook - \$6 million
- Nowra GP Superclinic at Scenic Drive, Nowra - \$5.3 million
- Shoalhaven Ex-Serviceman's Club expansion at Worrigeer - \$2.9 million
- Guesthouse, Broughton Vale - \$1.8 million
- Three storey office building in North Street, Nowra - \$1.6 million
- Additions to existing industrial building in Flinders Industrial Estate - \$1.2 million

The increase in larger development applications under assessment by Council provide further proof of a renewed confidence from the business industry in developing major projects within the City.

Highlights

- Continued development of Albatross Aviation Technology Park and \$200 million RAN Seahawk Romeo aircraft project continue to stimulate local economy with creation of over 1,000 jobs.

- Major road projects continue to improve access through the City including completion of South Nowra works and Princes Highway improvements at Berry and Gerringong.
- Increased profit of \$1.3 million across all Tourist Parks on the back of upgraded facilities.
- Continued success of Shoalhaven Business Awards demonstrates viability of local business.
- Shoalhaven takes out nearly half the awards at annual South Coast Tourism Awards.



LEADERSHIP



Council continues to focus on excellence in leadership, governance and community engagement to ensure the Shoalhaven remains a connected, sustainable and financially responsible City in which to reside.

Key Priorities addressing Leadership include:

- Transform the organisation to 'can do'
- Be excellent at customer service

In one of the highlights of the past financial year, we received the Local Government Award for Excellence in Overall Environmental Management at the prestigious United Nations of Australia World Environment Day Awards.

The organisation was recognised for a commitment to educating and empowering the local community in environmental management and sustainability processes.

In receiving the award we also received praise for our work in coordinating partnerships and collaborations with local community groups, schools and universities to the betterment of the area's environment.

Some of the programs and notable achievements made by Council in the field of environmental management include -

- Implemented over 90 percent of sustainability projects as identified in the Sustainability Action Plan 2012-2015
- Porters Creek Mini Hydro Project
- Installation of over 90 kilowatts of solar power across high use community buildings
- Delivery of home sustainability programs and water catchment workshops
- Catchment and Beach water quality monitoring
- A positive Estuary Health Report Card
- Climate Change Adaptation Plan put in place
- Development of Sustainable Events Policy and Action Plan
- Reclaimed Water Management Scheme implemented
- Regional sea level rise projections and policy response framework implemented

By taking on a leadership role and providing ongoing education initiatives, staff have been able to assist the local

community in reducing water and energy consumption, curbing unnecessary habitat fragmentation and improving local biodiversity.

Highlights

- Council experiences significant progress with the Transformation Program with improvements made in efficiency, customer focus and financial sustainability.
- Shoalhaven Water continues to work with La Trobe University on a research project relating to 'customer service in tap water'.
- Swim and Fitness Centres achieve 91.7 percent and 100 percent compliance in WorkCover Audit.
- Council supports new approach to the design, project management and construction of the Northern Shoalhaven Indoor Sports Centre.
- Shoalhaven City Arts Centre experiences increased patronage and gallery shop sales.
- Shoalhaven Family Day Care nominated for 11 Excellence in Child Care Awards.
- Community Grants Scheme distributes over \$20,000 in funding to a number of local organisations supporting local residents.
- Council continues environmental education programs in conjunction with local schools with topics including threatened species, beachwatch, flora and fauna.



GOVERNANCE

Council remains committed to the continuity of its core services to the community as well as the responsible maintenance and renewal of community assets and infrastructure. These services will continue to be made available through the assurance of ongoing financial sustainability.

Key Priorities addressing Governance include:

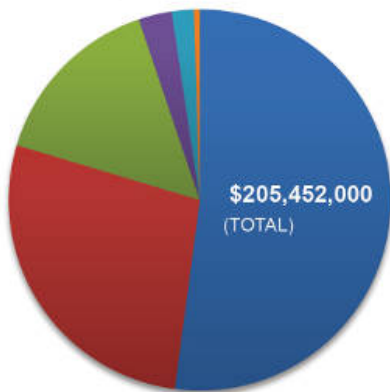
- Deliver sustainable services
- Continuously improve and cut red tape
- Maintain our infrastructure
- Financial sustainability

The recently adopted 12 month progress report provided some welcome news for the community with Council achieving an improved financial outlook and a host of key achievements over the 2013/14 financial year.

Highlights of the report included Council recording a surplus budget result in the General Fund and the achievement of the Transformation Program Savings Target.

Capital works expenditure in the Assets and Works Group totaled \$41.3 million, representing a figure of approximately double the expenditure in each of the previous three years, while the amount of General Fund revotes \$9.9 million was the lowest in eight years.

Operating Income

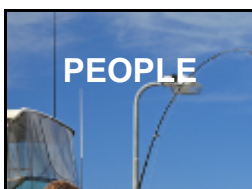


Rates & Annual Charges	\$107,053,000
User Charges & Fees	\$56,591,000
Grants & Contributions	\$31,175,000
Interest	\$5,786,000
Other	\$3,845,000
Net gains from the disposal of assets	\$1,002,000

Operating Expenditure



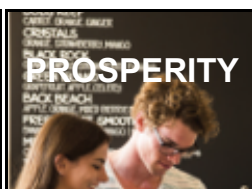
Employee Costs	\$63,213,000
Depreciation Expense	\$55,798,000
Materials & Contracts	\$41,098,000
Other Expenses	\$25,965,000
Borrowing Costs	\$4,658,000



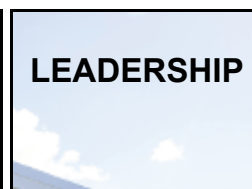
PEOPLE



PLACE



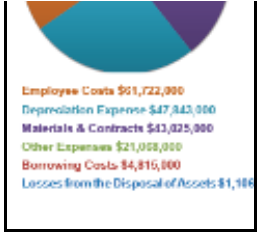
PROSPERITY



LEADERSHIP



**Operating Expenditure
GOVERNANCE**



OUR COUNCIL



Shoalhaven is approximately 160 kilometres from Sydney on the South Coast of NSW.

Stretching from Berry and Kangaroo Valley in the north to Durras in the south, the City of Shoalhaven takes in a host of diverse places, people and environments. It is a special place combining a unique character with a spectacular natural environment, growing population and bustling economy.

Nowra/Bomaderry is the major centre of the Shoalhaven, located on the banks of the Shoalhaven River. This area provides administrative, commercial and other high order services for the City.

The other major centres include Milton/Ulladulla in the south as well as the group of towns and settlements that make up the Bay and Basin area.

As one of the largest coastal Local Government Areas in the State, Shoalhaven City Council covers 4660 square kilometres and is approximately 120km long and 80km wide as the crow flies.

Remarkably, 70 percent of the Shoalhaven is National Park, State Forest or vacant Crown land, with 19 major water catchments including rivers, bays, lakes and major creeks.

The area's natural beauty is captured, in part, by the distinct characteristics of the City's protected areas which include Jervis Bay and the Morton, Conjola and Murramarang National Parks.

The area is also home to a range of pristine un-spoilt lakes, rivers, beaches and mountain ranges.

Shoalhaven City provides its 97,707 permanent residents with a range of lifestyle options, recreational activities and work opportunities.

The City and its community will continue to grow, change and develop over time. It is important that the distinct character of the Shoalhaven and the environmental values that make the area such an attractive place, are retained to ensure the best possible city and community for present and future generations.

Shoalhaven City Council has crafted, in collaboration with the community, a vision for the Shoalhaven in 2020:

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.

A clear sense of how we can retain the values and character of the City, while meeting the needs of future growth, will enable Council to ensure that we create a better future for the residents, businesses and visitors of our City.

MAYOR & COUNCILLORS



Council is made up of a Mayor and twelve Councillors. The current Council members were elected in the 2012 Local Government elections.

Mayor



Councillor Joanna Gash (Independent)

Phone: (02) 4429 3250

Fax: (02) 4429 5250

Mobile: 0427 160 172

Email: Jo.Gash@shoalhaven.nsw.gov.au

For expenditure, Political Donation Declarations, Disclosures of Interest, History and Committee membership, [details are available](#).

Ward 1

Includes: Berry, Bomaderry, Budgong, Burrier, Cambewarra, Coolangatta, Falls Creek, Kangaroo Valley, Meroo Meadow, North Nowra, Nowra Hill, Shoalhaven Heads and Tapitallee. Parts of Nowra, South Nowra and Tomerong.



Councillor Andrew Guile (Independent)

Fax: (02) 4429 5580

Mobile: 0412 287 706

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For expenditure, Political Donation Declarations, Disclosures of Interest, History and Committee membership, [details are available](#).



Councillor Lynnette Kearney (Independent)

Mobile: 0478 882 650

Email: Lynne.Kearney@shoalhaven.nsw.gov.au

For expenditure, Political Donation Declarations, Disclosures of Interest, History and Committee membership, [details are available](#).



Councillor Jim McCrudden (Shoalhaven Independents Group)

Mobile: 0478 882 684

Email: jmccrudden@shoalhaven.net.au

For expenditure, Political Donation Declarations, Disclosures of Interest, History and Committee membership, [details are available](#).



Councillor John Wells (Independent)

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For expenditure, Political Donation Declarations, Disclosures of Interest, History and Committee membership, [details are available](#).

Ward 2

Callala Bay, Callala Beach, Comerong Island, Culburra Beach, Currarong, Erowal Bay, Greenwell Point, Huskisson, Hyams Beach, Myola, Old Erowal Bay, Orient Point, Terara, Vincentia, Woollamia and Worrigee. Parts of Nowra, Sanctuary Point, South Nowra and Tomerong.



Councillor Karen Anstiss (Independent)

Mobile: 0478 876 510

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For expenditure, Political Donation Declarations, Disclosures of Interest, History and Committee membership, [details are available](#).



Councillor Clive Robertson (Independent)

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For expenditure, Political Donation Declarations, Disclosures of Interest, History and Committee membership, [details are available](#).



Councillor Jemma Tribe (Independent)

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For expenditure, Political Donation Declarations, Disclosures of Interest, History and Committee membership, [details are available](#).



Councillor Greg Watson (Shoalhaven Independents Group)

Phone: (02) 4447 8131

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For expenditure, Political Donation Declarations, Disclosures of Interest, History and Committee membership, [details are available](#).

Ward 3

Basin View, Bawley Point, Bendalong, Berrara, Burrill Lake, Cudmirrah, Depot Beach, Dolphin Point, Durras North, Fishermans Paradise, Kings Point, Kioloa, Lake Conjola, Lake Tabourie, Manyana, Milton, Narrawallee, St Georges Basin, Sussex Inlet, Ulladulla and Wandandian.



Councillor Allan Baptist OAM (Independent)

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Email: Allan.Baptist@shoalhaven.nsw.gov.au

For expenditure, Political Donation Declarations, Disclosures of Interest, History and Committee membership, [details are available](#).



Councillor Amanda Findley (Greens)

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Email: findleya@shoalhaven.nsw.gov.au

For expenditure, Political Donation Declarations, Disclosures of Interest, History and Committee membership, [details are available](#).



Councillor Mark Kitchener (Shoalhaven Independents Group)

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Email: Mark.Kitchener@shoalhaven.nsw.gov.au

For expenditure, Political Donation Declarations, Disclosures of Interest, History and Committee membership, [details are available](#).



Councillor Patricia White (Independent)

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For expenditure, Political Donation Declarations, Disclosures of Interest, History and Committee membership, [details are available](#).

COUNCIL SENIOR STAFF



Russ Pigg - General Manager

The General Manager is responsible for the day to day management and the efficient and effective operation of the organisation, including implementing Council strategies, policies decisions and assisting the Council with the development and implementation of the Community Strategic Plan



Tim Fletcher - Director - Planning & Development Services Group

The Planning & Development Services Group are responsible for Strategic Planning, Building, Development, Subdivisions, Environmental Services and Ranger Services.



Ben Stewart - Director - Assets & Works Group

The Assets and Works Group role is to manage Council's assets by planning, arranging construction and determining their maintenance requirements. In addition the functions of Emergency Management are with the Assets & Works Group.



Craig Milburn - Director - Corporate & Community Services

The Corporate & Community Services Group provide corporate support to the organisation and an extensive range of customer service, community, recreation, cultural and planning services.



Carmel Krogh - Director - Shoalhaven Water Group

The Shoalhaven Water Group is responsible for all aspects of water and sewerage services in the City area including planning, design, construction and operations.

CORPORATE GOVERNANCE DOCUMENT LIST

Details of Overseas Visits

Council is obliged to report on all overseas visits taken by staff in the name of Council and in conducting Council related business.

Major Contracts

Reporting on contracts Awarded in 2013 - 2014 in excess of \$150,000.

Private Works

External Bodies exercising functions delegated by Council

Regarding external organisations to which Council has given any delegation during 2013/14.

Partnerships, Cooperatives & Joint Ventures

Senior Staff Remuneration Package

The total amount of money payable for salary, fringe benefits, vehicle and other on-costs for Council's senior staff including the General Manager and 4 Group Directors is summarised as follows.

Companion Animals Act

Statement of activities relating to enforcing and ensuring compliance with the Companion Animals Act and Regulation.

Public Interest Disclosures Act, 1994

The Public Interest Disclosures Act, 1994 (PID Act) requires that Council report annually on its obligations under the Act.

Fees Expenses & Facilities

Outlines those fee's expenses, expenses and facilities provided by elected members.

Legal Proceedings

Reporting on expenses incurred in relation to legal proceedings.

Contributions & Donations

Council made Grants totalling \$622,950.00 to local organisations and community groups in 2013/2014

Companies in which Council held a Controlling Interest

Equal Employment Opportunity Plan

Shoalhaven City Council is committed to the development of a work culture that is supportive of employment equity and diversity principles.

Stormwater Management Services

Council's projected 2013/14 Stormwater Management Program was funded the following way.

Rates & Charges written off

The following is a summary of rates and charges written off during the period July 2013 to June 2014.

Government Information (Public Access) Act, 2009

Under section 7 of the GIPA Act, agencies must review their programs for the release of government information to identify the kinds of information that can be made publicly available.

Special Rate Variation Progress 2013-14

State of the Environment Summary Report 2013-2014

The State of the Environment Report is an important tool to promote ecological sustainability and protect environmentally sensitive areas.

Progress Against Delivery Program

Council's Transformation Program

Council has acted to address its financial situation and the delivery of better services to support these initiatives through the commencement of the Transformation Program.

Annual Strategic Indicators 2013-14

The Integrated Planning and Reporting framework requires that Council measure and report to the community on progress in implementing the Community Strategic Plan (CSP).

Annual Financial Statements 2013-14

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

DETAILS OF OVERSEAS VISITS

REGULATORY REPORTING

Section 428 (b) Local Government Act

Local Government (General) Regulation 2005 - Section 217 Clause 1(a)

In accordance with Clause 217 of the Local Government General Regulation there were no overseas trips undertaken by Councillors and staff during 2013/2014.

FEES EXPENSES FACILITIES

Local Government (General) Regulation 2005 - Section 217 Clause 1 (a1)

The following Councillor fees were expended during the year 2013/2014:

- Mayoral Fees - \$37,230
- Councillor Fees - \$221,780

The total costs associated with Council expenses and facilities including travel, allowances, expenses, computers, communication and other associated costs for Council and Committee meetings amounts to \$385,489.

(i) Provision of Facilities including dedicated office equipment allocated to Councillors	\$2,207
(ii) Cost of phone calls by Councillors	\$15,608
(iii) Councillor attendances at Conferences and Seminars	\$48,947
(iv) Training and skill Development	\$23,665
(v) Interstate Travelling Expenses	\$11,944
(vi) Overseas Expenses	\$Nil
(vii) Spouse/partner accompanying person expenses	\$Nil
(viii) Carer Expenses	\$Nil
Committee Sitting Fees	\$400

Council at its meeting on 28 June 2011 (Min 11.674) resolved to disclose the following additional information to that prescribed in the Local Government (General) Regulation in the Annual report:

Legal Costs	\$Nil
Subsistence and out of pocket expenses	\$19,162
Travelling Expenses	\$146,797
Mayoral Vehicle	\$Nil
Printing and Stationary/Office Expenses	\$4,359
Other Expenses	
Council & Committee Meetings, Briefings, Meals & Sustenance	\$35,957
Secretarial Support	\$76,443
Total	\$385,489

COMMUNITY REPORT

2013 - 2014



MAJOR CONTRACTS

Local Government (General) Regulation 2005 - Section 217 Clause 1 (a2)

Contracts Awarded in 2013 - 2014 in excess of \$150,000.

Description	Awarded to	Date	\$ incl GST
External Plant Hire Panel - Preferred Suppliers - 2013/2015	Various Suppliers	1/07/2013	>\$165,000
Strong's Road Water Renewal Scheme	Murphy McCarthy & Associates Pty Ltd	5/08/2013	\$2,018,555
Supply and Delivery of Pavement Materials - 1 July	South Coast Concrete Crushing & Recycling Pty Ltd	8/08/2013	\$418,005
Supply and Delivery of Pavement Materials - 1 July	SCE Recycling Pty Ltd	8/08/2013	\$341,050
Resource Recovery Park - Environment Impact Statement & Masterplan	GHD Pty Ltd	8/08/2013	\$270,441
Construction Crossroads Rural Fire Station	Tereno Pty Ltd	4/09/2013	\$922,669
Ulladulla Leisure Centre Gymnasium Extension	Batmac Construction Pty Ltd	10/09/2013	\$458,660
Bendalong Tourist Park Splash Pad	Parkequip Pty Ltd	10/09/2013	\$330,000
External Auditing Services	Pitcher Partners	3/10/2013	>\$165,000
Matron Porter Drive Water Main Replacement	Hisway Pty Ltd	28/10/2013	\$525,342
SPS Emergency Storage Upgrade St Anns St and Edwards Ave	Hisway Pty Ltd	19/11/2013	\$967,896
Currumbene Creek & Moona Moona Creek Floodplain Risk Management Study & Plan	WMA Water	9/12/2013	\$192,500
Supply of ICT Services	Telstra Corporation Ltd	11/12/2013	>\$165,000
Supply of ICT Services	Ipera Communications Pty Ltd	11/12/2013	>\$165,000
Minor Mains Replacement - DP1A	Ledonne Constructions Pty Ltd	20/12/2013	\$281,425
Ison Park Amenities Design and Construct	Batmac Construction Pty Ltd	6/01/2014	\$682,219
Nowra Swimming Centre Upgrade	Zauner Constructions Pty Ltd	31/01/2014	\$6,217,200
Minor Mains Replacement - 1B	Lynch Civil Contractors Pty Ltd	3/02/2014	\$286,930
Tree and Vegetation Clearing - Gerrora Road Berry	A & D Tree Services Pty Ltd	13/02/2014	\$164,099
Currarong Beachside Tourist Park - Aquatic Splash Pad	Parkequip Pty Ltd	25/02/2014	\$337,203
Shoulder Widening & Construction - Bolong Road Coolangatta	Roadworx	11/03/2014	\$545,117
Construction of Roads Sewer Stormwater and Associated Services - Albatross Aviation Park	Druce DP Pty Ltd	12/03/2014	\$305,895
Supply & Delivery of Drainage and Recycled Pavement Materials	Schmidt Quarries	14/03/2014	\$151,250
Supply & Delivery of Drainage and Recycled Pavement Materials	SCE Recycling Pty Ltd	14/03/2014	\$181,651

Albatross Aviation Technology Park Civil Works - Garadi & Bubuk Streets Nowra Hill	Druce DP Pty Ltd	14/03/2014	\$488,088
Coolangatta Road Rehabilitation	Roadworx	17/03/2014	\$784,010
Minor Mains Replacement 2A	Ledonne Constructions Pty Ltd	27/03/2014	\$169,520
Road Shoulder Widening & Construction - Gerrora Road Berry	Downer Infrastructure	11/04/2014	\$1,318,378
Provision of Investment Advisory Services	CPG Research & Advisory Pty Ltd	15/04/2014	>\$165,000
Mattress Recycling Service	Mission Australia	16/04/2014	\$825,000
Pyree Lane Upgrade and Road Widening Works	Hisway Pty Ltd	28/04/2014	\$1,753,259
Milton Basketball Stadium Re-cladding	Batmac Construction Pty Ltd	29/04/2014	\$328,977
Contract Management Northern Shoalhaven Indoor Sports Centre	Point Project Management Pty Ltd	29/04/2014	\$243,293
Minor Mains Replacement 2B	Lynch Civil Contractors Pty Ltd	8/05/2014	\$411,708
Environment Management - Sampling & Laboratory Testing Services	Australian Laboratory Services	23/05/2014	>\$165,000
Holiday Haven Tourist Park Cabins - Manufacture and Installation	Uniplan Group	27/05/2014	\$176,880
Minor Mains Replacement 2C	Hisway Pty Ltd	5/06/2014	\$509,086
Contract Sale of Land - Lot 1 DP209665 77 Princes Street Berry NSW	Colin Waller	12/06/2014	\$478,500

COMMUNITY REPORT

2013 - 2014



LEGAL PROCEEDINGS

Local Government (General) Regulation 2005 - Section 217 Clause 1 (a3)

During 2013 - 2014 the following expenses were incurred in relation to legal proceedings.

Name of Matter	Type of Matter	Court	Costs Paid	Costs Received	Outcome
Shoalhaven City Council v Drygan & Ors	Penalty - Companion Animals Act	Local Court	\$2,716.45	800.00	In favour of Council
Dean v Shoalhaven City Council	Penalty - Companion Animals Act	Local Court	\$1645.60	Nil	In favour of Council
Vella v Shoalhaven City Council	Appeal of a Penalty Notice - Unauthorised works	Local Court	\$4,056.80	\$4056.80	In favour of Council
Rowley v Shoalhaven City Council	Appeal of Penalty Notice - Unauthorised works	Local Court	\$1,331.27	\$1,210.00	In favour of Council
Shoalhaven City Council v Knight	Class 4 Proceedings	Land & Environment Court	\$35,000.00	Nil	Ongoing
Elachi v Shoalhaven City Council	Class 1 Proceedings	Land & Environment Court	\$20,944.32	Nil	In favour of Council
Skinner v Shoalhaven City Council	Contaminated Lands	District Court	\$19,421.00	Nil	Ongoing

PRIVATE WORKS

Local Government (General) Regulation 2005 - Section 217 Clause 1 (a4)

Earthworks at 15 Kallaroo Road, Erowal Bay for W L and S M Jobling.

Earth filling to raise the backyard of the property above the water level resulting from high frequency storm events. Inundation from these events causes persistent water logging and was reducing the amenity of the property. The works were part of an overall scheme to address flooding issues in the area.

The scope of works included supply and placement of earth fill, modification and installation of a subsoil drainage system and revegetation of exposed soil. The cost of the works was \$7,000 and were fully subsidised by Council.

COMMUNITY REPORT

2013 - 2014



CONTRIBUTIONS DONATIONS

Local Government (General) Regulation 2005 - Section 217 Clause 1 (a5)

Council made Grants totalling \$622,950.00 to local organisations and community groups in 2013/2014

Beneficiary	Amount \$
Shoalhaven Turf Club	\$7,500.00
Shoalhaven Business Chamber	\$7,500.00
Huskisson Chamber of Commerce	\$7,500.00
Rotary Club of Berry Gerringong	\$5,000.00
Elite Energy Pty Ltd	\$10,000.00
Various - Carols by Candlelight Events	\$6,000.00
Various Australia Day Events	\$20,000.00
Blessing of the Fleet Committee	\$10,000.00
White Sands Carnival Committee	\$2,000.00
Shoalhaven Community Transport	\$9,000.00
Healthy Cities Illawarra	\$150.00
Wildlife Rescue South Coast Inc.	\$2,400.00
Ulladulla RSPCA	\$1,000.00
Nowra RSPVA	\$1,000.00
Basin Villagers Forum	\$500.00
Bawley Point / Kioloa Progress Association	\$500.00
Berry Alliance	\$500.00
Budgong Community Group	\$500.00
Callala Bay Progress Association	\$500.00
Callala Beach Progress Association	\$500.00
Cambewarra Residents & Ratepayers Association	\$500.00
Culburra Beach Progress Association	\$500.00
Currarong Progress Association	\$500.00
Friends of 2538	\$500.00
Greenwell Point - Get to the Point Program	\$500.00
Huskisson / Woollamia Community Voice	\$500.00
Lake Conjola Lakecare Association	\$500.00
Murramarang Progress Association	\$500.00
Orient Point Progress Association	\$500.00
Red Head Villages Association	\$500.00
Shoalhaven Heads Community Forum	\$500.00
Sussex Inlet & Districts Community Forum	\$500.00

Tabourie Lake Residents & Ratepayers Association	\$500.00
Tomerong Community Forum	\$500.00
Ulladulla & Districts Community Forum	\$500.00
Vincentia Residents & Ratepayers Association	\$500.00
Wandandian Progress Association	\$500.00
Shoalhaven City Council - Property & Public Halls - A&W	\$23,200.00
Bomaderry High School	\$100.00
Nowra Christian Community School	\$100.00
Milton Shoalhaven Anglican School	\$100.00
Nowra Anglican College	\$100.00
Nowra Technology High School	\$100.00
Shoalhaven High School	\$100.00
St Johns High School	\$100.00
Ulladulla High School	\$100.00
Vincentia High School	\$100.00
Albatross Music Company	\$8,925.00
Music Shoalhaven	\$1,200.00
Shoalhaven City Concert Band	\$2,508.00
Shoalhaven Family, Local & Cultural History Fair	\$584.00
Cancer Council Relay for Life	\$6,330.00
Troy Pocock Meningococcal Foundation	\$550.00
Bravehearts Inc Education	\$5,000.00
Milton Ulladulla Entertainers	\$2,500.00
Kids Korner	\$3,800.00
Sussex Inlet CTC	\$6,240.00
Camillias Shoalhaven Inc.	\$100.00
Berry & District Garden Club Inc.	\$100.00
Shoalhaven Community Pre School	\$420.00
Friends of Callala - Seniors Group	\$1,215.00
Cambewarra School of Arts Committee	\$1,000.00
Showground Fee Rental	\$2,000.00
Budawang Public School	\$8,000.00
Westpac Lifesaver Rescue Helicopter	\$5,000.00
Bernie Regan Memorial Trust - \$1000 and Illawarra Institute of Sport - \$15,000	\$16,000.00
Harbourfest	\$10,000.00
Total	\$206,122.00
Other Programs	
Events Shoalhaven Board	\$100,000.00
Arts Board Programs	\$168,650.00
Holiday Haven Programs / Commercial	\$50,000.00
Aquatic Management Programs	\$30,000.00

Business Awards	\$30,000.00
Planning Service - Heritage Programs	\$9,288.00
Other Programs - Total	\$387,938.00
Unallocated Donations Budget - Total	\$28,890.00
TOTAL BUDGET	\$622,950.00

EXTERNAL BODIES

EXERCISING FUNCTIONS DELEGATED BY COUNCIL

Local Government (General) Regulation 2005 - Section 217 Clause 1 (a6)

There were no external organisations to which Council has given any delegation during 2013/14.

COMPANIES IN WHICH COUNCIL HELD A CONTROLLING INTEREST

Local Government (General) Regulation 2005 - Section 217 Clause 1 (a7)

During 2013/14 Shoalhaven City Council held a controlling interest in "Southern Water Services Pty Ltd". This Company was established by Council to develop its commercial interest in recognition of the National Competition Policy and to operate on a commercially viable basis.

PARTNERSHIPS COOPERATIVES AND JOINT VENTURES

Local Government (General) Regulation 2005 - Section 217 Clause 1 (a8)

Southern Council's Group -The Southern Council's Group is a voluntary association of six Local Government Authorities (Bega Valley, Kiama, Shellharbour, Shoalhaven, Wingecarribee and Wollongong). The six member councils nominate their Mayor and another Councillor or General Manager to the Board of the SCG. Staff are employed by Kiama Council, the managing Council and a Secretariat office is maintained in Kiama. The SCG undertakes joint projects and advocacy on significant regional issues. The following staff groups from each of the member Council's meet regularly to discuss common issues and policy and achieve regional consistency wherever possible:

- General Managers
- Economic Development Managers
- Planners
- Human Resources
- Development Contributions Group
- Records Managers
- Asset and Finance Managers
- Procurement Managers

Local Government Internal Auditors Network (LGIAN)

Involves Internal Auditors from various Councils in NSW.

During 2013/14 Shoalhaven City Council participated as a member of the NSW Water Directorate, an associate member of the Water Services Association of Australia (WSAA) and as a corporate member of the Australian Water Association (AWA) and Water Aid Australia.

Heritage Local Assistance Fund

Heritage Advisory Service and Council's Heritage Strategy are collaborative partnerships with the State Government Department of Environment and Heritage to promote cultural heritage in the Shoalhaven. A part-time Heritage Advisor is employed by Council with the assistance of the State Government funds to provide free Heritage and Urban Design advice upon appointment and small \$ for \$ monetary grants to assist owners of heritage items and to assist community groups carry out conservation works and small educative projects. A Heritage Strategy for the Shoalhaven is also prepared on a triennial basis and milestones are submitted to State Government through its annual report.

Shoalhaven Local Environmental Plan 2014

Undertaken by Council with funding assistance provided from the NSW Department of Planning & Environment. The project was completed when the final LEP was notified in April 2014.

Citywide Growth Management Strategy

Prepared by Council with funding assistance provided from the NSW Department of Planning & Environment. The final Strategy was endorsed by the Department in May 2014 and it will be published shortly.

South Coast Regional Sea Level Rise Policy and Planning Framework

Council has partnered with Eurobodalla Shire Council to develop regional sea level rise projections and a planning framework based on a risk management approach to respond to sea level rise.

Acid Sulfate Soil project

Council partnered with the UNSW Water Research Laboratory under the Office of Environment and Heritage Estuary Management Program to research and develop remediation plans for the 39 agricultural flood mitigation drains on the Broughton creek and Crookhaven River floodplains.

Health

Shoalhaven City Council Environmental Health Officers are part of the South Eastern Sydney Illawarra Area Health Service and Local Government Liaison Group.

NSW Food Authority

Council is part of the NSW Food Regulation Partnership which with other local government areas and the NSW Food Authority work together towards safer food. Council's Environmental Health Officers are part of the Illawarra Regional Food Surveillance Group.

Various Schools

a number of primary schools benefited from Council staff delivering modules on sustainability, planning and environment management.

Estuary Report Cards

Environmental Services, Natural Resources and the Office of Environment and Heritage are working together to produce estuary report cards. The report card will provide a summary of the environmental attributes of a catchment and give an indicative score that catchment covering such indicators as sea grasses, riparian vegetation and water quality.

Threatened Species Day Competition

In partnership with the Nowra Wildlife Park Council ran its annual Threatened Species Day Competition with primary schools across the city. The aim of this initiative is to raise awareness of the plight of threatened species. Over \$1000 worth of prizes go to local schools as part of this educational initiative.

National Tree Day

Council staff organized a series of mass tree plantings with local primary schools on Council reserves across the City.

Coastal, Estuary and Floodplain Management Programs

These programs are collaborative partnerships with the State Government Department of Environment and Heritage as a main partner. These programs are guided by Natural Resources and Floodplain Management Committees. These 3 Committees are providing advice to Council in relation to the management of estuaries, natural areas floodplain and coast. These committees comprise community representatives, Councils, representatives and representatives from the following State Agencies: NSW DP&E, OEH, NPWS, SES, Department of Lands, Aboriginal Land Councils, Southern Rivers CMA and Road and Maritime Services.

Sydney University - Beaches Vulnerability

Council in partnership with Sydney University applied an innovative indicator-based, outranking approach, developed at the University of Sydney, to rank the vulnerability of 8 beaches in the Shoalhaven according to their vulnerability to sea-level rise and associated processes of short- and long-term erosion. The approach is participatory, based on the International Panel for Climate Change (IPCC) 3-dimensional framework of exposure, sensitivity and adaptive capacity. It uses fuzzy logic and thresholds to characterise the relationship between indicators and vulnerability and aggregate indicators.

University of Wollongong - Estuaries research

Council is a partner of the following estuaries research project undertaken by University of Wollongong:

1. Coastal wetlands are our valuable carbon sinks vulnerable?
2. Spatial and temporal modelling of sediment and carbon sources and sinks in estuaries.
3. A modelling perspective on the sediment yield for the Shoalhaven River.

Council's Regional Weeds Action Program

The four local Local Control Authorities of Bega Valley Shire Council, Eurobodalla Shire Council, Illawarra District Noxious Weeds Authority (representing Kiama Municipal, Shellharbour City and Wollongong City Councils), and Shoalhaven City Council have formed an alliance within SCG to undertake a regional project funded by the NSW Government under the NSW Weeds Action program. The name of the project is the "Southern Councils Regional Weeds Action Program".

Property Council of Australia (PCA)

The Business & Property Section have been liaising with the organising body of the PCA to assist in the marketing of the proposed Egans Lane Precinct Redevelopment, Nowra. The aim is to provide a stimulus for potential investment in the Nowra CBD and its environs.

TAFE

The Business & Property Section (Holiday Haven Tourist Parks) are partnering with TAFE for the construction of cabins and other structures within the Holiday Haven Tourist Parks.

Coastal Council Property Group (CCPG)

Council's Business & Property Section (Property Unit) is continuing its role as a member of the Coastal Council Property Group (CCPG) which meets quarterly at different venues throughout Sydney and the NSW South Coast. The CCPG consist of approximately 34 members from 12 NSW Councils. The meetings are held with the view to discussing relevant property issues arising from within their respective Councils that may be applicable to other Councils. Issues also relating to Local Government property dealings including legislative changes are discussed whilst undertaking invaluable networking.

Milton Historic Society

The Business & Property Section (Bereavement Services) is assisting the Milton Historic Society with maps of the Sandridge Cemetery to aid in their ability to provide information to the public at the Information Centre, Ulladulla on a weekly basis. Expanding this type of support to established groups to increase interaction is a good way to build relationships and at the same time manage expectations.

South Coast Co-operative Libraries

The South Coast Co-operative Libraries is a co-operative comprising the three local government areas of Shoalhaven, Eurobodalla and Kiama.

Eurobodalla and Kiama outsource their purchasing, cataloguing and processing of book and non-book materials to Shoalhaven.

The primary role of the Co-operative Library is to set budget estimates for the partner book and non-book resources and to apply for joint grants where appropriate.

EQUAL EMPLOYMENT OPPORTUNITY PLAN

Local Government (General) Regulation 2005 - Section 217 Clause 1 (a9)

Shoalhaven City Council is committed to the development of a work culture that is supportive of employment equity and diversity principles.

Council is proud to say that women are now in a number of key leadership roles both within Council and amongst our elected representatives. As at 30 June 2014 females represented 40.69% of the workforce.

Council recognises the added responsibilities of carers within the community and our workplace and continues to offer flexible work arrangements including working from home, flexible working hours where possible, part-time work and a purchased leave scheme to accommodate carer responsibilities.

Council continued to actively promote Council as a great place to work and encourage people from all backgrounds to consider a career with us in 2013/2014 through:

- (i) Participation in the Shoalhaven Career Expo held at the University of Wollongong Shoalhaven Campus
- (ii) Work experience placements for high school students
- (iii) Work experience placements for people with a disability
- (iv) Apprenticeships and traineeships

Council has continued to provide Aboriginal Cultural Awareness training for employees during the 2013/ 2014 year with 53 employees attending and training sessions have been scheduled again for 2014/2015. Since inception of the training program there have been 321 participants.

Council along with other government agencies has participated in a Steering Committee working with a local High School selected for the DEEWR Indigenous Ranger Cadetship Pilot Program. The Pilot Program was very successful and the High School has been successful in obtaining funding to continue the program for another term.

Council's Workforce Strategy (2013 - 2017) and EEO Management Plan (2011- 2014) are to be reviewed and updated in light of the Transformation Program currently being implemented and the results of the Staff Survey undertaken in the 2013/ 2014 year.

During the 2014/2015 Council will be undertaking the following key initiatives within Council's Transformation Program:

- review of its current training program to ensure it continues to meet the ongoing needs of the organisation;
- Developing a Leadership Competency Framework to identify and develop emerging leaders;
- Review of Council's recruitment practices to ensure they are efficient, effective in attracting people to Council, are supportive of employment equity and diversity and meet the ongoing needs of the organisation.

SENIOR STAFF REMUNERATION PACKAGE

Local Government (General) Regulation 2005 - Section 217 Clause 1 (b) and (c)

Shoalhaven City Council is a multi-purpose Council administering traditional local government activities as well as other major activities such as the provision of water and sewerage services, tourism and industrial development.

The total assets of the City under administration is around \$2 billion which would place the City, in asset value terms, among the top 10 percent of organisations within Australia.

Council's expenditure (including depreciation) is around \$353 million dollars per annum which includes a number of commercial activities together with the range of activities indicated earlier.

Council employs over 749 staff on a permanent basis as well as casual/temporary staff as required, consultants and contractors.

Council administers approximately 99 Acts of Parliament and associated regulations and needs professional staff that have a wide ranging appreciation of the legal requirements associated with a complex government instrumentality.

Council's activities link strongly to other Government agencies, particularly at the State level, which requires sensitive handling where State Government changes the political emphasis from time to time.

The total amount of money payable for salary, fringe benefits, vehicle and other on-costs for Council's senior staff including the General Manager and 4 Group Directors is summarised as follows:

- General Manager - **\$312,886 pa**
- Combined Directors - **\$894,121.87pa**
- Severance pays for former Directors – **\$692,426.86**

STORMWATER MANAGEMENT SERVICES

Local Government (General) Regulation 2005 - Section 217 Clause 1 (e)

Council's projected 2013/14 Stormwater Management Program was funded the following way:

- \$376,000 - Council revenue
- \$1,030,000 - Additional rates Stormwater Levy

The actual result was:

- \$412,221 - Spent from Council revenue
- \$1,026,156 - Spent from additional rates Stormwater Levy
- \$48,793 - Spent from Capital Contributions

Council also carried forward into 2014/15 unspent funds on 2 projects that were not complete.

Project	Council Funds	Contributions Revenue	Stormwater	Total
Stormwater Management Plan	\$312,185	\$30,527	\$0	\$162,711
111 Elizabeth Dr, Vincentia	\$0	\$0	\$48,755	\$48,755
195 Keey Street, Sanctuary Point	\$10,638	\$0	\$0	\$10,638
303 Elizabeth Dr, Voncentia	\$11,919	\$0	\$141,568	\$153,487
Basin View Sediment Works	\$0	\$0	\$0	\$0
Dowing St, Falls Creek	\$80,000	\$0	\$8,393	\$88,393
Drainage Investigation	\$28,263	\$0	\$0	\$28,263
Ilett St, Mollymook	\$0	\$900	\$150,394	\$151,294
Killarney Rd, Erowal Bay	\$8,386	\$0	\$8,523	\$16,910
Lake Conjola Entrance Road	\$0	\$0	\$41,464	\$41,464
Lyndhurst Dr, Bomaderry	\$7,459	\$0	\$0	\$7,459
Naval Parade, Erowal Bay	\$88,653	\$0	\$0	\$88,653
Panorama Rd, St Georges Basin Stage 2	\$268	\$0	\$120,559	\$120,827
Raglan St, Culburra Stage 2	\$44,451	\$0	\$54,872	\$99,323
Strategic Stormwater Analysis	\$0	\$0	\$0	\$0
The Triangle, Culburra Beach	\$0	\$0	\$121,628	\$121,628
Watersedge Ave Stage 2	\$0	\$17,366	\$330,000	\$347,366
Totals	\$412,221	\$48,793	\$1,026,156	\$1,487,170

COMPANION ANIMALS ACT

Local Government (General) Regulation 2005 - Section 217 Clause 1 (f)

Statement of activities relating to enforcing and ensuring compliance with the Companion Animals Act and Regulation including information on:

- Lodgement of Pound data collection returns with the department

The information contained in this section of the Annual Report is reported to the DLG in accordance with their Guidelines.

- Lodgement of Data relating to dog attacks with the department

Dog Attacks reported to DLG via DLG reporting system as incidents occurred. During the reporting period there were 211 dog attacks reported to the DLG as occurring within SCC.

Only dog attacks reported to Council are included in this figure.

- Amount of funding spent relating to companion animal management activities.

Shoalhaven City Council has spent a total of \$585,879 in respect of Companion Animal Management and related activities during the course of the reporting period.

- Companion animal community education programs carried out.

SCC is utilising the DLG companion animal brochures along with Council information. The SCC library has made available books, DVD's and CD's to compliment the resources noted in the brochures to help pet owners with a variety of dog and cat issues.

- Strategies Council has in place to promote and assist the desexing of dogs and cats.

Owners of non-desexed pets who come to the attention of Council as a result of enforcement programs and/or the lifetime registration mail-outs are encouraged to take advantage of the discounted registration fee for desexed animals.

In addition funding provided by the Department of Housing is available to assist pet owners that live in community housing. Telephone calls received from the general public requesting discount desexing are referred on to the RSPCA, Nowra or Ulladulla branches who, at times, offer this service to eligible pet owners. The National Desexing Network (NDN) is also available to provide a list of vet clinics who offer discount desexing via the NDN. A couple of clinics in the Shoalhaven participate with NDN.

- Strategies to comply with Section 64 (Companion Animals Act) to seek alternatives to euthanasia for unclaimed animals.

Council's Pound is managed by the RSPCA who have complimentary strategies in this regard. The euthanasia rate has dropped considerably in the last three years due to the commitment of the new manager of the facility. RSPCA also has dedicated vehicles to transfer animals to other shelters to improve rehoming opportunities.

Ranger Services promotes desexing and highlights the euthanasia problem during routine telephone enquiries about animal matters especially registration costs and during the enforcement process.

- Off-Leash Areas provided in the Council area.

Shoalhaven City Council understands that it is necessary for our communities' dog owners to have access to suitable exercise and play facilities. The Access Area for Dogs Policy is developed by the Social and Infrastructure Planning Unit in consultation with the community and Government Agencies. Council undertook an extensive review of the Policy in 2012/13. The Policy became effective 1 June 2013. Council has undertaken a review of dog signage in consultation with the community to develop a more consistent and user-friendly signage. Council is also trialing an extension of our winter times in three of our time restricted dog off leash beaches. Council's policy is available by contacting Council's customer service or via Council's website.

- Where applicable, signs are posted indicating off leash times and areas. All remaining public areas where dogs are available to access, they must be on leash at all times.
- Detailed financial information on the use of Companion Animals Fund money for management and control of companion animals in the area.

Statement of Income and Expenditure for Companion Animals for the Year Ended 30 June 2014.

Income	
Registrations	\$115,597
Fines and Costs	\$133,841
Other	\$45,586
Total	\$295,024
Expenditure	
Salaries	\$191,989
On Costs	\$62,659
Training and conferences	\$2,682
Motor Vehicle Costs	\$63,925
Pound Costs	\$230,423
State Debt Recovery infringement processing fees	\$12,041
Other Costs	\$22,160
Total	\$585,879
Surplus/(Deficit)	(\$290,855)

RATES CHARGES WRITTEN OFF

Local Government (General) Regulation 2005 - Reg 132

The following is a summary of rates and charges written off during the period July 2013 to June 2014.

Abandoned rates and charges are determined under various sections of the Local Government Act 1993 which include:

	2013/2014
Abandoned	\$30,258.40
Postponed Abandoned	\$4,264.26
Pensioner Rebates	\$2,934,661.44
Total	\$2,969,184.10

- Section 564(2) of the Local Government Act 1993, which states Council may abandon interest charges on ratepayers who make periodical payments of their rates and charges to Council.
- Section 567 of the Local Government act 1993, which enables Council to abandon interest on rate accounts whereby in Council's opinion, the person is unable to pay the accrued interest "for reasons beyond the person's control" or payment of the accrued interest would cause the person hardship.
- Section 595 of the Local Government Act 1993 requires Council to write off postponed rates and charges which have accrued for more than five years.
- Section 583 of the Local Government Act 1993 requires Council to write off rates, charges and interest for an eligible pensioner who is entitled to a pensioner rebate.

NOTE - abandonments do not include sale of land properties held in June 2013/14.

PUBLIC INTEREST DISCLOSURES ACT 1994

The Public Interest Disclosures Act, 1994 (PID Act) requires that Council report annually on its obligations under the Act. This report is made in accordance with Sections 31 and 6E of the PID Act, and Clause 4 of the associated regulations.

The PID Act encourages and facilitates the disclosure, by public officials, of:

- Corrupt conduct
- Maladministration
- Serious and substantial waste of public money
- A breach of the Government Information (Public Access) Act, 2009
- A breach of pecuniary interest obligations under the Local Government Act, 1993.

The Act sets out a comprehensive framework for protecting public officials who disclose wrongdoing and provides clear pathways for those wanting to make disclosures.

Council's internal reporting policy contains the procedures relating to the lodgement, receipt, assessment and handling of public interest disclosures. The General Manager, Council's Public Officer/ Internal Auditor and Ranger Services Manager are designated disclosures officers and may receive and deal with reports made under the Act.

Council's internal reporting policy and other information about the Act has been made available to staff through Council's intranet, staff bulletins, notice boards, briefing sessions and staff induction sessions. Designated PID disclosures officers have attended public interest disclosures training provided by the NSW Ombudsman and general PID training sessions have also been held for staff.

In the reporting period 1st July, 2013 and 30th June 2014 (2) public interest disclosures were received by Council. One was upheld (corrupt conduct) and the second (related to breach of the pecuniary interest obligations) was dismissed by the Office of Local Government.

The New South Wales Ombudsman has been given the role of overseeing the Act and this includes promotion of public awareness, the issuing of guidelines, and the monitoring and reporting of agency compliance with the Act.

Enquiries in regard to the Public Interest Disclosures Act could be directed to Council's Public Officer or the Public Interest Disclosures Unit, NSW Ombudsman.

public (application by legal representative)	10	2	0	0	0	0	0	0
Members of the public (other)	9	1	6	1	0	0	0	0

*More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	1	4	0	0	0	0	0
Access applications (other than personal information applications)	21	4	0	1	0	0	0	0
Access applications that are partly personal information applications and partly other	0	2	0	0	0	0	0	0

*A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

The total number of decisions in Table B should be the same as Table A.

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0

Executive Council information	0
Contempt	0
Legal professional privilege	3
Excluded information	4
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

*More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

	Number of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	5
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	30
Decided after 35 days (by agreement with applicant)	2
Not decided within time (deemed refusal)	0
Total	32

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0

Internal review following recommendation under section 93 of Act	0	0	0
Review by ADT	0	0	0
Total	0	0	0

*The Information Commissioner does not have the authority to vary decisions, but can make recommendation to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	1
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

The planning agreements that were in forced during the 2014 calendar year (to date) are: [Bishop Drive Voluntary Planning Agreement](#)

COMMUNITY REPORT

2013 - 2014



SPECIAL RATE VARIATION PROGRESS 2013-14

Special Rate Variation Budget

	2013/14 unspent	2013/14	Adjustment	Adjustment Notes	Current	Actual	Budget Remaining	% Spent
Roads and Transport Program								
Jindy Andy Lane, Brundee	\$0	\$364,000	-\$48,080	3	\$315,920	\$315,920	\$0	100%
Currarong Rd	\$0	\$624,000			\$624,000	\$624,000	\$0	100%
Lake Conjola Entrance Rd	\$0	\$300,000	-\$79,110	1.5	\$220,890	\$220,890	\$0	100%
Woollamia Rd - Community Path	\$0	\$200,000	- \$122,421	2	\$77,579	\$77,579	\$0	100%
Princes Hwy, (Sth Cbr Cres) - Path	\$0	\$90,000	-\$90,000	4	\$0	\$0	\$0	100%
Berry St(Emporium- Worrigeer) Path	\$0	\$210,000			\$210,000	\$210,000	\$0	100%
Quinns Lane, South Nowra	\$0	\$512,000	\$48,080	3	\$560,080	\$560,080	\$0	100%
Orsova Parade, Orient Pt	\$0	\$0	\$101,152	1.5	\$101,152	\$101,152	\$0	100%
Matron Porter Drive - Path	\$0	\$0	\$80,775	2.5	\$80,775	\$80,775	\$0	100%
Ulladulla South Shared Pathway	\$0	\$0	\$109,604	4	\$109,604	\$109,604	\$0	100%
Total Special Rate Levy	\$0	\$2,300,000	\$0	\$2,300,000	\$2,300,000	\$0		100%

Note: - The projects may have other additional funding, but only the Special Rate Levy is included in this table

1. +\$100,000 - September Quarterly Budget Review - transfer to Orsova Parade
-\$100,000 - September Quarterly Budget Review - transfer from Lake Conjola Entrance Rd
2. -\$122,421 - September Quarterly Budget Review - transfer to Matron Porter Drive
+\$122,421 - September Quarterly Budget Review - transfer from Woollamia Rd Community Path
3. -\$48,080 - March Quarterly Budget Review - transfer to Quinns Lane South Nowra

- +\$48,080 - March Quarterly Budget Review - transfer from Jindy Andy Lane
- 4. -\$90,000 - Internal Transfer - to Ulladulla South Shared Pathway (same project, different project ID)
 - +\$90,000 - Internal Transfer - from Princes Hwy(Sth Cbr Cres) Path
- 5. -\$41,646 - June Quarterly Budget Review - transfer from Matron Porter Drive
 - +\$1,152 - June Quarterly Budget Review- transfer to Orsova Parade
 - +\$19,604 - June Quarterly Budget Review - transfer to Ulladulla South Shared Pathway
 - +\$20,890 - June Quarterly Budget Review - transfer to Lake Conjola Entrance Rd

TRANSFORMATION PROGRAM

Council's Transformation Program - making a difference

Over the past two years Council has acted to address its financial situation and the delivery of better services to support these initiatives through the commencement of the Transformation Program and the special rate variation. This has laid the foundation for an organisation that will be sustainable into the future and a city that will be vibrant and activated in line with the [Community Strategic Plan](http://www.shoalhaven.nsw.gov.au/My-Council/Community-strategic-plan) (<http://www.shoalhaven.nsw.gov.au/My-Council/Community-strategic-plan>).

Taking Action: The Transformation Program

The 2012 TCorp report showing a 'negative' financial outlook for the future, operational cost increases outstripping revenue growth, asset deterioration and failure with a backlog of over \$40M and growing community dissatisfaction for example with failing roads leading to an increasing number of complaints.

Council took immediate action under the Transformation Program to implement a staff freeze, undertake a restructure and establish project teams to deliver stronger governance, a culture of 'can do', increased efficiencies and effectiveness, better customer services, improved community engagement and financial sustainability.

This has delivered savings in the order of \$2.5M in 2013/14 as well as creating an organisation better aligned to achieving the objectives of the Community Strategic Plan as well as being in line with contemporary local government service delivery. Further savings are planned for the next two financial years as we progress with the transformation program.

In essence, Council acted early, made tough decisions, and as a result has placed the organisation in a better position to tackle the challenges that lay ahead.

More Action Needed

Whilst action has been taken, with the shifting focus of the Local Government sector to change from within, and the State Government's recently announced 'Fit for the Future' program (<http://www.shoalhaven.nsw.gov.au/My-Council/Local-Government-Reform/Fit-for-the-Future>), more action is needed to ensure Council continues to deliver financial savings and more efficient and targeted services.

The challenge for the sector as a whole is to manage an environment of reduced revenue and increasing demands for services. SCC also has the added challenge, in comparison to similar sized Councils in NSW, to manage more pools, more libraries, more sports fields and more assets that any other city with a rate revenue that is much less (37% of total income).

There is no one 'silver bullet'. To be 'Fit for the Future' Council must ensure it builds on the foundation it has already laid and adheres to the continuous improvement it has embarked upon.

STATE OF THE ENVIRONMENT SUMMARY REPORT





2013-2014






State of the Environment Summary Report 2013-2014

The State of the Environment Report is an important tool to promote ecological sustainability and protect environmentally sensitive areas.

Performance of the Local Government Area ("Community")		
		Aboriginal Heritage
		Air
		Biodiversity
		Land Quality
		Land Use Planning
		Noise
		Non Aboriginal Heritage
		Solid Waste
		Waste Water
		Water Quality
		Water Use

Performance of Council Operations ("Corporate")		
		Energy
		Fleet
		Greenhouse

		
		Water Use

Key			
			Denotes whether target performance has been achieved or otherwise for issues where targets have been set.
			Denotes whether performance has remained the same, improved or worsened since the previous years for the issue.
			Some issues have not been rated due to lack of trend data.

ANNUAL STRATEGIC INDICATORS 2013/14

The Integrated Planning and Reporting framework requires that Council measure and report to the community on progress in implementing the Community Strategic Plan (CSP).

Council will monitor its progress towards achieving the Key Priorities of the CSP using three sets of measures: Community Indicators, Annual Strategic Indicators and Operational Performance Indicators.

Annual Strategic Indicators: are used to measure results and progress in implementing the CSP Key Priorities in the Annual Report each year. The Annual Strategic Indicators provide a snapshot of Council's performance and changes in the broader Shoalhaven community.

Data to measure the Annual Strategic Indicators is drawn from Council operational data, survey results, State Government data and Australian Bureau of Statistics.

Data collected over a period of time will be utilised to improve Council's performance. Council will continue to develop and improve the way performance and results are measured and reported.

Use the tabs below to view the Annual Strategic Indicators for each Key Result Area for 2013 - 2014.















Key

	Increase		Heading in the right direction
	Decrease		More work required
	No Change		Undecided or not applicable
	Direction not available		










People



Focus	Measure	Value 2013/14	Unit	Comment 2013/14	Direction	of Change Comment
Use of Council's School of Arts and Arts Centre	Number of attendances at Arts Centre and Nowra School of Arts	16314	#			
Use of Council's community facilities	Number hours per week, booked for community use of facilities	579	#	Decrease in use of Erowal Bay Hall		
Use of Council's aquatic facilities	Number of attendances at Council's aquatic and leisure centres	476,240	#			

Use of the Shoalhaven Entertainment Centre	Number of attendances at the Shoalhaven Entertainment Centre	38345	#	A good solid result		
Education and skill levels in the community	Residents aged over 15 have completed Year 12	30.5	%	2012 Census data		
Education and skill levels in the community	Residents aged over 15 years with vocational qualification	24	%	2012 Census data		
Education and skill levels in the community	Residents aged over 15 years with a Diploma	7.4	%	2012 Census data		
Education and skill levels in the community	Residents aged over 15 years with a Bachelor degree or higher	10.2	%	2012 Census data		
The health of the community	Percentage of people when asked about their health said they had become healthier	25	%	EOT Report survey		
Use of Council's libraries	Number of attendances at Council's libraries	325,914	#	Ulladulla library closed for renovations		
Use of public transport to work and school	Number of people who caught public transport to work	245	#	2012 Census data		
Use of public transport to work and school	Shoalhaven's working population who caught public transport	0.7	%	2012 Census data		
Level of volunteering	Number of Bushcare Groups operating on Council-owned and managed land	67	#			
Level of volunteering	Number of Parkcare groups	34	#			
The level of volunteering	Number of Community Consultative Bodies	23	#	The number of CCBs has been stable within this period		
The level of volunteering	Number Council Management Committees (Facilities)	16	#			
Level of volunteering	Number Council Management Committees (Sportsgrounds)	24	#			
Level of volunteering	Number of volunteer hours contributed by volunteer Bushcare Groups	8,882	Hrs			
Level of	Number of individual	625	#			

volunteering	volunteers involved in Bushcare						
Level of volunteering	Number of volunteer hours contributed by volunteer Parkcare Groups	3870	Hrs	68% increase in volunteer hours			
Level of volunteering	Number of individual volunteers involved in Parkcare	391	#	8% increase in numbers of volunteers			
Use of Council's libraries	Number of virtual visits at Council's libraries	95,496	#				
Use of Council's libraries	% items loaned on selfcheckout machine	11	%				
Shoalhaven population	Shoalhaven population	97,892	#				
Shoalhaven population	% increase in population	0.75	%	2012 Census data			

Place

Focus	Measure	Value 2013/14	Unit	Comment 2013/14	Direction	of Change Comment
Length of roads	Sealed road	1424	Km	Method of reporting changed		
Length of roads	Unsealed road	341	Km			
Accessibility to transport other than cars	Number of kerb ramps constructed	19	#			
Accessibility to transport other than cars	Current number of kerb ramps in the Shoalhaven	1311	#			
Accessibility to transport other than cars	Number of bike racks installed	9	#			
Accessibility to transport other than cars	Number of pedestrian safety facilities constructed	2	#			
Accessibility to transport other than cars	Current number of pedestrian safety facilities	218	#			
Accessibility to transport other than cars	Number of bus stop improvements	4	#			
Accessibility to transport other than cars	Current number of bus shelters	181	#			

Accessibility to transport other than cars	Current number of bus stop posts	541	#			
Cycle ways and footpaths	Current total Km of cycle ways and footpaths	201	Km	Includes 10Kms of shared use path		
Cycle ways and footpaths	Constructed cycleway and footpath per year	6.36	Km			
Road safety	Number of road safety improvement projects completed	5	#			
Road safety	Number of roundabouts constructed during the year	2	#			
Trend of 16 community and corporate State of the Environment themes (12 Community Indicators, 4 Council Indicators)	Number of SoE indicators improved	8	#			
Trend of 16 community and corporate State of the Environment themes (12 Community Indicators, 4 Council Indicators)	Number of SoE Indicators that remained stable	3	#			
Trend of 16 community and corporate State of the Environment themes (12 Community Indicators, 4 Council Indicators)	Number of SoE Indicators worsened	4	#			
Trend of 16 community and corporate State of the Environment themes (12 Community Indicators, 4 Council Indicators)	Number of SoE targets	13	#			
Trend of 16 community and corporate State of the Environment themes (12 Community Indicators, 4 Council Indicators)	Number of SoE targets met	8	#			
Greenhouse Gas emissions	Tonnes Greenhouse gas emissions for Council	46,801	Tonnes			
Shoalhaven housing	Number of new dwellings approved	640	#			

(combined, dual occupancies, Secondary Dwellings and units/flats)







Shoalhaven housing	% change in the number	12	%				
Sustainability Action Plan	Percentage of Plan implemented	80	%		This is the last reporting year, new Plan is required		
Threatened plant and animal species	Number of threatened plant and animal species	147	#				
Percentage of waste diverted from landfill	% of waste diverted from landfill	33.1	%				
Green waste	Tonnes of green waste collected	10,323	Tonnes				
Residential water use	Annual average residential water consumption	147	Kl				
Renewable energy generation capacity	Total available capacity of renewable energy generation by Council	96	kwh				
Council's water and energy consumption	Total energy consumption	100,668	Gj		Does not include street lighting, fleet or water		
Council's water and energy consumption	Total water consumption	435,810	ML		Low rainfall in 2013/14		
Council's greenhouse gas emissions	Council greenhouse gas emissions per resident	487.51	kg		Includes landfill. Does not include measures or offsets.		
Alternate energy (includes renewable and recoverable energy) generation	Total alternate energy generation by Council	6,514	MwHrs		Includes landfill gas and solar energy		








Prosperity







Focus	Measure	Value 2013/14	Unit	Comment 2013/14	Direction	of Change Comment
New commercial construction and business investment	Value of Non-Residential Development Application approvals	82	\$m	Includes 4 regional developments (E-waste, Medical centre, Industrial complex & Educational establishment – Total \$46,944,610)		
New commercial construction and business investment	Value of part 3A Development Application approvals	0	\$	Princes Highway Upgrade - Foxground to Berry ByPass. No Value Indicated on Website		
Residential development approvals	Value of new residential development approvals	183	\$m			
Development Applications received	Number of Development Applications received	1860	#			
Local economic activity, major capital infrastructure investment	Major capital infrastructure investment	242.2	\$m	Several major Defence related projects commenced in 2013/4 with construction of road projects continuing. Infrastructure also being upgraded at Shoalhaven Heath Campus.		
Labour force status	Number of people employed	34,004	#			
Labour force status	Unemployment rate	12.03	%			
Visitors to Shoalhaven	Number of domestic overnight, day and international visitors	2,578,000	#	Figures shown for 2012/13 FY		
Spend by Visitors to Shoalhaven	Total economic impact of direct expenditure by all	697,000	\$,000	Figures shown for 2012/13 FY		

visitors to the
Shoalhaven









Subdivision approvals	Value of new subdivision approvals (does not include applications involving building works)	1,428,000	\$			
Gross regional product	Gross regional product	4056	\$M			





Leadership

Focus	Measure	Value 2013/14	Unit	Comment 2013/14	Direction	of Change Comment
Complaints about Council recorded by DLG	Number of complaints received per 1000 residents	0.196	#	2012/13 data		
Complaints about Council recorded by DLG	Percentage of complaints declined by DLG	100	%	2012/13 data		
Timely responses to applications received from the community	Formal GIPA Act applications received	32	#			
Timely responses to applications received from the community	Formal GIPA Act applications processed within legislative timeframe	100	%			
Timely responses to applications received from the community	Informal GIPA Act applications received	272	#			
Timely responses to applications received from the community	Informal GIPA Act applications processed within 28 days	100	%			
Timely responses to complaints and requests received from the community	Correspondence items received	68274	#			
Timely responses to complaints and requests received from the community	Correspondence items answered within 28 days	93	%			

Attendance at Council, Committee, Advisory Committees, Council Board meetings and briefings	Councillors' attendance at meetings	56.2	%				
Attendance at Council, Committee, Advisory Committees, Council Board meetings and briefings	Community members' attendance at meetings	65.1	%				
Operating surplus (deficit)	Actual operating surplus or deficit, excluding capital grants and contributions	1,784	\$000	deficit driven by substantial increase in depreciation of \$2.9m, which was more than offset by revenue increases.			

Governance

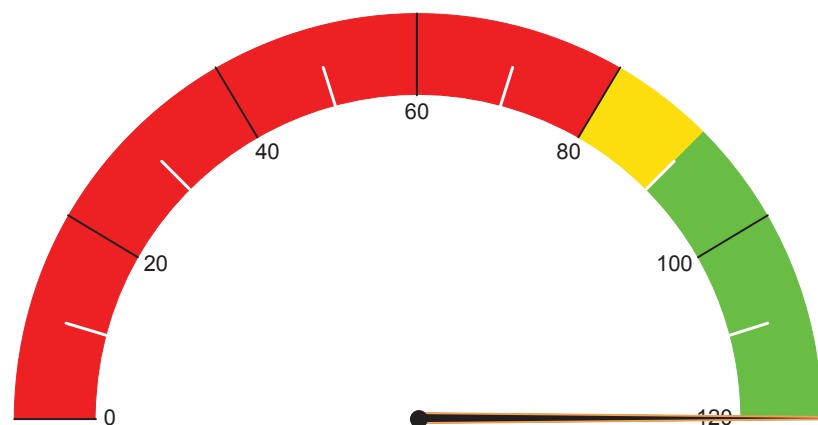
Focus	Measure	Value 2013/14	Unit	Comment 2013/14	Direction	of Change Comment
Timely responses to complaints and requests received from the community - Shoalhaven Water	Number of unplanned water supply interruptions (per 1000 properties)	64	#			
Timely responses to complaints and requests received from the community - Shoalhaven Water	Unplanned Water Supply Interruptions - Average duration of interruptions	220	Minutes			
Financial sustainability	Debt Service cover ratio	4.12	:1	Councils ability to generate sufficient cash to cover its debt is sound and in excess of the benchmark 2:1		
Asset sustainability	Infrastructure backlog (\$M) as % of total infrastructure assets (estimated at fair value)	2.2	%			

Asset sustainability	% difference in renewal cash-fund actual to required for asset depreciation	31	%			
Compliance with the Best Practice Management of Water Supply and Sewerage Guidelines through an annual independent audit.	% compliance	100	%			
Use of Council's website	Number of virtual visitors to SCC website	446,725	#			
Use of Council's website	Number of page views on SCC website	1,338,633	#			

PROGRESS REPORT

JULY 2013 - JUNE 2014

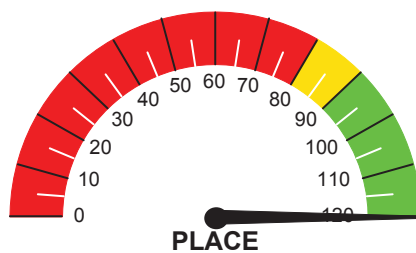
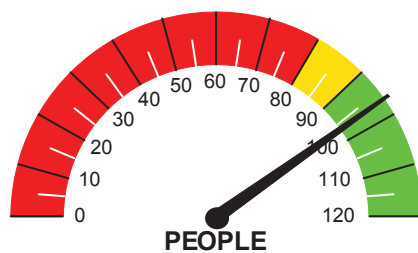
Progress Against Delivery Program Activities



Delivery Program Activities

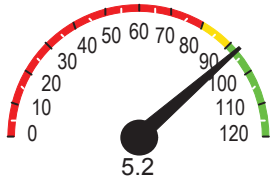
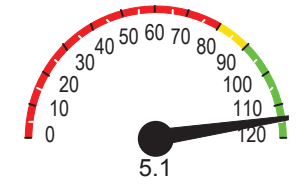
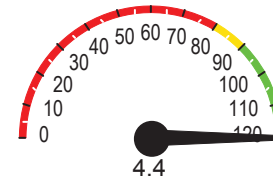
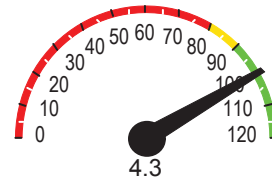
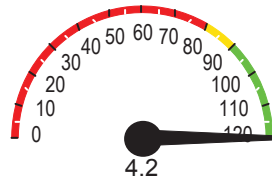
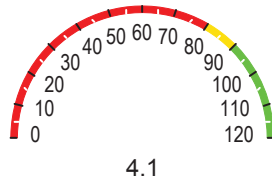
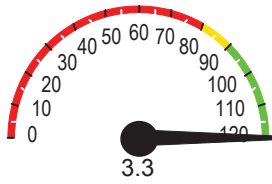
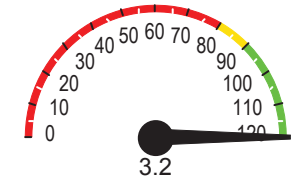
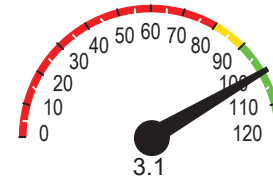
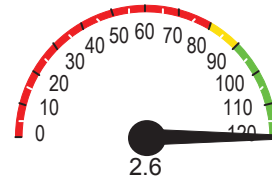
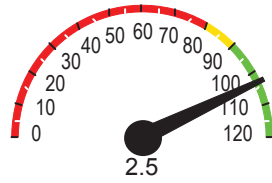
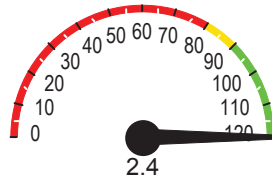
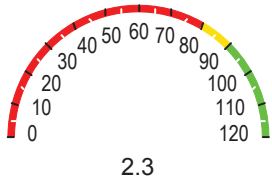
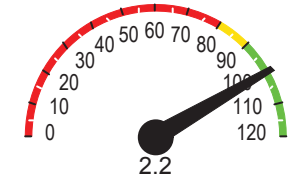
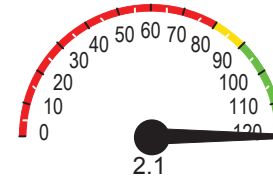
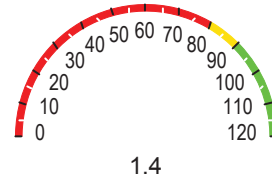
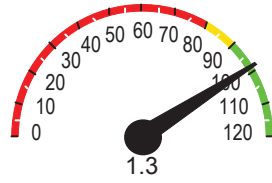
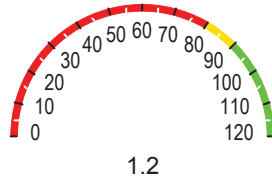
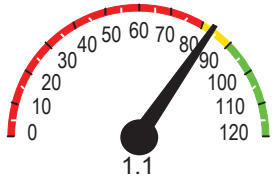
Group	No. of Activities displaying a green light (90% of target)	No. of Activities displaying a amber light (80-90% of target)	No. of Activities displaying a red light (<80% of target)	Total Activities linked to KPIs	Activities with no target set
Assets & Works Group	27	0	1	28	26
Corporate & Community Services Group	59	4	9	72	53
General Manager Group	30	2	9	41	20
Planning & Development Services Group	52	3	3	59	33
Shoalhaven Water Group	12	0	0	12	2
Total	180	9	22	212	135

Progress Against Key Result Area



KRA	NO. OF COUNCIL PLAN ACTIVITIES WITH NO TARGET SET	NO. OF COUNCIL PLAN ACTIVITIES REPORTED ON	NO. OF ACTIVITIES AT LEAST 90% OF TARGET	NO. OF ACTIVITIES BETWEEN 80 & 90% OF TARGET	NO. OF ACTIVITIES LESS THAN 80% OF TARGET
1. PEOPLE	23	8	6	2	0
2. PLACE	22	21	21	0	0
3. PROSPERITY	15	23	15	2	6
4. LEADERSHIP	28	8	7	0	1
5. SUSTAINABLE SERVICES AND PROGRAMS	47	152	131	5	15
Total	134	212	180	9	22

Progress against Objective



OBJECTIVE	NO. OF COUNCIL PLAN ACTIVITIES WITH NO TARGET SET	NO. OF COUNCIL PLAN ACTIVITIES REPORTED ON	NO. OF ACTIVITIES AT LEAST 90% OF TARGET	NO. OF ACTIVITIES BETWEEN 80 & 90% OF TARGET	NO. OF ACTIVITIES LESS THAN 80% OF TARGET
1.1 Diverse, united and connected communities	4	1	0	1	0
1.2 Creative, engaged and learning communities	2	0	0	0	0
1.3 Healthy and active communities that feel safe	13	7	6	1	0
1.4 Sustainable and socially responsible communities	4	0	0	0	0
2.1 A City which values, maintains and enhances its natural and cultural environments	8	1	1	0	0
2.2 Population and urban settlement growth that is ecologically sustainable and carefully planned and managed	1	1	1	0	0
2.3 Reduced global warming impacts and increased resilience to the effects and impacts of climate change	3	0	0	0	0
2.4 Community infrastructure that is environmentally responsible, ecologically sustainable	7	14	14	0	0
2.5 Major town centres that are attractive, vibrant and popular destinations	3	1	1	0	0
2.6 Settlements that are resilient to the unexpected impacts of natural hazards	0	4	4	0	0
3.1 An economy with growing employment opportunities based on Shoalhaven's distinct characteristics, advantages and natural qualities.	2	2	1	0	1
3.2 An economy that supports and is supported by growing, diverse and changing communities.	8	14	8	2	4
3.3 Effective promotion of Shoalhaven's investment, business, tourism and job opportunities, lifestyle attractions and vision	5	7	6	0	1
4.1 Active engagement between Council and the community and other stakeholders	3	0	0	0	0
4.2 Collaborative and rewarding partnerships and effective advocacy	3	1	1	0	0
4.3 Respectful, professional, trusted and united community and Council leadership.	3	1	1	0	0
4.4 A Council that is accountable and ecologically and financially sustainable	19	6	5	0	1
5.1 Financially sustainable and customer responsive on-going service delivery and asset maintenance and renewal programs	42	143	124	5	13

5.2 Operational costs savings	4	9	7	0	2
Total	134	212	180	9	22

ANNUAL FINANCIAL STATEMENTS

30 June 2014

Shoalhaven City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2014

*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 2014

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

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 05 November 2014. Council has the power to amend and reissue these financial statements.

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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 2014.

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 Office of Local Government.

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Summarises 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. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

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

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 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 commentary on 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 Office of Local Government.

Shoalhaven City Council

General Purpose Financial Statements for the financial year ended 30 June 2014

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:

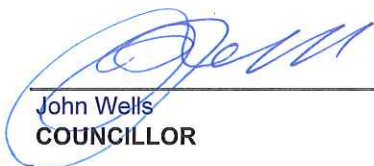
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 28 October 2014.



Joanna Gash
MAYOR



John Wells
COUNCILLOR



Russ Pigg
GENERAL MANAGER



Pamela Gokgur
RESPONSIBLE ACCOUNTING OFFICER

Shoalhaven City Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
<i>Revenue:</i>				
107,933	Rates & Annual Charges	3a	107,053	99,519
55,284	User Charges & Fees	3b	56,591	52,814
3,657	Interest & Investment Revenue	3c	5,786	6,282
3,477	Other Revenues	3d	3,845	4,573
18,840	Grants & Contributions provided for Operating Purposes	3e,f	14,671 ²	19,342
5,746	Grants & Contributions provided for Capital Purposes	3e,f	16,504	13,567
<i>Other Income:</i>				
-	Net gains from the disposal of assets	5	1,002	891
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
<u>194,937</u>	Total Income from Continuing Operations		<u>205,452</u>	<u>196,988</u>
Expenses from Continuing Operations				
66,699	Employee Benefits & On-Costs	4a	63,213	63,826
5,007	Borrowing Costs	4b	4,658	4,659
44,268	Materials & Contracts	4c	41,098	42,070
53,818	Depreciation & Amortisation	4d	55,798	52,906
-	Impairment	4d	-	-
27,422	Other Expenses	4e	25,965	23,186
<u>197,214</u>	Total Expenses from Continuing Operations		<u>190,732</u>	<u>186,647</u>
<u>(2,277)</u>	Operating Result from Continuing Operations		<u>14,720</u>	<u>10,341</u>
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<u>(2,277)</u>	Net Operating Result for the Year		<u>14,720</u>	<u>10,341</u>
(2,277)	Net Operating Result attributable to Council		14,720	10,341
-	Net Operating Result attributable to Non-controlling Interests		-	-
<u>(8,023)</u>	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		<u>(1,784)</u>	<u>(3,226)</u>

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

Shoalhaven City Council

Statement of Comprehensive Income
for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		14,720	10,341
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	29,950	(18,704)
Total Items which will not be reclassified subsequently to the Operating Result		29,950	(18,704)
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		29,950	(18,704)
Total Comprehensive Income for the Year		44,670	(8,363)
Total Comprehensive Income attributable to Council		44,670	(8,363)
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Shoalhaven City Council

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	14,237	17,707
Investments	6b	60,432	92,977
Receivables	7	21,247	19,663
Inventories	8	679	1,831
Other	8	393	1,340
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		96,988	133,518
Non-Current Assets			
Investments	6b	44,000	5,540
Receivables	7	6,232	5,854
Inventories	8	8,104	7,225
Infrastructure, Property, Plant & Equipment	9	2,348,568	2,305,754
Investments accounted for using the equity method	19	-	-
Investment Property	14	1,435	1,350
Intangible Assets	25	-	-
Total Non-Current Assets		2,408,339	2,325,723
TOTAL ASSETS		2,505,327	2,459,241
LIABILITIES			
Current Liabilities			
Payables	10	20,817	14,707
Borrowings	10	9,786	9,696
Provisions	10	29,980	32,052
Total Current Liabilities		60,583	56,455
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	59,974	62,855
Provisions	10	4,396	4,227
Total Non-Current Liabilities		64,370	67,082
TOTAL LIABILITIES		124,953	123,537
Net Assets		2,380,374	2,335,704
EQUITY			
Retained Earnings	20	1,318,517	1,303,797
Revaluation Reserves	20	1,061,857	1,031,907
Council Equity Interest		2,380,374	2,335,704
Non-controlling Interests		-	-
Total Equity		2,380,374	2,335,704

Shoalhaven City Council

Statement of Changes in Equity
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		1,303,688	1,031,907	2,335,595	-	2,335,595
a. Correction of Prior Period Errors	20 (c)	109	-	109	-	109
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		1,303,797	1,031,907	2,335,704	-	2,335,704
c. Net Operating Result for the Year		14,720	-	14,720	-	14,720
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	29,950	29,950	-	29,950
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20a	-	-	-	-	-
Other Comprehensive Income		-	29,950	29,950	-	29,950
Total Comprehensive Income (c&d)		14,720	29,950	44,670	-	44,670
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,318,517	1,061,857	2,380,374	-	2,380,374

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		1,293,347	1,050,605	2,343,952	-	2,343,952
a. Correction of Prior Period Errors	20 (c)	109	6	115	-	115
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		1,293,456	1,050,611	2,344,067	-	2,344,067
c. Net Operating Result for the Year		10,341	-	10,341	-	10,341
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	(18,704)	(18,704)	-	(18,704)
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20a	-	-	-	-	-
Other Comprehensive Income		-	(18,704)	(18,704)	-	(18,704)
Total Comprehensive Income (c&d)		10,341	(18,704)	(8,363)	-	(8,363)
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,303,797	1,031,907	2,335,704	-	2,335,704

Shoalhaven City Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
107,575	Rates & Annual Charges		107,154	98,843
55,284	User Charges & Fees		60,789	55,181
3,657	Investment & Interest Revenue Received		5,016	5,494
24,586	Grants & Contributions		25,982	32,512
-	Bonds, Deposits & Retention amounts received		497	21
3,477	Other		5,295	1,799
Payments:				
(66,699)	Employee Benefits & On-Costs		(64,736)	(64,556)
(44,268)	Materials & Contracts		(40,215)	(49,022)
(5,007)	Borrowing Costs		(4,537)	(4,579)
-	Bonds, Deposits & Retention amounts refunded		(667)	(44)
(27,288)	Other		(24,333)	(21,067)
51,317	Net Cash provided (or used in) Operating Activities	11b	70,245	54,582
Cash Flows from Investing Activities				
Receipts:				
439	Sale of Investment Securities		322,081	275,066
1,350	Sale of Real Estate Assets		1,785	1,088
1,879	Sale of Infrastructure, Property, Plant & Equipment		2,098	4,059
-	Deferred Debtors Receipts		273	1,248
4,899	Other Investing Activity Receipts		-	-
Payments:				
-	Purchase of Investment Securities		(327,464)	(305,248)
(71,877)	Purchase of Infrastructure, Property, Plant & Equipment		(69,279)	(57,375)
-	Purchase of Real Estate Assets		(355)	-
-	Deferred Debtors & Advances Made		-	(605)
(63,310)	Net Cash provided (or used in) Investing Activities		(70,861)	(81,767)
Cash Flows from Financing Activities				
Receipts:				
13,253	Proceeds from Borrowings & Advances		6,836	11,165
Payments:				
(9,994)	Repayment of Borrowings & Advances		(9,690)	(9,013)
3,259	Net Cash Flow provided (used in) Financing Activities		(2,854)	2,152
(8,734)	Net Increase/(Decrease) in Cash & Cash Equivalents		(3,470)	(25,033)
28,861	plus: Cash & Cash Equivalents - beginning of year	11a	17,707	42,740
20,127	Cash & Cash Equivalents - end of the year	11a	14,237	17,707
Additional Information:				
	plus: Investments on hand - end of year	6b	104,432	98,517
Total Cash, Cash Equivalents & Investments			118,669	116,224

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 2014

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	28
2(b)	Council Functions / Activities - Component Descriptions	29
3	Income from Continuing Operations	30
4	Expenses from Continuing Operations	36
5	Gains or Losses from the Disposal of Assets	40
6(a)	Cash & Cash Equivalent Assets	41
6(b)	Investments	41
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	43
7	Receivables	45
8	Inventories & Other Assets	46
9(a)	Infrastructure, Property, Plant & Equipment	48
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	49
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	49
10(a)	Payables, Borrowings & Provisions	50
10(b)	Description of (and movements in) Provisions	51
11	Statement of Cash Flows - Additional Information	52
12	Commitments for Expenditure	54
13	Statement of Performance Measures:	
	13a (i) Local Government Industry Indicators (Consolidated)	55
	13a (ii) Local Government Industry Graphs (Consolidated)	56
	13b Local Government Industry Indicators (by Fund)	58
14	Investment Properties	59
15	Financial Risk Management	60
16	Material Budget Variations	64
17	Statement of Developer Contributions	66
18	Contingencies and Other Liabilities/Assets not recognised	67
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	69
20	Equity - Retained Earnings and Revaluation Reserves	69
21	Financial Result & Financial Position by Fund	71
22	"Held for Sale" Non Current Assets & Disposal Groups	73
23	Events occurring after the Reporting Date	73
24	Discontinued Operations	73
25	Intangible Assets	73
26	Reinstatement, Rehabilitation & Restoration Liabilities	74
27	Fair Value Measurement	76

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with 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 AASBs.

(iii) New and amended standards adopted by Council

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

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

Critical judgements in applying Council's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

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

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend Income

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

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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*
- *Sewer Service*
- *Domestic Waste Services*
- *Southern Water Services*

Due to their immaterial value and nature, Council's Management Committees have been excluded from consolidation:

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

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

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

Council does not have any 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.

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

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

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

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

Derivatives are classified as held for trading unless they are designated as hedges.

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

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

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of Investments

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

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

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

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

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) as mandated by the Office 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** (External Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (Internal Valuation)
- **Land Improvements** (Internal Valuation)
- **Other Structures** (Internal Valuation)
- **Swimming Pools** (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 combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, the increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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

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

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

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

Capitalisation Thresholds

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

Land	
- Operational land	100% Capitalised
- Community land	100% Capitalised
- Land under roads (purchases after 30/6/08)	100% Capitalised

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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Building

- construction/extensions	100% Capitalised
- renovations	> \$2,000

Other Structures	> \$2,000
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Land Improvements	> \$2,000
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Water & Sewer Assets

All Infrastructure	> \$2,000
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Stormwater Assets

Stormwater Drainage	> \$5,000
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Transport Assets

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

Bridge construction & reconstruction	100% Capitalised
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Buildings

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

Stormwater Drainage

- Various	60 to 80 years
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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
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Other Infrastructure Assets

- Other Structures	5 to 50 years
- Depreciable Land Improvements	10 to 50 years

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

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

Disposal and 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.

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(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) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

Crown Reserves under Council's care and control are not recognised as assets of the Council, as ownership of the reserves remains with the Crown. Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are 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.

(o) Rural Fire Service assets

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

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to include the land and buildings but exclude the other assets.

(p) Investment property

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

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

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

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

The last full revaluation for Council's Investment Properties was dated 30/06/2013.

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

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

Estimated close down and restoration costs are provided for in the accounting period when the

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(s) Impairment of assets

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

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

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

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

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

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

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

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

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 5 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 5 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.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

The last valuation of the Scheme covers the period ended 30/06/2014.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$2,434,877.

The amount of additional contributions included in the total employer contribution advised above is \$1,117,166.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$4,468,664 as at 30 June 2014.

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

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/14.

(y) 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).

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

Exceptions

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

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, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular 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.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

Applicable to Local Government but no implications for Council;

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

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

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities)

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

(ae) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	12	5	25	1,295	1,254	1,516	(1,283)	(1,249)	(1,491)	-	-	9,348	11,588
Administration	3,496	2,553	4,928	35,722	32,011	32,984	(32,226)	(29,458)	(28,056)	39	56	332,878	340,139
Public Order & Safety	2,523	3,110	2,782	4,123	4,109	4,204	(1,600)	(999)	(1,422)	855	1,025	30,630	31,832
Health	133	139	120	1,363	1,313	1,290	(1,230)	(1,174)	(1,170)	41	7	9,787	9,768
Environment	25,594	26,009	23,964	27,956	28,303	26,137	(2,362)	(2,294)	(2,173)	2,838	1,030	210,978	197,904
Community Services & Education	1,447	1,567	1,613	2,160	2,434	2,388	(713)	(867)	(775)	1,303	1,343	18,144	18,081
Housing & Community Amenities	2,012	2,130	2,261	7,215	6,158	6,925	(5,203)	(4,028)	(4,664)	22	149	54,100	59,976
Water Supplies	23,286	22,808	23,842	20,404	18,219	17,907	2,882	4,589	5,935	517	510	541,105	506,316
Sewerage Services	38,182	38,686	40,391	25,461	21,257	20,774	12,721	17,429	19,617	517	4,217	626,988	652,586
Recreation & Culture	6,447	11,097	6,797	16,485	22,102	19,811	(10,038)	(11,005)	(13,014)	139	554	223,893	196,146
Mining, Manufacturing & Construction	2,305	2,512	2,177	5,538	4,524	4,818	(3,233)	(2,012)	(2,641)	-	-	33,723	36,481
Transport & Communication	3,177	12,048	6,581	31,994	30,928	30,625	(28,817)	(18,880)	(24,044)	6,998	-	230,545	231,886
Economic Affairs	19,365	20,857	18,644	17,498	18,175	17,268	1,867	2,682	1,376	20	-	183,206	166,538
Total Functions & Activities	127,979	143,521	134,125	197,214	190,787	186,647	(69,235)	(47,266)	(52,522)	13,289	8,891	2,505,325	2,459,241
General Purpose Income ¹	66,958	61,986	62,863	-	-	-	66,958	61,986	62,863	6,691	12,105	-	-
Operating Result from Continuing Operations	194,937	205,507	196,988	197,214	190,787	186,647	(2,277)	14,720	10,341	19,980	20,996	2,505,325	2,459,241

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 2014

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

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

ENVIRONMENT

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

COMMUNITY SERVICES & EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences,

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

ECONOMIC AFFAIRS

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

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		46,145	42,330
Farmland		1,825	1,684
Business		4,678	4,348
Total Ordinary Rates		52,648	48,362
Special Rates			
Town Improvement		11	11
Town Planning		160	157
Total Special Rates		171	168
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		14,782	13,974
Stormwater Management Services		1,058	1,048
Water Supply Services		3,908	3,898
Sewerage Services		33,893	31,878
Waste Management Services (non-domestic)		593	191
Total Annual Charges		54,234	50,989
TOTAL RATES & ANNUAL CHARGES		107,053	99,519

Council has used 2012 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 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		14,711	14,455
Sewerage Services		2,412	2,215
Waste Management Services (non-domestic)		7,391	6,034
Total User Charges		24,514	22,704
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Animal Charges		116	141
Building Services		873	801
Food Inspection Fees		115	124
Health Licence Fees		84	93
Private Works - Section 67		1,418	1,036
Town Planning		2,653	2,015
Total Fees & Charges - Statutory/Regulatory		5,259	4,210
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Cemeteries		1,296	1,433
Communication Charges		1,045	892
Entertainment Centre		1,051	1,125
Family Day Care		200	194
Hire of Council Property		252	230
Leaseback Fees - Council Vehicles		791	878
Library		70	68
Swimming / Leisure Centres		3,555	3,486
Tourism		89	86
Tourist Parks		18,386	17,335
Other		83	173
Total Fees & Charges - Other		26,818	25,900
TOTAL USER CHARGES & FEES		56,591	52,814

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		532	571
- Interest earned on Investments (interest & coupon payment income)		4,519	4,885
- Interest on Deferred Debtors		174	149
- Interest & Dividend Income (Other)		407	208
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		143	464
Amortisation of Premiums & Discounts			
- Interest Free (& Interest Reduced) Loans provided		10	5
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		1	-
TOTAL INTEREST & INVESTMENT REVENUE		<u>5,786</u>	<u>6,282</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		327	375
General Council Cash & Investments		2,320	2,223
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		786	1,040
- Section 64		395	514
Water Fund Operations		1,109	1,320
Sewerage Fund Operations		490	474
Domestic Waste Management operations		359	336
Total Interest & Investment Revenue Recognised		<u>5,786</u>	<u>6,282</u>

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(d) Other Revenues			
Bad Debts Written Off		155	-
Biobank Management Fee		125	-
Commissions & Agency Fees		79	41
Credit Card Service Fees		102	98
Discounts Received		17	26
E-Waste Sales		13	316
Employment Subsidies		53	172
Fair Value Adjustments - Investment Properties	14	85	-
Fines - Parking		663	699
Fines - Other		277	327
Fuel Tax Credit		212	111
In-house Canteen Charges		160	184
Insurance Claim Recoveries		130	170
Insurance Rebates		-	119
Legal Fees Recovery - Rates & Charges (Extra Charges)		214	309
Legal Fees Recovery - Other		36	77
Library - Other Councils		106	122
LIRS Interest Subsidy		40	-
Miscellaneous Sales		8	76
Rental Income - Investment Properties	14	138	140
Rental Income - Other Council Properties		787	816
Waste Levy Refunds		262	598
Other		183	172
<u>TOTAL OTHER REVENUE</u>		<u>3,845</u>	<u>4,573</u>

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1 3,986	7,996	-	-
Financial Assistance - Local Roads Component	1 1,545	2,927	-	-
Pensioners' Rates Subsidies - General Component	1,160	1,183	-	-
Total General Purpose	6,691	12,106	-	-
¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.				
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	517	510	-	-
- Sewerage	517	512	-	-
- Domestic Waste Management	406	414	-	-
Sewerage Services	-	-	-	3,705
Community Care	1,311	1,677	-	15
Environmental Protection	668	601	51	192
Heritage & Cultural	5	4	-	-
Library	259	-	-	-
NSW Rural Fire Services	826	965	981	10
Recreation & Culture	-	-	92	323
Roads & Bridges	-	290	-	2,609
Street Lighting	78	77	-	-
Transport (Other Roads & Bridges Funding)	294	-	7,041	-
Other	184	107	59	45
Total Specific Purpose	5,065	5,157	8,224	6,899
Total Grants	11,756	17,263	8,224	6,899
Grant Revenue is attributable to:				
- Commonwealth Funding	6,812	12,184	1,396	1,431
- State Funding	4,900	5,046	6,828	5,458
- Other Funding	44	33	-	10
	11,756	17,263	8,224	6,899

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	2,070	1,706
S 64 - Water Supply Contributions	-	-	876	1,319
S 64 - Sewerage Service Contributions	-	-	1,087	1,648
Total Developer Contributions	17	-	4,033	4,673
Other Contributions:				
Bushfire Services	-	-	14	-
Kerb & Gutter	-	-	82	172
Other Emergency Event	888	119	-	-
Recreation & Culture	56	28	54	58
Roads & Bridges	76	116	25	56
RMS Contributions (Regional Roads, Block Grant)	1,816	1,790	171	172
Subdivider Dedications - Buildings	-	-	-	20
Subdivider Dedications - Kerb & Gutter	-	-	-	950
Subdivider Dedications - Land Under Roads	-	-	3,888	-
Subdivider Dedications - Stormwater	-	-	-	495
Subdivider Dedications - Recreation & Culture	-	-	-	72
Other	79	26	13	-
Total Other Contributions	2,915	2,079	4,247	1,995
Total Contributions	2,915	2,079	8,280	6,668
TOTAL GRANTS & CONTRIBUTIONS	14,671	19,342	16,504	13,567

\$ '000	Actual 2014	Actual 2013
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(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	27,625	28,338
add: Grants & contributions recognised in the current period but not yet spent:	5,891	5,036
less: Grants & contributions recognised in a previous reporting period now spent:	(3,879)	(5,749)
Net Increase (Decrease) in Restricted Assets during the Period	2,012	(713)
Unexpended and held as Restricted Assets	29,637	27,625

Comprising:

- Specific Purpose Unexpended Grants	582	885
- Developer Contributions	29,055	26,740
	29,637	27,625

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		51,053	48,880
Employee Termination Costs		1,030	-
Travelling		32	34
Employee Leave Entitlements (ELE)		6,183	9,321
Superannuation		6,679	6,649
Workers' Compensation Insurance		(22)	508
Fringe Benefit Tax (FBT)		227	164
Payroll Tax		949	866
Training Costs (other than Salaries & Wages)		696	785
Other		53	45
Total Employee Costs		66,880	67,252
less: Capitalised Costs		(3,667)	(3,426)
TOTAL EMPLOYEE COSTS EXPENSED		63,213	63,826
Number of "Equivalent Full Time" Employees at year end		759	769
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		4,379	4,320
Interest on Advances		105	139
Total Interest Bearing Liability Costs Expensed		4,484	4,459
(ii) Other Borrowing Costs			
Fair Value Adjustment on Loans (to Council)		64	82
Discounts on Financial Instruments Transactions		-	11
Discount adjustments relating to movements in Provisions (other than ELE)		110	107
- Remediation Liabilities	26	110	107
Total Other Borrowing Costs		174	200
TOTAL BORROWING COSTS EXPENSED		4,658	4,659

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts			
Raw Materials & Consumables		5,961	6,780
Contractor & Consultancy Costs		32,050	31,815
Auditors Remuneration ⁽¹⁾		88	75
Legal Expenses:			
- Legal Expenses: Planning & Development		161	339
- Legal Expenses: Debt Recovery		243	342
- Legal Expenses: Other		73	109
Operating Leases:			
- Operating Lease Rentals: Buildings		39	165
- Operating Lease Rentals: Other		6	27
Fuel		2,477	2,418
TOTAL MATERIALS & CONTRACTS		41,098	42,070
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		84	73
- Audit of regulatory returns		-	2
- Other audit & assurance services (Grant Acquittals)		1	-
Remuneration for audit and other assurance services		85	75
(iii) Other Services			
- Other Services (Audit Committee)		3	-
Remuneration for other services		3	-
Total Auditor Remuneration		88	75
2. Operating Lease Payments are attributable to:			
Buildings		39	165
Other		6	27
		45	192

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	6,100	5,300
Office Equipment		-	-	955	1,064
Furniture & Fittings		-	-	48	48
Land Improvements (depreciable)		-	-	3,722	3,457
Buildings - Non Specialised		-	-	60	12
Buildings - Specialised		-	-	5,144	4,561
Other Structures		-	-	1,046	972
Infrastructure:					
- Roads		-	-	17,065	16,720
- Bridges		-	-	1,096	1,095
- Footpaths		-	-	823	814
- Stormwater Drainage		-	-	2,888	2,699
- Water Supply Network		-	-	6,467	6,227
- Sewerage Network		-	-	9,808	9,341
- Swimming Pools		-	-	239	239
Other Assets					
- Library Books		-	-	315	324
Asset Reinstatement Costs	9 & 26	-	-	22	33
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		-	-	55,798	52,906

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		472	329
Bad & Doubtful Debts		1	3
Bank Charges		553	648
Computer Software, Equipment & Maintenance		1,151	1,216
Contributions/Levies to Other Levels of Government			
- State Emergency Services Levy		136	132
- NSW Fire Brigade Levy		226	221
- NSW Rural Fire Service Levy		821	761
- Waste Levy		7,693	5,814
Councillor Expenses - Mayoral Fee		37	36
Councillor Expenses - Councillors' Fees		222	214
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		256	148
Department of Lands		799	878
Donations, Contributions & Assistance to other organisations (Section 356)		431	411
Election Expenses		-	322
Insurance		2,803	2,801
Light, Power & Heating		4,584	4,738
Motor Vehicle Registrations		287	282
Postage		134	201
Printing & Stationery		208	323
Revaluation Decrements (Fair Valuation of I,PP&E Assets)	9(a)	1,712	-
Revaluation Decrements (Fair Valuation of Investment Properties)	14	-	158
Street Lighting		1,839	1,788
Subscriptions & Publications		404	431
Telephone & Communications		696	823
Valuation Fees		340	331
Other		160	177
<u>TOTAL OTHER EXPENSES</u>		<u>25,965</u>	<u>23,186</u>

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
Property (excl. Investment Property)			
less: Carrying Amount of Property Assets Sold / Written Off		(55)	-
Net Gain/(Loss) on Disposal		(55)	-
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		2,098	2,479
less: Carrying Amount of P&E Assets Sold / Written Off		(2,738)	(4,059)
Net Gain/(Loss) on Disposal		(640)	(1,580)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		1,785	1,088
less: Carrying Amount of Real Estate Assets Sold / Written Off		(477)	(615)
Net Gain/(Loss) on Disposal		1,308	473
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		322,081	275,066
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(321,692)	(273,068)
Net Gain/(Loss) on Disposal		389	1,998
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		1,002	891
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		389	1,998
Net Gain/(Loss) on Disposal of Financial Instruments		389	1,998

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2014	2014	2013	2013
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,924	-	5,707	-
Cash-Equivalent Assets ¹					
- Deposits at Call		4,011	-	-	-
- Short Term Deposits		8,302	-	12,000	-
Total Cash & Cash Equivalents		14,237	-	17,707	-
Investments (Note 6b)					
- Managed Funds		1,669	-	1,586	-
- Long Term Deposits		53,950	44,000	91,300	5,000
- Government & Semi-Government Bonds		880	-	-	-
- NCD's, FRN's (with Maturities > 3 months)		3,256	-	-	-
- CDO's		677	-	91	540
Total Investments		60,432	44,000	92,977	5,540
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		74,669	44,000	110,684	5,540

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		14,237	-	17,707	-
--	--	---------------	----------	---------------	----------

Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	6,482	-	1,677	540
b. "Held to Maturity"	6(b-ii)	53,950	44,000	91,300	5,000
Investments		60,432	44,000	92,977	5,540

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6b. Investments (continued)

\$ '000	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	1,677	540	1,534	168
Revaluations (through the Income Statement)	143	-	-	464
Additions	4,214	-	119	-
Disposals (sales & redemptions)	(92)	-	(68)	-
Transfers between Current/Non Current	540	(540)	92	(92)
Balance at End of Year	6,482	-	1,677	540
Comprising:				
- Managed Funds	1,669	-	1,586	-
- Government & Semi-Government Bonds	880	-	-	-
- NCD's, FRN's (with Maturities > 3 months)	3,256	-	-	-
- CDO's	677	-	91	540
Total	6,482	-	1,677	540
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	91,300	5,000	62,171	2,000
Additions	279,250	44,000	302,100	5,000
Disposals (sales & redemptions)	(316,600)	(5,000)	(272,971)	(2,000)
Balance at End of Year	53,950	44,000	91,300	5,000
Comprising:				
- Long Term Deposits	53,950	44,000	91,300	5,000
Total	53,950	44,000	91,300	5,000
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	74,669	44,000	110,684	5,540
attributable to:				
External Restrictions (refer below)	49,379	29,097	73,171	540
Internal Restrictions (refer below)	18,173	10,708	22,409	-
Unrestricted (A)	7,117	4,195	15,104	5,000
	74,669	44,000	110,684	5,540

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (B)	1,105	6,818	(6,209)	1,714
Self Insurance Claims (C)	3,036	-	(86)	2,950
External Restrictions - Included in Liabilities	4,141	6,818	(6,295)	4,664

External Restrictions - Other

Developer Contributions - General (D)	17,620	3,023	(2,006)	18,637
Developer Contributions - Water Fund (D)	9,120	1,301	(3)	10,418
Developer Contributions - Sewer Fund (D)	-	1,134	(1,134)	-
Specific Purpose Unexpended Grants (E)	885	13,865	(14,168)	582
Water Supplies (F)	26,460	25,571	(24,950)	27,081
Sewerage Services (F)	8,147	41,222	(41,912)	7,457
Domestic Waste Management (F)	7,275	35,831	(33,993)	9,113
Stormwater Management (F)	63	1,058	(1,035)	86
Other Special Levies (F)	-	2,300	(1,862)	438
External Restrictions - Other	69,570	125,305	(121,063)	73,812
Total External Restrictions	73,711	132,123	(127,358)	78,476

- A The amount of unrestricted cash required to fund incomplete works as at 30 June 2014 is \$3,295K (\$5,297K in 2013).
- B 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).
- E Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- F 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.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	3,196	8,958	(8,602)	3,552
Employees Leave Entitlement	6,585	102	-	6,687
Arts Collection	34	7	-	41
Committed Capital Works	58	9,433	(1,631)	7,860
Land Decontamination	181	2,274	(119)	2,336
Financial Assistance Grant	4,794		(4,794)	-
General Insurance	363	1,665	(1,368)	660
Land Development Reserve	137	1,837	(424)	1,550
North Nowra Link Road	746	-	(41)	705
Plant Replacement Cemeteries	97	24	-	121
S94 Matching Funds	1,536	-	(939)	597
Sporting Facilities	151	37	(3)	185
Strategic Projects	3,889	2,912	(2,974)	3,827
Strategic Property Acquisition	527	24	(211)	340
Economic Development Projects	115	407	(102)	420
Total Internal Restrictions	22,409	27,680	(21,208)	28,881
TOTAL RESTRICTIONS	96,120	159,803	(148,566)	107,357

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		3,250	3,458	3,474	3,521
Interest & Extra Charges		524	1,088	507	1,197
User Charges & Fees		2,510	1,563	3,372	1,122
Accrued Revenues					
- Interest on Investments		708	-	559	-
- Other Income Accruals		1,241	-	801	-
Government Grants & Subsidies		5,824	-	3,818	-
Deferred Debtors		5,112	123	5,484	14
Net GST Receivable		1,538	-	1,089	-
Other Debtors		679	-	899	-
Total		21,386	6,232	20,003	5,854
less: Provision for Impairment					
Rates & Annual Charges		(95)	-	(281)	-
User Charges & Fees		(44)	-	(59)	-
Total Provision for Impairment - Receivables		(139)	-	(340)	-
<u>TOTAL NET RECEIVABLES</u>		<u>21,247</u>	<u>6,232</u>	<u>19,663</u>	<u>5,854</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		511	-	504	-
- Rates & Availability Charges		277	186	312	196
- Other		563	617	1,189	517
Sewerage Services					
- Specific Purpose Grants		518	-	512	-
- Rates & Availability Charges		2,305	1,450	2,449	1,433
- Other		21	34	593	38
Domestic Waste Management		559	538	546	521
Total External Restrictions		4,754	2,825	6,105	2,705
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		16,493	3,407	13,558	3,149
<u>TOTAL NET RECEIVABLES</u>		<u>21,247</u>	<u>6,232</u>	<u>19,663</u>	<u>5,854</u>

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% (2013 10.00%).
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 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		-	8,104	1,001	7,225
Stores & Materials		679	-	830	-
Total Inventories		679	8,104	1,831	7,225
Other Assets					
Prepayments		393	-	1,340	-
Total Other Assets		393	-	1,340	-
TOTAL INVENTORIES/ OTHER ASSETS		1,072	8,104	3,171	7,225
Externally Restricted Assets					
Water					
Prepayments		9	-	12	-
Total Water		9	-	12	-
Sewerage					
Prepayments		-	-	2	-
Total Sewerage		-	-	2	-
Domestic Waste Management					
Nil					
Other					
Nil					
Total Externally Restricted Assets		9	-	14	-
Total Unrestricted Assets		1,063	8,104	3,157	7,225
TOTAL INVENTORIES & OTHER ASSETS		1,072	8,104	3,171	7,225

Additional disclosures for Note 8 on next page.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 8. Inventories & Other Assets (continued)

\$ '000	2014		2013	
	Current	Non Current	Current	Non Current
Other Disclosures				
(a) Details for Real Estate Development				
Industrial/Commercial	-	8,103	1,001	7,225
Total Real Estate for Resale	-	8,104	1,001	7,225
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	-	330	-	349
Development Costs	-	7,774	1,001	6,876
Total Costs	-	8,104	1,001	7,225
Total Real Estate for Resale	-	8,104	1,001	7,225
Movements:				
Real Estate assets at beginning of the year	1,001	7,225	517	8,324
- Purchases and other costs	-	355	-	-
- WDV of Sales (exp)	5 (477)	-	(517)	(98)
- Transfer between Current/Non Current	(524)	524	1,001	(1,001)
Total Real Estate for Resale	-	8,104	1,001	7,225

(b) Inventory Write Downs

There were no amounts recognised as an expense relating to the write down of Inventory balances held during the year.

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period						as at 30/6/2014				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Decrements to P&L	Revaluation Increments/ (Decrements) to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value							Cost	Fair Value	Dep'n	Impairment	Value
Plant & Equipment	-	73,392	37,121	-	36,271	8,814	(2,734)	(6,100)	(5,674)	-	-	-	60,403	29,826	-	30,577
Office Equipment	-	19,241	15,789	-	3,452	2,568	(3)	(955)	-	-	-	-	21,789	16,728	-	5,061
Furniture & Fittings	-	2,107	1,658	-	449	82	-	(48)	-	-	-	-	2,190	1,706	-	484
Land:																
- Operational Land	-	126,511	-	-	126,511	511	(1)	-	308	-	-	-	127,330	-	-	127,330
- Community Land	-	100,791	-	-	100,791	-	-	-	-	-	-	-	100,791	-	-	100,791
- Land under Roads (post 30/6/08)	-	2,044	-	-	2,044	3,888	-	-	(308)	(1,712)	-	-	3,913	-	-	3,913
Land Improvements - depreciable	-	220,301	60,046	-	160,255	2,000	-	(3,722)	-	-	-	-	222,302	63,769	-	158,533
Buildings - Non Specialised	-	855	601	-	254	-	-	(60)	1,455	-	1,634	-	6,330	3,048	-	3,282
Buildings - Specialised	-	283,667	123,046	-	160,621	11,792	(55)	(5,144)	9,668	-	25,387	-	393,400	191,132	-	202,268
Other Structures	-	36,325	15,539	-	20,786	3,221	-	(1,046)	(5,449)	-	-	-	28,639	11,127	-	17,512
Infrastructure:																
- Roads	-	889,128	231,068	-	658,060	15,125	-	(17,065)	-	-	-	-	904,253	248,133	-	656,120
- Bridges	-	77,373	27,267	-	50,106	1,241	-	(1,096)	-	-	-	-	78,614	28,363	-	50,251
- Footpaths	-	41,806	14,394	-	27,412	2,018	-	(823)	-	-	-	-	43,824	15,218	-	28,606
- Bulk Earthworks (non-depreciable)	-	63,139	-	-	63,139	-	-	-	-	-	-	-	63,139	-	-	63,139
- Stormwater Drainage	-	210,036	93,087	-	116,949	1,592	-	(2,888)	-	-	-	-	211,629	95,975	-	115,654
- Water Supply Network	-	524,903	216,706	-	308,197	8,461	-	(6,467)	-	-	30,619	-	594,136	253,326	-	340,810
- Sewerage Network	-	677,757	211,678	-	466,079	11,252	-	(9,808)	-	-	(27,690)	-	664,777	224,945	-	439,832
- Swimming Pools	-	10,480	7,156	-	3,324	239	-	(239)	-	-	-	-	10,719	7,395	-	3,324
Other Assets:																
- Library Books	-	6,576	5,802	-	774	364	-	(315)	-	-	-	-	6,940	6,117	-	823
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																
- Tip Assets	-	2,176	1,896	-	280	-	-	(22)	-	-	-	-	2,176	1,918	-	258
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	-	3,368,608	1,062,854	-	2,305,754	73,168	(2,793)	(55,798)	-	(1,712)	29,950	-	3,547,294	1,198,726	-	2,348,568

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$25,224,429) and New Assets (\$26,495,273). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Actual				Actual			
	2014				2013			
Class of Asset	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Plant & Equipment	-	6,277	2,779	3,498	-	5,473	2,577	2,896
Office Equipment	-	2,836	1,496	1,340	-	1,656	1,436	220
Furniture & Fittings	-	336	125	211	-	299	125	174
Land								
- Operational Land	-	5,804	-	5,804	-	5,804	-	5,804
Buildings	-	1,512	227	1,285	-	1,364	148	1,216
Other Structures	-	202	105	97	-	202	95	107
Infrastructure	-	594,135	253,328	340,807	-	524,902	216,707	308,195
Total Water Supply	-	611,102	258,060	353,042	-	539,700	221,088	318,612
Sewerage Services								
Plant & Equipment	-	6,773	3,130	3,643	-	5,654	2,952	2,702
Office Equipment	-	1,071	1,026	45	-	1,060	996	64
Furniture & Fittings	-	64	20	44	-	64	20	44
Land								
- Operational Land	-	9,931	-	9,931	-	10,906	-	10,906
- Community Land	-	1,408	-	1,408	-	433	-	433
Buildings	-	2,426	683	1,743	-	2,426	642	1,784
Other Structures	-	320	202	118	-	317	193	124
Infrastructure	-	664,776	224,960	439,816	-	677,755	211,694	466,061
Total Sewerage Services	-	686,769	230,021	456,748	-	698,615	216,497	482,118
TOTAL RESTRICTED I,PP&E	-	1,297,871	488,081	809,790	-	1,238,315	437,585	800,730

Note 9c. Infrastructure, Property, Plant & 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 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		13,528	-	8,896	-
Payments Received In Advance		1,430	-	1,068	-
Accrued Expenses:					
- Borrowings		495	-	548	-
- Other Expenditure Accruals		3,899	-	2,560	-
Security Bonds, Deposits & Retentions		1,465	-	1,635	-
Total Payables		20,817	-	14,707	-
Borrowings					
Loans - Secured ¹		8,987	58,161	8,798	60,332
Government Advances		767	1,691	815	2,393
Ratepayers' Advances		32	122	83	130
Total Borrowings		9,786	59,974	9,696	62,855
Provisions					
Employee Benefits;					
Annual Leave		5,069	-	5,193	-
Sick Leave		12,893	-	13,963	-
Long Service Leave		11,572	316	11,846	359
Sub Total - Aggregate Employee Benefits		29,534	316	31,002	359
Self Insurance - Workers Compensation		446	2,088	1,050	1,986
Asset Remediation/Restoration (Future Works) ²⁶		-	1,992	-	1,882
Total Provisions		29,980	4,396	32,052	4,227
Total Payables, Borrowings & Provisions		60,583	64,370	56,455	67,082
(i) Liabilities relating to Restricted Assets					
		2014		2013	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		1,509	174	1,469	443
Sewer		5,726	29,702	5,987	33,905
Domestic Waste Management		811	-	753	-
Self Insurance		446	2,088	1,050	1,986
Liabilities relating to externally restricted assets		8,492	31,964	9,259	36,334
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		8,492	31,964	9,259	36,334
Total Liabilities relating to Unrestricted Assets		52,091	32,406	47,196	30,748
TOTAL PAYABLES, BORROWINGS & PROVISIONS		60,583	64,370	56,455	67,082

¹ Loans are secured over the General Rating Income of Council

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Actual 2014	Actual 2013
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(ii) Current Liabilities not anticipated to be settled within the next 12 months

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

Provisions - Employees Benefits	21,187	22,627
	<u>21,187</u>	<u>22,627</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2013		2014			
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Annual Leave	5,193	5,268	(5,392)	-	-	5,069
Sick Leave	13,963	276	(1,346)	-	-	12,893
Long Service Leave	12,205	675	(992)	-	-	11,888
Self Insurance	3,036	-	-	-	(502)	2,534
Asset Remediation	1,882	110	-	-	-	1,992
TOTAL	36,279	6,329	(7,730)	-	(502)	34,376

- 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 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	14,237	17,707
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		14,237	17,707
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		14,720	10,341
Adjust for non cash items:			
Depreciation & Amortisation		55,798	52,906
Net Losses/(Gains) on Disposal of Assets		(1,002)	(891)
Non Cash Capital Grants and Contributions		(3,888)	(1,751)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(143)	(464)
- Investment Properties		(85)	158
- Favourable Financial Liabilities (ie. Initial Recognition at Fair Value)		(1)	-
- Fair Valuation Adjustment (re-measurement) of existing Loans to Council		64	-
- Write Offs relating to the Fair Valuation of I,PP&E		1,712	-
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest on all fair value adjusted Interest Free Advances made by Council		(10)	-
Unwinding of Discount Rates on Reinstatement Provisions		110	1,730
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(2,024)	(2,722)
Increase/(Decrease) in Provision for Doubtful Debts		(201)	(18)
Decrease/(Increase) in Inventories		151	71
Decrease/(Increase) in Other Assets		947	(602)
Increase/(Decrease) in Payables		4,632	(3,246)
Increase/(Decrease) in accrued Interest Payable		(53)	142
Increase/(Decrease) in other accrued Expenses Payable		1,339	33
Increase/(Decrease) in Other Liabilities		192	-
Increase/(Decrease) in Employee Leave Entitlements		(1,511)	(730)
Increase/(Decrease) in Other Provisions		(502)	(375)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		70,245	54,582

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(c) Non-Cash Investing & Financing Activities			
S94 Contributions "in kind"		-	214
Other Dedications		3,888	1,537
Total Non-Cash Investing & Financing Activities		3,888	1,751
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		400	400
Credit Cards / Purchase Cards		150	150
Total Financing Arrangements		550	550

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.

(e) Bank Guarantees

Council has not provided any bank guarantees to external 3rd parties.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		768	6,496
Plant & Equipment		904	4,245
Swimming Pools		5,089	105
Roads		2,193	3,824
Water Assets		2,018	977
Sewer Assets		1,768	18,270
Other		1,702	3,157
Total Commitments		14,442	37,074

Details of Capital Commitments

Below is a list of projects with large capital commitments

Nowra Pool Renewal/Enhancement - \$5 m

Water Mains Replacement - \$1.4 m

Pyree Lane Widening - \$1.5 m

Integrated Software Solution - \$1 m

(b) Finance Lease Commitments - Nil

(c) Operating Lease Commitments (Non Cancellable)

a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

Within the next year	41	54
Later than one year and not later than 5 years	51	92
Total Non Cancellable Operating Lease Commitments	92	146

b. Non Cancellable Operating Leases include the following assets:

Northern Maintenance Office - term 6 years - expiry 2016

Carparking Land in Ulladulla - term 3 years - expiry 2016

Photocopiers - contracts to expire in 2014

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.

- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment Property Commitments - Nil

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>(1,302)</u>	-0.69%	-2.43%	-0.39%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	187,718			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(less ALL Grants & Contributions)</u>	<u>173,047</u>	84.73%	83.18%	78.16%
Total continuing operating revenue ⁽¹⁾	204,222			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>42,846</u>	1.39 : 1	2.21: 1	2.17: 1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>30,904</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>59,154</u>	4.12: 1	3.89: 1	3.85: 1
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>14,348</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>8,225</u>	7.08%	7.79%	7.40%
Rates, Annual and Extra Charges Collectible	<u>116,217</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>112,187</u>	9.34	9.23	8.91
Payments from cash flow of operating and financing activities	<u>12,015</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

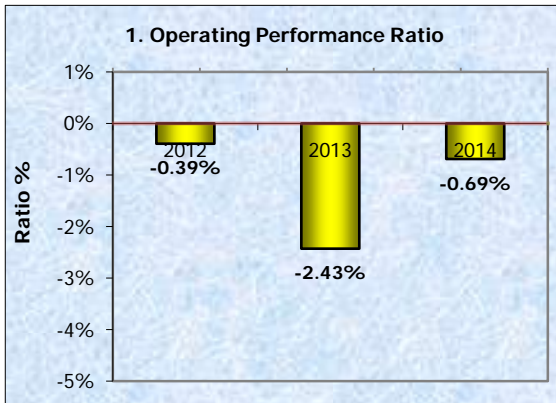
⁽³⁾ Refer to Note 10(a).

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

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Purpose of Operating Performance Ratio

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

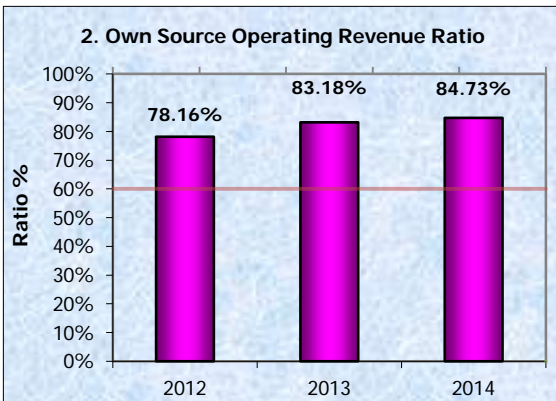
Commentary on 2013/14 Result

2013/14 Ratio -0.69%

Council's operating performance ratio is below the benchmark of 0%, this has improved from the previous year due to additional rate income received. This ratio would have been above the benchmark if the Federal Government didn't alter the timing of the Financial Assistance Grant.

— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Own Source Operating Revenue Ratio

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

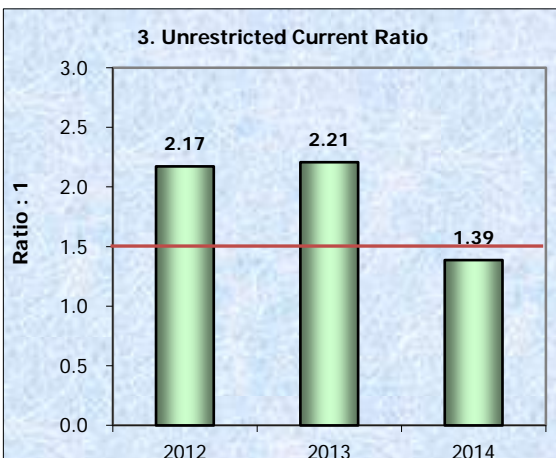
Commentary on 2013/14 Result

2013/14 Ratio 84.73%

Council's Own Source Operating Revenue ratio has remained above the benchmark of (>60%) in the last three years. Council has sufficient level of fiscal flexibility, in the event of being faced with unforeseen events.

— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Unrestricted Current Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 1.39 : 1

This ratio indicates that Council currently projects to have \$1.39 (excluding externally restricted funds such as S94, Water, Sewer and grant monies) available to service every \$1 of debt as it falls due at the end of the year. The ratio has decreased below the benchmark of 1.50, this is due to a change in the investment strategy, our investment advisors recommended to invest in longer term investments to gain a greater return. The amount of current funds invested with the restricted assets is calculated proportional to their balance. If required, there is more unrestricted cash available.

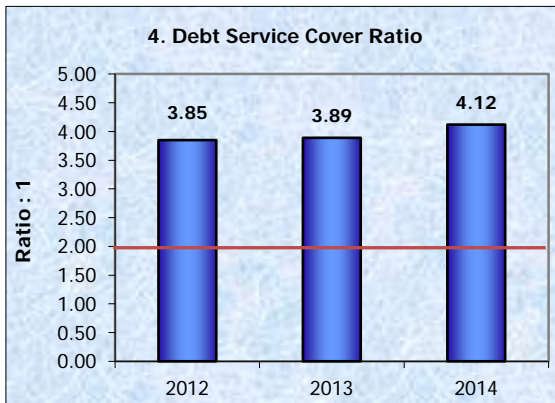
— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

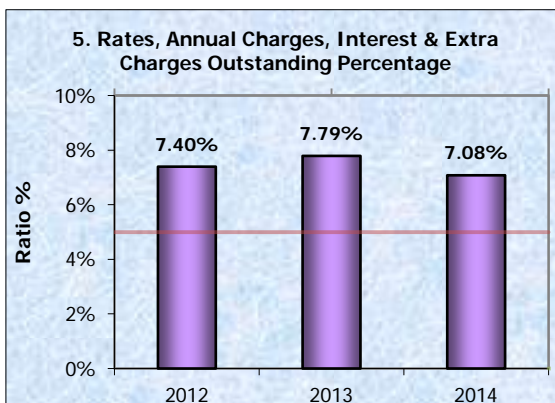
Purpose of Debt Service Cover Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 4.12: 1

With a ratio of 4.12:1, Council's ability to generate sufficient cash to cover its debt is sound and in excess of the NSW Treasury Corporations benchmark of 2.



— Maximum 5.00%

Source for Benchmark: Office of Local Govt - Comparative Information (10/11)

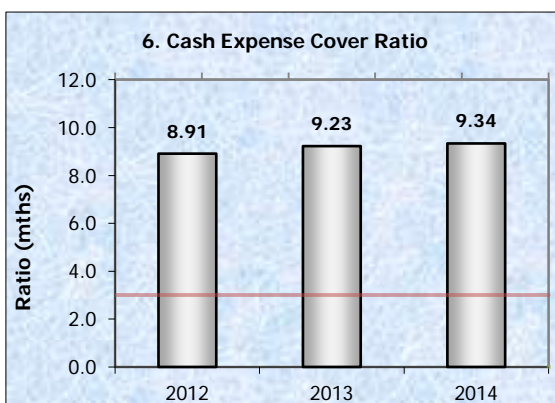
Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 7.08%

The percentage of outstanding rates and annual charges remains stable. The ratio is above the benchmark of 5%, this can be attributed to Council's policy on rate debt recovery.



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Cash Expense Cover Ratio

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

Commentary on Result

2013/14 Ratio 9.34

Council's Cash Expense Ratio has been above the benchmark indicating Council's ability to pay for its immediate expenses without additional cashflow. Council has enough cash to fund 9.34 of operating expenditure.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Water 2014	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	19.42%	16.02%	-8.93%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: 18.91%	11.57%	-2.17%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(less ALL Grants & Contributions)</u>	94.27%	95.95%	81.55%
Total continuing operating revenue ⁽¹⁾			
	prior period: 92.94%	86.19%	82.12%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽²⁾</u>	12.44 : 1	1.14 : 1	1.36 : 1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 19: 1	1.7: 1	2.31: 1
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)			
<u>Principal Repayments (from the Statement of Cash Flows)</u>	21.75	2.56	3.52
+ Borrowing Interest Costs (from the Income Statement)			
	prior period: 25.56	2.83	4.00
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	9.99%	10.18%	5.25%
Rates, Annual and Extra Charges Collectible			
	prior period: 12.77%	11.30%	5.62%
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents including All Term Deposits			
<u>Payments from cash flow of operating and financing activities</u> x12	34.54	3.18	7.86
	prior period: 30.80	3.71	7.77

Notes

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

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>1,435</u>	<u>1,350</u>
Reconciliation of Annual Movement:			
Opening Balance		1,350	1,508
- Net Gain/(Loss) from Fair Value Adjustments		85	(158)
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>1,435</u>	<u>1,350</u>
(b) Valuation Basis			
Refer to Note 27 for the valuation basis			
The 2014 revaluations were based on Independent Assessments made by: Mr Peter Adlington, AAPI, of Walsh and Monaghan Pty Limited			
(c) Contractual Obligations at Reporting Date			
Nil			
(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 receivable as follows:			
Within 1 year		110	129
Later than 1 year but less than 5 years		23	155
Later than 5 years		-	-
Total Minimum Lease Payments Receivable		<u>133</u>	<u>284</u>
Council currently has six shops that are leased. The length of the lease ranges from three to five years. Depending on the size of the shop, the annual lease payments range from \$20,000 to 25,500.			
(e) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Contingent Rentals		138	140
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(15)	(14)
Net Revenue Contribution from Investment Properties		<u>123</u>	<u>126</u>
plus:			
Fair Value Movement for year		85	(158)
Total Income attributable to Investment Properties		<u>208</u>	<u>(32)</u>

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	14,237	17,707	14,237	17,707
Investments				
- "Financial Assets at Fair Value through Profit Loss - Held for Trading"	6,482	2,217	6,482	2,217
- "Held to Maturity Investments"	97,950	96,300	97,950	96,300
Receivables	27,479	25,517	27,479	25,408
Total Financial Assets	146,148	141,741	146,148	141,632
Financial Liabilities				
Payables	19,387	13,639	19,387	13,639
Loans / Advances	69,760	72,551	69,760	72,551
Total Financial Liabilities	89,147	86,190	89,147	86,190

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**" are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **Credit Risk** - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

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
2014				
Possible impact of a 10% movement in Market Values	648	648	(648)	(648)
Possible impact of a 1% movement in Interest Rates	1,178	1,178	(1,178)	(1,178)
2013				
Possible impact of a 10% movement in Market Values	222	222	(222)	(222)
Possible impact of a 1% movement in Interest Rates	1,140	1,140	(1,140)	(1,140)

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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.

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.

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

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

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

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

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	48%	87%	50%	88%
Overdue	52%	13%	50%	12%
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)	2,173	17,707	2,449	16,010
Past due by up to 30 days	376		111	
Past due between 31 and 60 days	137	527	121	297
Past due between 61 and 90 days	149	181	133	146
Past due by more than 90 days	3,873	2,495	4,181	2,409
	6,708	20,910	6,995	18,862
(iii) Movement in Provision for Impairment of Receivables			2014	2013
Balance at the beginning of the year			340	359
- amounts already provided for & written off this year			(48)	-
- amounts provided for but recovered during the year			(153)	-
- previous impairment losses reversed			-	(19)
Balance at the end of the year			139	340

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 maturity table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Trade/Other Payables	1,465	17,922	-	-	-	-	-	19,387	19,387
Loans & Advances	-	9,786	8,740	12,760	5,890	6,057	26,639	69,872	69,760
Total Financial Liabilities	1,465	27,708	8,740	12,760	5,890	6,057	26,639	89,259	89,147
2013									
Trade/Other Payables	1,635	12,004	-	-	-	-	-	13,639	13,639
Loans & Advances	-	9,681	9,095	8,051	7,344	5,878	32,650	72,699	72,551
Total Financial Liabilities	1,635	21,685	9,095	8,051	7,344	5,878	32,650	86,338	86,190

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:

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	19,387		13,639	
Loans & Advances - Fixed Interest Rate	69,760	6.2%	72,551	6.4%
	89,147		86,190	

Loan Agreement breaches

There have not been any loan agreement breaches during the 2013/14 Financial Year.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 21 June 2013.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----	
REVENUES				
Rates & Annual Charges	107,933	107,053	(880)	(1%) U
User Charges & Fees	55,284	56,591	1,307	2% F
Interest & Investment Revenue	3,657	5,786	2,129	58% F
Interest income is more than budget due to additional funds being held in deposits arising from the revoted and unspent funds from 2012/13 and due to a change in investment strategy that led to increased interest received, further, the dividend (\$406K) from Southern Phone was not included in the budget.				
Other Revenues	3,477	3,845	368	11% F
Other revenues received was higher than budgeted due to \$211K fuel tax credit not budgeted for, and \$260K due to the waste levy rebate not included in the budget, legal costs recovered was \$154K less than budget.				
Operating Grants & Contributions	18,840	14,671	(4,169)	(22%) U
Operating Grants and Contributions were less than budget due to Financial Assistance Grant Advance not paid (\$5780K), additional contributions of \$1172K were received for a Natural Disaster Declaration, \$343K in Floodplain grants, \$94K in Community Services grants and \$53K for Parks & Reserves grants				
Capital Grants & Contributions	5,746	16,504	10,758	187% F
Capital Grants and Contributions were higher than budget due to additional road construction grants received (Budget \$228K, Actual \$5.6M), an additional \$114K for Floodplain and \$382K for Fire Service Buildings - completion was in 2013/14 and final grant funding was received, an additional \$3.8M of Land Under Roads was recognised, an additional \$363K of S64 contributions were received, and \$716K in additional S94 contributions				
Net Gains from Disposal of Assets	-	1,002	1,002	0% F
Council did not budget for any gain or loss on the disposal of assets				

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----	
EXPENSES				
No material budget variations				
Employee Benefits & On-Costs	66,699	63,213	3,486	5% F
Borrowing Costs	5,007	4,658	349	7% F
Materials & Contracts	44,268	41,098	3,170	7% F
Depreciation & Amortisation	53,818	55,798	(1,980)	(4%) U
Other Expenses	27,422	25,965	1,457	5% F

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

Cash Flows from Operating Activities	51,317	70,245	18,928	36.9%	F
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The cash flows from operating activities is more than budget, due to the additional grants, interest and other revenues received over budget, and a reduction in expenditures.

Cash Flows from Investing Activities	(63,310)	(70,861)	(7,551)	11.9%	U
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The cash flows from investing activities is lower due to the non-receipt of the Shaolin Temple deferred debtor.

Cash Flows from Financing Activities	3,259	(2,854)	(6,113)	(187.6%)	U
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Cash Flows from Financing Activities is lower than budget due to a reduction in borrowing that was reported to Council during the June (\$3M Sewer Fund) September (\$3M General Fund) and December (\$3M General Fund) Quarterly Reviews

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	365	-	-	30	-	-	395	1,829	(2,506)	(282)	-
Roads	1,932	494	-	208	(73)	-	2,561	60,301	(62,249)	613	-
Parking	1,181	(41)	-	47	(162)	-	1,025	19,015	(19,245)	795	-
Open Space	335	163	-	24	-	-	522	16,232	(16,881)	(127)	-
Community Facilities	5,753	461	-	281	(671)	-	5,824	16,814	(18,865)	3,773	-
Active Recreation	7,901	753	-	354	(940)	-	8,068	20,527	(29,014)	(419)	-
Other	153	240	-	8	(160)	-	241	7,566	(5,855)	1,952	-
S94 Contributions - under a Plan	17,620	2,070	-	952	(2,006)	-	18,636	142,284	(154,615)	6,305	-
Total S94 Revenue Under Plans	17,620	2,070	-	952	(2,006)	-	18,636				-
S64 Contributions	9,120	1,963	-	473	(1,137)	-	10,419				
Total Contributions	26,740	4,033	-	1,425	(3,143)	-	29,055	142,284	(154,615)	6,305	-

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council contributes to the Local Government Superannuation Scheme which has a closed section where a portion of member entitlements are defined as a multiple of salary. Member councils bear the responsibility of ensuring there are sufficient monies available to pay out benefits as these members cease employment.

The Scheme has a deficit of assets over liabilities and its administrators have advised all Councils that they will need to make significantly higher contributions to help reverse this deficit. However, the Trustees may also call upon Councils to make an immediate payment sufficient to offset all or part of this deficit at any time. There is no current indication that such action will be necessary.

The Scheme has estimated that as at 30 June 2014 a deficit exists. Effective from July 2009, employers are required to contribute additional contributions in order to rectify this deficit.

The share of this current deficit that can be broadly attributed to Council was estimated to be in the order of \$4,468,664.16 as at 30 June 2014.

(ii) Potential Insurance Losses

Council is a multi-purpose organisation providing a large range of building, parks, infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled. Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible insurance excess, the amount of which varies according to the class of insurance.

(iii) Statewide Mutual

Council is a member of Statewide Mutual, a NSW Local Government Self-Insurance Mutual Scheme backed by reinsurance placed through the local and London markets. The scheme provides cover to Council for Public Liability, Professional Indemnity, Property and Fidelity. Council has a Contingent Liability in that it may be called on as a Member of the Mutual Scheme to make additional Contribution to the normal annual Contribution if determined by the Scheme Manager necessary in accordance with the Scheme Deed.

Council is a licenced self-insurer for Workers Compensation insurance, however, it has in place re-insurance arrangements for potential claims above a pre-determined retention level.

(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 2014

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Legal Expenses

Council is the planning consent authority for its area under the Environmental Planning & Assessment Act (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal to the Land & Environment Court. It is the Court's normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 1 appeal against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

(ii) "Carbon" Tax

From 1 July 2012 a new tax on emissions of certain "greenhouse" gases commenced operation. Council has a number of garbage landfill facilities which emit, and will continue for many years to emit, gases of this type.

Using current calculation methods, emissions from Council's landfill facilities are substantially below current taxable thresholds. This situation is expected to continue while thresholds remain at current levels.

Information currently available provides assurances that "legacy emissions" from garbage placed in landfills prior to commencement of the tax will not subsequently become liable to the tax. However, should taxable thresholds be substantially reduced Council may be subject to taxation on landfill deposits made after 1 July 2012. No liability has been recognised in these reports.

ASSETS NOT RECOGNISED:

(i) Rural Fire Fighting Assets

Council has title to, and is the registered owner of rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports.

(ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,303,688	1,293,347
a. Correction of Prior Period Errors	20 (c)	109	109
d. Net Operating Result for the Year		14,720	10,341
Balance at End of the Reporting Period		<u>1,318,517</u>	<u>1,303,797</u>

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		1,061,857	1,031,907
Total		<u>1,061,857</u>	<u>1,031,907</u>

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance		1,031,907	1,050,605
- Revaluations for the year	9(a)	29,950	(18,704)
- Correction of Prior Period Errors	20(c)	-	6
- Balance at End of Year		<u>1,061,857</u>	<u>1,031,907</u>

TOTAL VALUE OF RESERVES

<u>1,061,857</u>	<u>1,031,907</u>
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(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 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(c) Correction of Error/s relating to a Previous Reporting Period			
Correction of errors disclosed in this year's financial statements:			
Correction of Discounted Loans Received and Amortisation		109	-
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/12 (relating to adjustments for the 30/6/12 reporting year end and prior periods)		-	6
- Adjustments to Closing Equity - 30/6/13 (relating to adjustments for the 30/6/13 year end)		109	-
Total Prior Period Adjustments - Prior Period Errors		109	6

(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 2014

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	4,072	34,339	69,311
User Charges & Fees	16,275	3,056	48,261
Interest & Investment Revenue	2,330	504	3,792
Other Revenues	311	169	3,365
Grants & Contributions provided for Operating Purposes	517	518	13,636
Grants & Contributions provided for Capital Purposes	876	1,087	14,541
Other Income			
Net Gains from Disposal of Assets	105	-	951
Total Income from Continuing Operations	24,486	39,673	153,857
Expenses from Continuing Operations			
Employee Benefits & on-costs	5,700	9,098	53,456
Borrowing Costs	52	3,008	2,438
Materials & Contracts	3,706	5,915	34,755
Depreciation & Amortisation	6,989	10,431	38,378
Other Expenses	2,341	3,737	23,238
Net Losses from the Disposal of Assets	-	54	-
Total Expenses from Continuing Operations	18,788	32,243	152,265
Operating Result from Continuing Operations	5,698	7,430	1,592
 Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	 4,822	 6,343	 (12,949)

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

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

Shoalhaven City Council

Notes to the Financial Statements

as at 30 June 2014

Note 21. Financial Result & Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	4,486	891	8,860
Investments	17,845	3,552	39,035
Receivables	1,351	2,844	17,052
Inventories	-	-	679
Other	1,299	-	384
Total Current Assets	24,981	7,287	66,010
Non-Current Assets			
Investments	15,168	3,014	25,818
Receivables	803	1,484	3,945
Inventories	-	-	8,104
Infrastructure, Property, Plant & Equipment	353,042	456,748	1,538,778
Investment Property	-	-	1,435
Other	11,302	-	-
Total Non-Current Assets	380,315	461,246	1,578,080
TOTAL ASSETS	405,296	468,533	1,644,090
LIABILITIES			
Current Liabilities			
Payables	1,240	2,205	17,372
Borrowings	269	4,203	6,604
Provisions	-	-	29,980
Total Current Liabilities	1,509	6,408	53,956
Non-Current Liabilities			
Borrowings	174	38,175	32,927
Provisions	-	-	4,396
Total Non-Current Liabilities	174	38,175	37,323
TOTAL LIABILITIES	1,683	44,583	91,279
Net Assets	403,613	423,950	1,552,811
EQUITY			
Retained Earnings	198,819	307,510	812,188
Revaluation Reserves	204,794	116,440	740,623
Total Equity	403,613	423,950	1,552,811

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

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2014) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 28/10/14.

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

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

Council is aware of the following "non-adjusting events" that merit disclosure;

Transfer \$700,000 from materials purchased in previous years to inventory will occur in the 2014/15 Financial Year.

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2014	2013
Waste Depot Remediation	Various	1,992	1,882
Balance at End of the Reporting Period	10(a)	1,992	1,882

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	1,882	1,775
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	110	107
Total - Reinstatement, rehabilitation and restoration provision	1,992	1,882

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.

Provisions for close down and restoration and for environmental clean up costs – Tips and Quarries

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities (continued)

\$ '000

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Provisions for restoration and for environmental clean up costs – Contaminated Land and Asbestos in Council Buildings

Council is currently undertaking activities to determine the actual and potential extent of land contamination around the Gasworks Site and asbestos in Council Buildings. The total cost of this restoration is not yet determined, hence a provision for restoration is not represented in these Financial Statements. However, during the June Quarterly Budget Review, Council put aside \$2.2m of funds to assist in covering the potential costs. This funding is shown as a reserve in Note 6c of these Statements.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

\$ '000

The Shoalhaven City Council measures the following asset classes at fair value on a recurring basis:

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & Liabilities

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

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

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

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

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

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The valuation techniques prescribed by AASB 13 can be summarised as:

Cost Approach: A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost).

Income Approach: Valuation technique that converts future amounts (cash flows inflows/outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market Approach: A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

2014	Note	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements						
Financial Assets						
Investments						
- "At Fair Value through profit or loss"	6	30/06/2014	-	-	6,482	6,482
Deferred Debtors - low or no interest	7	30/06/2014	-	-	134	134
Total Financial Assets			-	-	6,616	6,616
Financial Liabilities						
Loans / Advances - low or no interest	10	30/06/2014	-	-	1,538	1,538
Total Financial Liabilities			-	-	1,538	-
Investment Properties						
Shops, 37-43 Kinghorne Street, Nowra	14	30/06/2014	-	1,435	-	1,435
Total Investment Properties			-	1,435	-	1,435
Infrastructure, Property, Plant & Equipment						
Plant & Equipment	9	30/06/2013	-	-	30,577	30,577
Office Equipment	9	30/06/2013	-	-	5,061	5,061
Furniture & Fittings	9	30/06/2013	-	-	484	484
Operational Land	9	30/06/2013	-	-	127,330	127,330
Community Land	9	30/06/2011	-	-	100,791	100,791
Land under Roads	9	30/06/2014	-	-	3,913	3,913
Land Improvements	9	30/06/2011	-	-	158,533	158,533
Buildings - Non Specialised	9	30/06/2014	-	3,282	-	3,282
Buildings - Specialised	9	30/06/2014	-	-	202,268	202,268
Other Structures	9	30/06/2011	-	-	17,512	17,512
Roads	9	30/06/2010	-	-	656,120	656,120
Bridges	9	30/06/2010	-	-	50,251	50,251
Footpaths	9	30/06/2010	-	-	28,606	28,606
Bulk Earthworks (non-depreciable)	9	30/06/2010	-	-	63,139	63,139
Stormwater Drainage	9	30/06/2010	-	-	115,654	115,654
Water Supply Network	9	30/06/2014	-	-	340,810	340,810
Sewerage Network	9	30/06/2014	-	-	439,832	439,832
Swimming Pools	9	30/06/2011	-	-	3,324	3,324
Library Books	9		-	-	823	823
Tip Asset	9	30/06/2012	-	-	258	258
Total Infrastructure, Property, Plant & Equipment			-	3,282	2,345,286	2,348,568

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

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

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Financial Assets

Investment - "At fair value through profit or loss" is represented by: Macquarie Investment Managed Fund, Floating Rate Notes, Government Bonds and Collateral Debt Obligations. Council obtains valuations from its Investment Advisor and Safe Custody Operations on a monthly basis and at the end of each reporting period to ensure that the financial statements reflect the most up-to-date valuation.

Deferred Debtors with low or not interest are adjusted accordingly. If the interest rate is less than the rate that Council obtained for its borrowings that year a fair value adjustment is made on the asset for the loss of interest income. The interest rate for Council's borrowings was obtained through a competitive quotation process.

There has been no change to the valuation process during the reporting period.

Financial Liabilities

Loans with low or not interest are adjusted accordingly. If the interest rate is less than the rate that Council obtained for its borrowings that year a fair value adjustment is made on the asset for the loss of interest income. The interest rate for Council's borrowings was obtained through a competitive quotation process.

There has been no change to the valuation process during the reporting period.

Investment Properties

Council obtains independent valuations at least every three (3) years for all investment properties.

The last full valuation was undertaken by Mr Peter Adlington, AAPI, of Walsh and Monaghan Pty Ltd as at 30 June 2013. A desktop valuation was completed as at 30 June 2014.

The valuation has been determined by the "capitalisation of net income" approach whereas the net market rental of the property is capitalised at an appropriate market rate determined from the analysis of comparable sales. This result was compared to the "rate per square metre of building area" method of similar building sales.

There has been no change to the valuation process during the reporting period.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Plant & Equipment

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

Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken by Mr Adam Hopcroft AAPI, of Walsh and Monaghan Pty Ltd effective 30 June 2013.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal.

There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land were based on either the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as level 3.

There has been no change to the valuation process during the reporting period.

Land Under Roads

Council has elected to recognise Land Under Roads where the road was acquired on or after 1 July 2008. 'Land under Roads' have been valued using the square metres rates applicable for nearby or adjacent Community Land having regard to the highest and best use for this land. There has been no change to the valuation process during the reporting period.

There has been no change to the valuation process during the reporting period.

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Land Improvements - depreciable

This asset class comprises land improvements such as spectator mounds, swales, berms, gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the cost approach by experienced Council engineers and asset management staff.

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

There has been no change to the valuation process during the reporting period.

Buildings – Non specialised and Specialised

The fair value of buildings were determined by independent valuer, Scott Fullerton Valuations Pty Ltd effective 30 June 2014. Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach were price per square metre.

Where Council buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values have been derived from reference to market data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's (Australian Construction Handbook). Where a depth in market can be identified, the net current value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component. Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

There has been no change to the valuation process during the reporting period.

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Other Structures

This asset class comprises Boardwalks, Viewing platforms, Floodlighting Systems, Irrigation Systems, Jetties and Pedestrian bridges.

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

There has been no change to the valuation process during the reporting period.

Roads

Roads comprise road carriageway, roadside shoulders & kerb & gutter. The cost approach using level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (level 2) inputs are available therefore level 3 valuation inputs were used for this asset class.

The last full valuation of road infrastructure was undertaken effective 30 June 2010. A full valuation of sealed roads and associated infrastructure is planned in 2015.

There has been no change to the valuation process during the reporting period.

Bridges

The last full valuation of bridges was undertaken effective 30th June 2010. The next full valuation is planned for 2015. Each bridge was assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. Construction estimates were determined on a similar basis to roads.

There has been no change to the valuation process during the reporting period.

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

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

There has been no change to the valuation process during the reporting period.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Water Supply Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The cost approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (level 2) other inputs (such as estimates of pattern of consumption and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water (Department of Primary Industries). According to this manual, the calculation of reference rates is based on *"competitive contract prices obtained by NSW Public Works for water supply and sewerage projects within NSW, supplemented by published rates for water supply, sewerage and stormwater works and also rates obtained from a number of Local Water Utilities and other agencies"*.

There has been no change to the valuation process during the reporting period.

Sewerage Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The cost approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (level 2) other inputs (such as estimates of pattern of consumption and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water (Department of Primary Industries). According to this manual, the calculation of reference rates is based on *"competitive contract prices obtained by NSW Public Works for water supply and sewerage projects within NSW, supplemented by published rates for water supply, sewerage and stormwater works and also rates obtained from a number of Local Water Utilities and other agencies"*.

There has been no change to the valuation process during the reporting period.

Swimming Pools

Assets within this class comprise Council's rock pools, outdoor swimming pools and indoor swimming pools (component of Aquatic Centre). The swimming pools were valued in-house by experienced staff in Council's Engineering Department using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

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

There has been no change to the valuation process during the reporting period.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value.

There has been no change to the valuation process during the reporting period.

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Investments	Deferred Debtors	Loans	Total
Opening Balance - 1/7/12	1,702	179	2,872	4,753
Purchases (GBV)	119	-	-	119
Disposals (WDV)	(68)	-	-	(68)
FV Gains - Income Statement ¹	464	-	-	464
Amortisation of Discount	-	12	82	94
Repayments	-	(42)	(781)	(823)
Discount on New Debtor / Loans	-	(5)	-	(5)
New Debtors / Loans	-	21	-	21
Closing Balance - 30/6/13	2,217	165	2,173	4,555
Purchases (GBV)	4,214	-	-	4,214
Disposals (WDV)	(92)	-	-	(92)
FV Gains - Income Statement ¹	143	-	-	143
Amortisation of Discount	-	10	64	74
Repayments	-	(41)	(763)	(804)
Discount on New Debtor / Loans	-	-	(1)	(1)
New Debtors / Loans	-	-	65	65
Closing Balance - 30/6/14	6,482	134	1,538	8,154

The values above are only for the financial assets and liabilities that are measured at fair value.

The reconciliation of movements for investment properties and Infrastructure, Property, Plant and Equipment are presented under notes 14 and 9 respectively.

No transfers were made in or out of the Level 3 Fair Value Hierarchy.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Investments	6,482	<ul style="list-style-type: none"> Unit Price 	\$0 to \$1.12	Significant changes in the estimated unit price would result in significant changes to fair value.
Deferred Debtors	134	<ul style="list-style-type: none"> Current Loan Interest Rate 	5.45% to 7.52%	Significant changes in the estimated unit price would result in significant changes to fair value.
Loans	1,538	<ul style="list-style-type: none"> Current Loan Interest Rate 	3.87% to 7.52%	Significant changes in the estimated unit price would result in significant changes to fair value.
Plant & Equipment	30,577	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 - 15 years 0% - 40% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Office Equipment	5,062	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 - 20 years 0% - 5% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Furniture & Fittings	483	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 - 20 years 0% - 10% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Operational Land	127,330	<ul style="list-style-type: none"> Land value (price per square metre) 	<ul style="list-style-type: none"> \$0.50 - \$25 (per square metre) 	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Community Land	100,791	<ul style="list-style-type: none"> Land value (price per square metre) 	<ul style="list-style-type: none"> \$0.50 - \$25 (per square metre) 	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement
Land Improvements	158,533	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset 25 - 100 years 40% - 80% Poor to excellent 	Any change in the gross replacement cost, asset condition, remaining useful life and residual value, will increase or decrease the fair value of the land improvements
Buildings - Specialised	202,267	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset 5 - 100 years 0% - 70% Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Other Structures	17,512	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset 5 - 80 years 0% - 60% Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Roads	656,120	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset 5 - 80 years 0% - 60% Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Bridges	50,251	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining useful life • Residual value • Asset Condition 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 10 - 60 years • 10% - 40% • Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Footpaths	28,606	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining useful life • Residual value • Asset Condition 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 5 - 100 years • 0% - 50% • Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Stormwater Drainage	115,655	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining useful life • Residual value • Asset Condition 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 0 - 80 years • 0% - 70% • Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Water Supply Network	340,808	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining useful life 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 5 - 100 years 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement
Sewerage Network	439,832	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining useful life 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 3 - 100 years 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Swimming Pools	3,324	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining useful life • Residual value • Asset Condition 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 5 - 60 years • 0% - 50% • Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Library Books	823	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining useful life • Residual value • Asset Condition 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 5 - 15 years • 0% - 10% • Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement

(5). Highest and best use

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

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SHOALHAVEN CITY COUNCIL
Independent Audit Report to the Council
General Purpose Financial Statements for the Year ended 30 June 2014

Report on the Financial Report

We have audited the general purpose financial statements of Shoalhaven City Council, which comprises the Statement of Financial Position as at 30 June 2014, Statement by Councillors and Management, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Council's Responsibilities for the Financial Statements

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

Auditor's Responsibilities

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

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

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

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

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

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Shoalhaven City Council as of 30 June 2014, 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

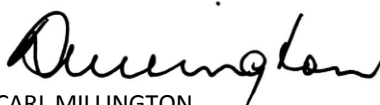
Our responsibility is to report on Council's compliance with the accounting and reporting requirements of the Local Government Act, 1993 and Local Government (General) Regulation 2005.

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, 5 November 2014

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SHOALHAVEN CITY COUNCIL
INDEPENDENT AUDITORS' REPORT ON THE CONDUCT OF THE AUDIT
(Local Government Act, 1993 - Section 417 (1) and 417(3))
YEAR ENDED 30 JUNE 2014

Shoalhaven City Council has prepared general and special purpose financial reports for the year ended 30 June 2014 on which we issued separate audit reports to the Council dated 5 November 2014. This report has been prepared in accordance with the requirements of the Office of Local Government and the provisions of Sections 417 (1) and 417(3) of the Local Government Act, 1993.

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

Audit Conclusion

Our audit of the financial reports for the year ended 30 June 2014 resulted in unqualified independent audit reports for Council's General Purpose and Special Purpose Financial Statements.

Additional Audit Considerations and Comment

Income Statement

Summarised Income Statement

	2014 Actual \$'000	2014 Budget \$'000	* Budget Variance %	2013 Actual \$'000
Operating result	14,720	(2,277)	746.46%F	10,341
Operating result before capital revenue	(1,784)	(8,023)	77.76%F	(3,226)
Rates & annual charges	107,053	107,933	0.82%U	99,519
Operating grants & contributions	14,671	18,840	21.65%U	19,342
Capital grants & contributions	16,504	5,746	187.23%F	13,567
Depreciation & amortisation	55,798	53,818	3.68%U	52,906

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

Operating Result. Council's operating surplus increased from \$10.341M in 2013 to \$14,720M in 2014. This compared with a budgeted deficit of \$2.277M for the year. The most significant variations on the previous year's results related to increases in Rates, Sewer access charges and user charges, particularly non-domestic waste management services and tourist parks. The result was favourable to budget due to capital grants and contributions and less employee benefit expenses than forecast.

Operating Result before Capital. The operating result before capital grants and contributions was a deficit of \$1.784M compared with the prior year deficit of \$3.226M. This compared with the original budget deficit of \$8.023M.

Rates and Annual Charges. Revenue from rates and annual charges increased to \$107.053M from \$99.519M in the prior year, and was within 1% of budget for the 2014 year.

Grants and Contributions. Operating grants and contributions for the year totaled \$14.671M and represented 7.14% of total income from continuing operations. This compares with the original budget of \$18.840M. The original budget would not have forecast the change in timing related to the Financial Assistance Grant for the 2014 year.

Capital grants and contributions amounted to \$16.504M for the 2014 year and represented 8.03% of total income from continuing operations. This compares with the original budget of \$5.746M. The 2014 actual includes significant amounts for Transport (\$7.41M), developer contributions (\$4.033M) and sub-divider dedications (\$3.888M).

Depreciation. Included in the operating result was \$55.798M for the depreciation and amortisation of infrastructure, property, plant and equipment which increased from \$52.906M in the prior year and compared with the original budget of \$53.818M. Depreciation and amortisation represents 29.25% (2013: 28.35%) of total expenses and 27.16% (2013: 26.69%) of total income for the year. This is a continuation of the increased depreciation expense experienced in recent years as a result of the introduction of the "Fair Value" model. The increase in the expense over 2013 largely results from the fair valuation increment of \$27.319M to council's Buildings.

Statement of Financial Position

Council's equity at 30 June 2014 amounted to \$2,380.374M comprised of retained earnings, and reserves arising from revaluation of infrastructure assets in prior years.

The most significant impact on retained earnings for 2014 was the revaluation of council Buildings resulting in an increment of \$27.021M.

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

Activities	2014 Actual \$'000	2014 Budget \$'000	* Budget Variance %	2013 Actual \$'000
Net cash flows from operations	70,245	51,317	36.88%F	54,582
Net cash flows from investing	(70,861)	(63,310)	11.93%U	(81,767)
Net cash flows from financing	(2,854)	3,259	187.57%U	2,152
Net movement in cash	(3,470)	(8,734)		(25,033)

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

Council's cash and cash equivalent balances decreased to a total of \$14.237M during the year, with \$70.245M being provided from operations, \$70.861M utilised in net investing activities for the acquisition and sale of financial assets and non-current assets, and \$2.854M being utilised to reduce borrowings and advances.

Total Investments and Cash Balances

Council's total cash balance at 30 June 2014 was comprised of the following:

	2014	2013
	\$'000	\$'000
Externally restricted cash	78,476	73,711
Internally restricted cash	28,881	22,409
Unrestricted cash	11,312	20,104
Total Cash, Cash Equivalents and Investments	118,669	116,224

The increase in externally restricted cash balances largely related to increases in developer contributions and funds from water and domestic waste charges.

The increase in internal restrictions largely relates to committed capital works at 30/06/14.

Performance Indicators and Trends

Prescribed performance indicators are included in Note 13 to the financial report and provide a comparison of the 2014 year results with prior years.

Operating performance ratio. At - 0.69% this ratio is above NSW TCorps short-term benchmark of - 4%; however below the Office of Local Government and TCorps long-term expectation of break-even.

Own source operating revenue ratio. The ratio of 84.73% is well above the industry benchmark and indicates that Council's reliance on external funding sources is minimal.

Unrestricted Current Ratio. This ratio has decreased from 2013 and at 1.39:1 is less than the industry benchmark of 1.5:1 established by TCorp. The decrease is largely due to the transfer of financial investments from current to non-current status.

Debt Service Cover Ratio. This ratio has improved to 4.12:1 from 2013 and remains above the TCorp industry benchmark of 2.0:1.

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 7.08%. This represents a decrease from 2013 however the ratio remains above the TCorp industry benchmark of 5%.

Cash expense cover ratio. This liquidity ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow. Council's ratio of 9.34 exceeds the TCorp industry benchmark of 3 and indicates that Council has sufficient liquidity to adequately fund its short-term operations.

Legislative Compliance

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

Council has complied with all statutory reporting requirements relating to Division 2 of Chapter 12 of the Local Government Act, 1993, the Code of Accounting Practice and Financial Reporting (Update 22), and other legislatively prescribed standards.

Conduct of the audit

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

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

Pitcher Partners
PITCHER PARTNERS

Carl Millington
CARL MILLINGTON

Partner

Sydney, 5 November 2014

Shoalhaven City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

*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 2014

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	3
Income Statement - Sewerage Business Activity	4
Income Statement - Other Business Activities	5
Statement of Financial Position - Water Supply Business Activity	8
Statement of Financial Position - Sewerage Business Activity	9
Statement of Financial Position - Other Business Activities	10
3. Notes to the Special Purpose Financial Statements	13
4. Auditor's Report	

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 2014

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:

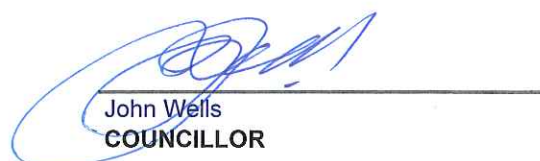
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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 28 October 2014.



Joanna Gash
MAYOR



John Wells
COUNCILLOR



Russ Pigg
GENERAL MANAGER



Pamela Gokgur
RESPONSIBLE ACCOUNTING OFFICER

Shoalhaven City Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	4,072	4,039
User charges	16,275	15,825
Interest	2,330	2,704
Grants and contributions provided for non capital purposes	517	512
Profit from the sale of assets	105	848
Other income	311	1,749
Total income from continuing operations	23,610	25,677
Expenses from continuing operations		
Employee benefits and on-costs	5,700	6,484
Borrowing costs	52	82
Materials and contracts	3,706	4,274
Depreciation and impairment	6,989	6,661
Calculated taxation equivalents	100	100
Other expenses	2,341	2,356
Total expenses from continuing operations	18,888	19,957
Surplus (deficit) from Continuing Operations before capital amounts	4,722	5,720
Grants and contributions provided for capital purposes	876	1,319
Surplus (deficit) from Continuing Operations after capital amounts	5,598	7,039
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	5,598	7,039
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,417)	(1,716)
SURPLUS (DEFICIT) AFTER TAX	4,181	5,323
plus Opening Retained Profits	194,641	189,009
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	100	100
- Debt guarantee fees	-	-
- Corporate taxation equivalent	1,417	1,716
less:		
- Tax Equivalent Dividend paid	(100)	(151)
- Surplus dividend paid	(1,420)	(1,356)
Closing Retained Profits	198,819	194,641
Return on Capital %	1.4%	1.8%
Subsidy from Council	3,699	1,845
Calculation of dividend payable:		
Surplus (deficit) after tax	4,181	5,323
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	4,181	5,323
Potential Dividend calculated from surplus	2,091	2,662

Shoalhaven City Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	34,339	32,304
User charges	1,181	664
Liquid Trade Waste charges	342	283
Fees	1,533	1,424
Interest	504	515
Grants and contributions provided for non capital purposes	518	513
Profit from the sale of assets	-	30
Other income	169	1,475
Total income from continuing operations	38,586	37,208
Expenses from continuing operations		
Employee benefits and on-costs	9,098	9,747
Borrowing costs	3,008	3,060
Materials and contracts	5,915	6,424
Depreciation and impairment	10,431	9,845
Loss on sale of assets	54	-
Calculated taxation equivalents	202	218
Other expenses	3,737	3,541
Total expenses from continuing operations	32,445	32,835
Surplus (deficit) from Continuing Operations before capital amounts	6,141	4,373
Grants and contributions provided for capital purposes	1,087	5,353
Surplus (deficit) from Continuing Operations after capital amounts	7,228	9,726
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	7,228	9,726
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,842)	(1,312)
SURPLUS (DEFICIT) AFTER TAX	5,386	8,414
plus Opening Retained Profits	301,472	292,909
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	202	218
- Debt guarantee fees	-	-
- Corporate taxation equivalent	1,842	1,312
less:		
- Tax Equivalent Dividend paid	(139)	(138)
- Surplus dividend paid	(1,253)	(1,243)
Closing Retained Profits	307,510	301,472
Return on Capital %	2.0%	1.5%
Subsidy from Council	899	3,174
Calculation of dividend payable:		
Surplus (deficit) after tax	5,386	8,414
less: Capital grants and contributions (excluding developer contributions)	-	(3,705)
Surplus for dividend calculation purposes	5,386	4,709
Potential Dividend calculated from surplus	2,693	2,355

Shoalhaven City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Holiday Haven Tourist Parks Category 1		Bereavement Services Category 2	
	Actual	Actual	Actual	Actual
	2014	2013	2014	2013
Income from continuing operations				
User charges	18,399	17,348	1,297	1,434
Profit from the sale of assets	11	10	-	-
Other income	911	865	6	7
Total income from continuing operations	19,321	18,223	1,303	1,441
Expenses from continuing operations				
Employee benefits and on-costs	632	605	616	663
Borrowing costs	319	305	25	34
Materials and contracts	6,160	5,362	154	188
Depreciation and impairment	2,557	2,286	196	183
Calculated taxation equivalents	8	6	6	6
Other expenses	4,213	4,245	248	257
Total expenses from continuing operations	13,889	12,809	1,245	1,331
Surplus (deficit) from Continuing Operations before capital amounts	5,432	5,414	58	110
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	5,432	5,414	58	110
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	5,432	5,414	58	110
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,630)	(1,624)	(17)	(33)
SURPLUS (DEFICIT) AFTER TAX	3,802	3,790	41	77
plus Opening Retained Profits	28,171	24,519	116	-
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	8	6	6	6
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	1,630	1,624	17	33
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(4,886)	(1,768)	-	-
Closing Retained Profits	28,725	28,171	180	116
Return on Capital %	15.3%	19.8%	1.0%	1.9%
Subsidy from Council	-	-	730	602

Shoalhaven City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Mechanical Services		Electrical Services	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Income from continuing operations				
User charges	180	178	265	348
Other income	4,912	4,775	3,702	4,055
Total income from continuing operations	5,092	4,953	3,967	4,403
Expenses from continuing operations				
Employee benefits and on-costs	2,673	2,607	2,380	2,446
Materials and contracts	663	631	528	841
Depreciation and impairment	29	23	-	-
Calculated taxation equivalents	74	105	-	96
Other expenses	1,191	1,191	939	971
Total expenses from continuing operations	4,630	4,557	3,847	4,354
Surplus (deficit) from Continuing Operations before capital amounts	462	396	120	49
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	462	396	120	49
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	462	396	120	49
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(139)	(119)	(36)	(15)
SURPLUS (DEFICIT) AFTER TAX	323	277	84	34
plus Opening Retained Profits	1,018	517	306	161
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	74	105	-	96
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	139	119	36	15
add:				
- Subsidy Paid/Contribution To Operations	(138)	-	(1)	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	1,416	1,018	425	306
Return on Capital %	13.6%	10.7%	153.8%	65.3%
Subsidy from Council	-	-	-	-

Shoalhaven City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

	Shoalhaven Entertainment Centre Category 2		Aquatic Recreation Facilities Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
\$ '000				
Income from continuing operations				
User charges	1,055	1,129	3,569	3,495
Other income	48	102	-	2
Total income from continuing operations	1,103	1,231	3,569	3,497
Expenses from continuing operations				
Employee benefits and on-costs	1,035	1,046	3,251	3,271
Borrowing costs	506	535	-	-
Materials and contracts	618	721	1,021	1,015
Depreciation and impairment	554	473	1,074	1,027
Loss on sale of assets	-	302	-	2,062
Calculated taxation equivalents	63	63	27	27
Other expenses	286	-	1,957	-
Total expenses from continuing operations	3,062	3,140	7,330	7,402
Surplus (deficit) from Continuing Operations before capital amounts	(1,959)	(1,909)	(3,761)	(3,905)
Grants and contributions provided for capital purposes	-	1	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(1,959)	(1,908)	(3,761)	(3,905)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(1,959)	(1,908)	(3,761)	(3,905)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(1,959)	(1,908)	(3,761)	(3,905)
plus Opening Retained Profits	13,271	15,116	-	-
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	63	63	27	27
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	(2,190)	-	3,734	3,878
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	9,185	13,271	-	-
Return on Capital %	-4.8%	-4.2%	-14.2%	-12.9%
Subsidy from Council	4,486	5,381	6,402	4,300

Shoalhaven City Council

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

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	4,486	5,405
Investments	17,845	28,395
Receivables	1,351	2,005
Inventories	-	-
Other	1,299	1,226
Non-current assets classified as held for sale	-	-
Total Current Assets	24,981	37,031
Non-Current Assets		
Investments	15,168	1,780
Receivables	803	713
Inventories	-	-
Infrastructure, property, plant and equipment	353,042	318,612
Investments accounted for using equity method	-	-
Investment property	-	-
Other	11,302	12,592
Total non-Current Assets	380,315	333,697
TOTAL ASSETS	405,296	370,728
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	1,240	988
Interest bearing liabilities	269	481
Provisions	-	-
Total Current Liabilities	1,509	1,469
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	174	443
Provisions	-	-
Total Non-Current Liabilities	174	443
TOTAL LIABILITIES	1,683	1,912
NET ASSETS	403,613	368,816
EQUITY		
Retained earnings	198,819	194,641
Revaluation reserves	204,794	174,175
Council equity interest	403,613	368,816
Non-controlling equity interest	-	-
TOTAL EQUITY	403,613	368,816

Shoalhaven City Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	891	1,238
Investments	3,552	6,504
Receivables	2,844	3,552
Inventories	-	-
Other	-	2
Non-current assets classified as held for sale	-	-
Total Current Assets	7,287	11,296
Non-Current Assets		
Investments	3,014	405
Receivables	1,484	1,471
Inventories	-	-
Infrastructure, property, plant and equipment	456,748	482,118
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	461,246	483,994
TOTAL ASSETS	468,533	495,290
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	2,205	2,608
Interest bearing liabilities	4,203	4,020
Provisions	-	-
Total Current Liabilities	6,408	6,628
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	38,175	43,060
Provisions	-	-
Total Non-Current Liabilities	38,175	43,060
TOTAL LIABILITIES	44,583	49,688
NET ASSETS	423,950	445,602
EQUITY		
Retained earnings	307,510	301,472
Revaluation reserves	116,440	144,130
Council equity interest	423,950	445,602
Non-controlling equity interest	-	-
TOTAL EQUITY	423,950	445,602

Shoalhaven City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Holiday Haven Tourist Parks		Bereavement Services	
	Category 1		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	6,134	5,665	53	67
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	6,134	5,665	53	67
Non-Current Assets				
Investments	-	-	-	-
Receivables	340	127	19	11
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	37,497	28,923	8,125	7,463
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	37,837	29,050	8,144	7,474
TOTAL ASSETS	43,971	34,715	8,197	7,541
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	1,053	360	445	452
Interest bearing liabilities	1,248	1,199	100	108
Provisions	-	-	-	-
Total Current Liabilities	2,301	1,559	545	560
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	5,803	4,985	159	259
Provisions	-	-	-	-
Other Liabilities	-	-	6,633	6,606
Total Non-Current Liabilities	5,803	4,985	6,792	6,865
TOTAL LIABILITIES	8,104	6,544	7,337	7,425
NET ASSETS	35,867	28,171	860	116
EQUITY				
Retained earnings	28,725	28,171	180	116
Revaluation reserves	7,142	-	680	-
Council equity interest	35,867	28,171	860	116
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	35,867	28,171	860	116

Shoalhaven City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Mechanical Services		Electrical Services	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	307	318	444	346
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	307	318	444	346
Non-Current Assets				
Investments	-	-	-	-
Receivables	59	2	16	10
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	3,388	3,710	78	75
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	3,447	3,712	94	85
TOTAL ASSETS	3,754	4,030	538	431
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	76	55	(7)	88
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Total Current Liabilities	76	55	(7)	88
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	2,262	2,957	120	37
Total Non-Current Liabilities	2,262	2,957	120	37
TOTAL LIABILITIES	2,338	3,012	113	125
NET ASSETS	1,416	1,018	425	306
EQUITY				
Retained earnings	1,416	1,018	425	306
Revaluation reserves	-	-	-	-
Council equity interest	1,416	1,018	425	306
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	1,416	1,018	425	306

Shoalhaven City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Shoalhaven Entertainment Centre Category 2		Aquatic Recreation Facilities Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	95	85	2,274	2,013
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	95	85	2,274	2,013
Non-Current Assets				
Investments	-	-	-	-
Receivables	6	21	22	2
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	30,331	33,046	26,411	30,310
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	30,337	33,067	26,433	30,312
TOTAL ASSETS	30,432	33,152	28,707	32,325
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	229	127	271	276
Interest bearing liabilities	478	445	-	-
Provisions	-	-	-	-
Total Current Liabilities	707	572	271	276
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	6,312	6,790	-	-
Provisions	-	-	-	-
Other Liabilities	14,228	12,519	28,436	32,049
Total Non-Current Liabilities	20,540	19,309	28,436	32,049
TOTAL LIABILITIES	21,247	19,881	28,707	32,325
NET ASSETS	9,185	13,271	-	-
EQUITY				
Retained earnings	9,185	13,271	-	-
Revaluation reserves	-	-	-	-
Council equity interest	9,185	13,271	-	-
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	9,185	13,271	-	-

Shoalhaven City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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 2014

Note 1. Significant Accounting Policies

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

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

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- 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, 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 Office 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 Water

Sewer Services

c. Holiday Haven Tourist Parks

Caravan Park Operations

d. Shoalhaven Mechanical Services

Mechanical Services

e. Electrical Technology Services

Electrical Services

f. Aquatic Recreation Facilities

Swimming Pools and Aquatic Centres

Category 2

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

a. Bereavement Services

Cemetery and Crematorium Services

b. 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

Shoalhaven City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in 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 \$412,000 of combined land values attracts 0%. From \$412,001 to \$2,519,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of 2.0% applies.

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

Stamp Duty – If the amount secured by the mortgage is not more than \$16,000, the duty is \$5. If the amount secured by the mortgage is more than \$16,000, the duty is \$5 plus a further \$4 for every \$1,000, or part, by which the amount secured exceeds \$16,000.

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 each reported Business Activity.

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 General Purpose Financial Statements.

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.

Shoalhaven City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

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.

(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 each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, Water Supply should generate a return equal to 2.4%, Sewer 2.2% and other business activities 10%.

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 2014 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 the payment.

(v) Asset Adjustment in Balance Sheet

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

- Holiday Haven Tourist Parks
- Bereavement Services
- Mechanical Services
- Electrical Services
- Shoalhaven Entertainment Centre
- Aquatic Recreation Facilities

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 2014

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2014

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	99,507
(ii)	No of assessments multiplied by \$3/assessment	153,201
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	99,507
(iv)	Amounts actually paid for Tax Equivalents	100,005

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	2,090,700
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	1,432,503
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	9,798,384

2014 Surplus	4,181,400	2013 Surplus	5,323,000	2012 Surplus	3,002,300
		2013 Dividend	1,355,859	2012 Dividend	1,352,457

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	1,432,503
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	1,419,705

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 2014

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	23,167
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	74.29%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	347,993
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	12,863
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	10,629
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	0.94%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

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

Shoalhaven City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2014

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	201,556
(ii)	No of assessments multiplied by \$3/assessment	141,831
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	141,831
(iv)	Amounts actually paid for Tax Equivalents	139,260

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	2,692,850
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	1,276,479
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	12,749,503

2014 Surplus	5,385,700	2013 Surplus	4,709,100	2012 Surplus	5,136,300
		2013 Dividend	1,242,675	2012 Dividend	1,238,922

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	1,276,479
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	1,253,340

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 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	40,465
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	453,016
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	20,038
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	13,046
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	2.19%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

NWI F3	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	63,683
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.63%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	23,675
NWI F19	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)]	%	1.64%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	2,673
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	21.13%

Shoalhaven City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

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

NWI F22	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)]	%	-0.26%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 13,311 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: 226 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		59
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	12,650
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	1,035

- 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.

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SHOALHAVEN CITY COUNCIL
Special Purpose Financial Report
Independent Auditors' Report to the Council for the Year ended 30 June 2014

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 statement of financial position as at 30 June 2014 and the income statement for the year then ended, a summary of significant accounting policies, and other explanatory notes and the Statement by Councillors and Management.

Council's Responsibilities for the Financial Statements

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

Auditor's Responsibilities

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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

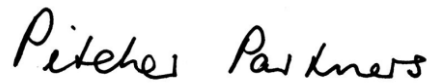
In our opinion, the financial statements present fairly, in all material respects, the financial position of Shoalhaven City Council as of 30 June 2014 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the special purpose financial statements.

Basis of Accounting

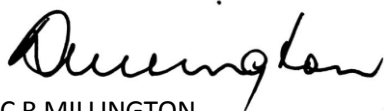
Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the New South Wales Office of Local Government for the purpose of fulfilling the 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 Office 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 2014 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 5 November 2014.



PITCHER PARTNERS



C R MILLINGTON
Partner

Sydney, 5 November 2014

Shoalhaven City Council

SPECIAL SCHEDULES

for the year ended 30 June 2014

*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 2014

Contents

Page

Special Schedules¹

- 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 Operations - incl. Income Statement	6
- Special Schedule No. 4	Water Supply - Statement of Financial Position	10
- Special Schedule No. 5	Sewerage Service Operations - incl. Income Statement	11
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	15
- Notes to Special Schedules No. 3 & 5		16
- Special Schedule No. 7	Report on Infrastructure Assets (as at 30 June 2014)	17
- Special Schedule No. 8	Financial Projections	23
- Special Schedule No. 9	Permissible Income Calculation	24

¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

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

Shoalhaven City Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,254	5	-	(1,249)
Administration	32,011	2,553	-	(29,458)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,998	761	1,129	(108)
Beach Control	353	-	-	(353)
Enforcement of Local Govt. Regulations	1,215	897	-	(318)
Animal Control	525	295	-	(230)
Other	18	23	5	10
Total Public Order & Safety	4,109	1,976	1,134	(999)
Health	1,313	139	-	(1,174)
Environment				
Noxious Plants and Insect/Vermin Control	442	244	-	(198)
Other Environmental Protection	6,441	733	45	(5,663)
Solid Waste Management	21,294	23,868	-	2,574
Street Cleaning	116	1	-	(115)
Drainage	-	-	-	-
Stormwater Management	10	1,063	55	1,108
Total Environment	28,303	25,909	100	(2,294)
Community Services and Education				
Administration & Education	386	21	-	(365)
Social Protection (Welfare)	322	32	-	(290)
Aged Persons and Disabled	156	32	2	(122)
Children's Services	1,570	1,465	15	(90)
Total Community Services & Education	2,434	1,550	17	(867)
Housing and Community Amenities				
Public Cemeteries	1,070	1,304	-	234
Public Conveniences	1,112	-	-	(1,112)
Street Lighting	1,841	78	-	(1,763)
Town Planning	2,133	639	106	(1,388)
Other Community Amenities	2	3	-	1
Total Housing and Community Amenities	6,158	2,024	106	(4,028)
Water Supplies	18,219	21,932	876	4,589
Sewerage Services	21,257	37,599	1,087	17,429

Shoalhaven City Council

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	2,479	445	50	(1,984)
Museums	12	-	-	(12)
Art Galleries	532	80	-	(452)
Community Centres and Halls	1,576	212	389	(975)
Performing Arts Venues	2,411	1,066	-	(1,345)
Other Performing Arts	-	-	-	-
Other Cultural Services	13	37	-	24
Sporting Grounds and Venues	3,351	66	4,655	1,370
Swimming Pools	5,989	3,569	20	(2,400)
Parks & Gardens (Lakes)	4,992	102	101	(4,789)
Other Sport and Recreation	747	93	212	(442)
Total Recreation and Culture	22,102	5,670	5,427	(11,005)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	4,524	2,512	-	(2,012)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	4,524	2,512	-	(2,012)
Transport and Communication				
Urban Roads (UR) - Local	9,614	1,997	663	(6,954)
Urban Roads - Regional	273	-	-	(273)
Sealed Rural Roads (SRR) - Local	6,822	1,029	2,254	(3,539)
Sealed Rural Roads (SRR) - Regional	1,290	67	4,322	3,099
Unsealed Rural Roads (URR) - Local	4,672	6	45	(4,621)
Unsealed Rural Roads (URR) - Regional	-	279	153	432
Bridges on UR - Local	4	-	-	(4)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	4	-	-	(4)
Parking Areas	1,106	14	1	(1,091)
Footpaths	1,146	-	307	(839)
Aerodromes	-	-	-	-
Other Transport & Communication	5,997	875	36	(5,086)
Total Transport and Communication	30,928	4,267	7,781	(18,880)
Economic Affairs				
Camping Areas & Caravan Parks	11,802	18,529	-	6,727
Other Economic Affairs	6,373	2,303	25	(4,045)
Total Economic Affairs	18,175	20,832	25	2,682
Totals – Functions	190,787	126,968	16,553	(47,266)
General Purpose Revenues ⁽²⁾		61,986		61,986
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	190,787	188,954	16,553	14,720

(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) & Interest on overdue Rates & Annual Charges

Shoalhaven City Council

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

for the financial year ended 30 June 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	100	-	100	-	100	-	-	-	-	-	-
Financial Institutions	8,645	59,879	68,524	6,753	8,645	-	-	4,322	8,699	57,933	66,632
Other	53	628	681	-	53	-	-	57	288	340	628
Total Loans	8,798	60,507	69,305	6,753	8,798	-	-	4,379	8,987	58,273	67,260
Other Long Term Debt											
Ratepayers Advances	83	130	213	18	77	-	-	8	32	122	154
Government Advances	815	2,393	3,208	65	815	-	-	97	766	1,692	2,458
Total Long Term Debt	898	2,523	3,421	83	892	-	-	105	798	1,814	2,612
Total Debt	9,696	63,030	72,726	6,836	9,690	-	-	4,484	9,785	60,087	69,872

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 2014

\$'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	5,895	807	3,437
Sewer	12,000	1,247	9,155
Totals	17,895	2,054	12,592

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	11/06/2009	30/06/2009	10	30/06/2019	6.07%	5,895	807	3,437
Sewer Fund	Water Fund	11/06/2009	30/06/2009	15	30/06/2024	6.28%	12,000	1,247	9,155
Totals							17,895	2,054	12,592

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 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	4,564	4,851
b. Engineering and Supervision	1,611	1,610
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	140	171
b. Maintenance expenses	1	3
- Mains		
c. Operation expenses	1,167	1,145
d. Maintenance expenses	1,130	1,012
- Reservoirs		
e. Operation expenses	206	219
f. Maintenance expenses	65	78
- Pumping Stations		
g. Operation expenses (excluding energy costs)	90	131
h. Energy costs	899	929
i. Maintenance expenses	93	97
- Treatment		
j. Operation expenses (excluding chemical costs)	973	1,062
k. Chemical costs	533	508
l. Maintenance expenses	298	298
- Other		
m. Operation expenses	995	923
n. Maintenance expenses	78	47
o. Purchase of water	20	29
3. Depreciation expenses		
a. System assets	6,606	6,249
b. Plant and equipment	383	413
4. Miscellaneous expenses		
a. Interest expenses	52	82
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	100	100
5. Total expenses	20,004	19,957

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges		
a. Access (including rates)	3,382	3,355
b. Usage charges	9,770	10,355
7. Non-residential charges		
a. Access (including rates)	689	684
b. Usage charges	5,500	5,470
8. Extra charges	-	-
9. Interest income	2,330	2,704
10. Other income	2,433	1,749
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	517	510
c. Other grants	-	2
12. Contributions		
a. Developer charges	876	1,319
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	25,497	26,148
14. Gain (or loss) on disposal of assets	105	848
15. Operating Result	5,598	7,039
15a. Operating Result (less grants for acquisition of assets)	5,598	7,039

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	5,219	1,922
b. New Assets for Growth	3	689
c. Renewals	2,406	1,296
d. Plant and equipment	3,001	357
17. Repayment of debt		
a. Loans	481	364
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	11,110	4,628
Non-operating funds employed		
20. Proceeds from disposal of assets	448	188
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	448	188
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	45,074	44,770
b. Residential (unoccupied, ie. vacant lot)	2,016	2,101
c. Non-residential (occupied)	3,792	3,614
d. Non-residential (unoccupied, ie. vacant lot)	185	172
25. Number of ETs for which developer charges were received	133 ET	200 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 940,285	\$ 927,000

Shoalhaven City Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
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 land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. 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 from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
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 2012/13 (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.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<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 **not** 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 Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	6,204	4,214	10,418
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	16,127	10,954	27,081
31. Receivables			
a. Specific purpose grants	511	-	511
b. Rates and Availability Charges	277	186	463
c. User Charges	561	617	1,178
d. Other	2	-	2
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	347,994	347,994
b. Plant and equipment	-	5,048	5,048
34. Other assets	1,299	11,302	12,601
35. Total assets	24,981	380,315	405,296
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	1,240	-	1,240
38. Borrowings			
a. Loans	269	174	443
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	1,509	174	1,683
41. NET ASSETS COMMITTED	23,472	380,141	403,613
EQUITY			
42. Accumulated surplus			198,819
43. Asset revaluation reserve			204,794
44. TOTAL EQUITY			403,613
Note to system assets:			
45. Current replacement cost of system assets			601,653
46. Accumulated current cost depreciation of system assets			(253,660)
47. Written down current cost of system assets			347,993

Shoalhaven City Council

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	5,469	5,460
b. Engineering and Supervision	1,611	1,610
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	1,706	1,915
b. Maintenance expenses	264	190
- Pumping Stations		
c. Operation expenses (excluding energy costs)	1,975	2,057
d. Energy costs	741	673
e. Maintenance expenses	1,134	1,078
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	2,895	2,745
g. Chemical costs	209	133
h. Energy costs	714	767
i. Effluent Management	117	114
j. Biosolids Management	538	512
k. Maintenance expenses	765	660
- Other		
l. Operation expenses	1,608	1,044
m. Maintenance expenses	292	167
3. Depreciation expenses		
a. System assets	9,920	9,367
b. Plant and equipment	511	478
4. Miscellaneous expenses		
a. Interest expenses	3,008	3,060
b. Revaluation Decrements	-	-
c. Other expenses	8	667
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	139	138
5. Total expenses	33,624	32,835

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges (including rates)	30,729	28,471
7. Non-residential charges		
a. Access (including rates)	3,239	3,073
b. Usage charges	1,533	1,424
8. Trade Waste Charges		
a. Annual Fees	56	42
b. Usage charges	286	241
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	1,468	1,424
10. Interest income	504	515
11. Other income	1,549	1,475
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	3,705
b. Grants for pensioner rebates	518	512
c. Other grants	-	1
13. Contributions		
a. Developer charges	1,087	1,648
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	40,969	42,531
15. Gain (or loss) on disposal of assets	(54)	30
16. Operating Result	7,291	9,726
16a. Operating Result (less grants for acquisition of assets)	7,291	6,021

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	5,163	12,320
b. New Assets for Growth	2,673	1,608
c. Renewals	3,297	2,765
d. Plant and equipment	1,913	-
18. Repayment of debt		
a. Loans	4,661	3,020
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	17,707	19,713
Non-operating funds employed		
21. Proceeds from disposal of assets	230	207
22. Borrowing utilised		
a. Loans	-	4,000
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	230	4,207
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	42,676	41,813
b. Residential (unoccupied, ie. vacant lot)	1,831	1,919
c. Non-residential (occupied)	2,599	2,533
d. Non-residential (unoccupied, ie. vacant lot)	171	155
26. Number of ETs for which developer charges were received	165 ET	198 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 941,063	\$ 931,000

Shoalhaven City Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. 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 land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. 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. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (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.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<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 Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	4,443	3,014	7,457
32. Receivables			
a. Specific purpose grants	518	-	518
b. Rates and Availability Charges	2,305	1,450	3,755
c. User Charges	21	34	55
d. Other	-	-	-
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	453,017	453,017
b. Plant and equipment	-	3,731	3,731
35. Other assets	-	-	-
36. Total Assets	7,287	461,246	468,533
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	2,205	-	2,205
39. Borrowings			
a. Loans	4,203	38,175	42,378
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	6,408	38,175	44,583
42. NET ASSETS COMMITTED	879	423,071	423,950
EQUITY			
42. Accumulated surplus			307,510
44. Asset revaluation reserve			116,440
45. TOTAL EQUITY			423,950
Note to system assets:			
46. Current replacement cost of system assets			678,861
47. Accumulated current cost depreciation of system assets			(225,845)
48. Written down current cost of system assets			453,016

Shoalhaven City Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2014

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

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

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

Notes:

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

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

Shoalhaven City Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Administration Buildings	819	300	247	20,922	0%	100%	0%	0%	0%
	Works Depots	414	200	222	7,951	0%	5%	95%	0%	0%
	Public Halls/Community Centres	1,486	650	331	73,082	14%	53%	33%	1%	0%
	Property-Commercial/Industrial	2,284	500	147	13,025	0%	40%	55%	2%	2%
	Animal Control	23	20	12	350	0%	100%	0%	0%	0%
	Cemeteries/Crematorium	135	50	42	1,257	0%	17%	83%	0%	0%
	Swimming Pools/Leisure Centres	858	250	200	15,958	0%	89%	11%	0%	0%
	Tourist Parks	2,000	800	226	23,112	0%	24%	76%	0%	0%
	Libraries and library equipment	189	100	637	4,881	25%	70%	5%	0%	0%
	Waste Depot	88	150	262	2,391	7%	41%	51%	2%	0%
	Fire Control/Emergency Service	296	200	27	11,077	24%	60%	12%	2%	3%
	Communication Facilities	350	50	73	803	0%	95%	5%	0%	0%
	Wharves, Jetties & Boat Ramps	43	10	-	49	0%	0%	100%	0%	0%
	Coastal and Estuary	25	10	-	147	0%	0%	100%	0%	0%
	Sporting facilities and parks	296	250	151	24,039	4%	18%	77%	1%	0%
	Amenities/Public Conveniences	1,623	500	228	6,506	9%	37%	29%	23%	3%
	sub total	10,929	4,040	2,805	205,550	7.6%	50.6%	40.0%	1.4%	0.4%
Other Structures	Other Structures	4,100	2,300	300	17,512	2%	82%	9%	7%	0%
	sub total	4,100	2,300	300	17,512	2.0%	82.0%	9.0%	7.0%	0.0%
Roads	Roads	8,520	7,700	6,520	464,060	10%	49%	32%	8%	1%
	Bridges	1,650	250	160	50,247	17%	37%	44%	2%	0%
	Footpaths	220	-	420	28,606	4%	79%	13%	3%	1%
	Bus Shelters	200	80	40	705	9%	45%	42%	3%	1%
	Carparks	1,560	275	92	9,243	11%	23%	59%	6%	1%
	Kerb and Gutter	2,272	326	205	182,116	24%	55%	20%	1%	0%
	sub total	14,422	8,631	7,437	734,977	13.7%	50.6%	29.4%	5.6%	0.7%

Shoalhaven City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Water Supply Network		-	3,300	3,276	340,810	60%	40%	0%	0%	0%
	sub total	-	3,300	3,276	340,810	60.0%	40.0%	0.0%	0.0%	0.0%
Sewerage Network		-	4,100	4,065	439,832	94%	6%	0%	0%	0%
	sub total	-	4,100	4,065	439,832	94.0%	6.0%	0.0%	0.0%	0.0%

Shoalhaven City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater Drainage	Other	727	1,212	1,486	115,654	8%	37%	53%	1%	1%
	sub total	727	1,212	1,486	115,654	8.0%	37.0%	53.0%	1.0%	1.0%
Open Space/Recreational Assets	Swimming Pools	13,500	250	199	3,324	1%	57%	41%	1%	0%
	sub total	13,500	250	199	3,324	1.0%	57.0%	41.0%	1.0%	0.0%
Other	Depreciable Land Improvements	1,500	1,000	930	158,533	10%	59%	30%	1%	0%
	sub total	1,500	1,000	930	158,533	10.0%	59.0%	30.0%	1.0%	0.0%
TOTAL - ALL ASSETS		45,178	24,833	20,498	2,016,192	37.7%	39.2%	20.3%	2.4%	0.4%

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard."
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

Shoalhaven City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods	
			2013	2012
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	<u>25,224</u>	57.87%	30.97%	39.59%
Depreciation, Amortisation & Impairment	<u>43,590</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>45,178</u>	0.02	0.02	0.02
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>2,016,192</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>20,498</u>	0.83	0.77	0.76
Required Asset Maintenance	<u>24,833</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>70,375</u>	1.26	1.01	1.37
Annual Depreciation	<u>55,798</u>			

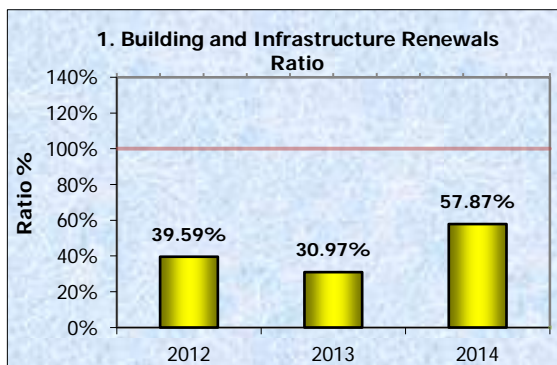
Notes

⁽¹⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

⁽²⁾ Written down value

Shoalhaven City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014



— Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

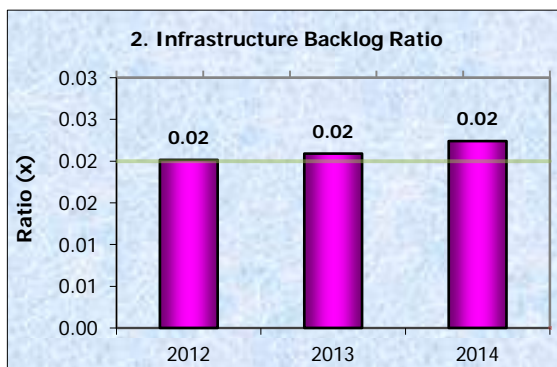
Purpose of Asset Renewals Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 57.87%

Council is committed to asset renewal and this ratio is expected to improve in future years as Council will further allocate resources towards maintaining the service levels of existing assets.



— Maximum .02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

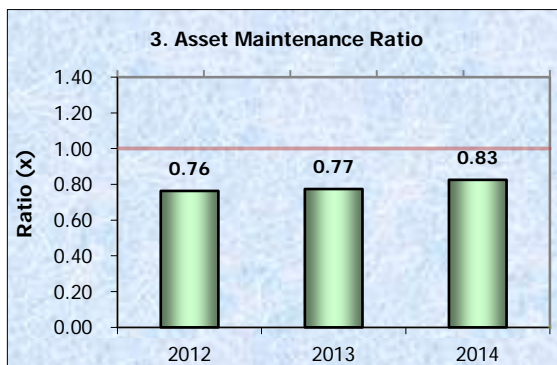
Purpose of Infrastructure Backlog Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 0.02 x

Council's Infrastructure Backlog Ratio has been steady throughout the last 3 years and is on a par with the benchmark ratio. Council is continuing to focus on appropriate asset standards for renewal and maintenance.



— Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

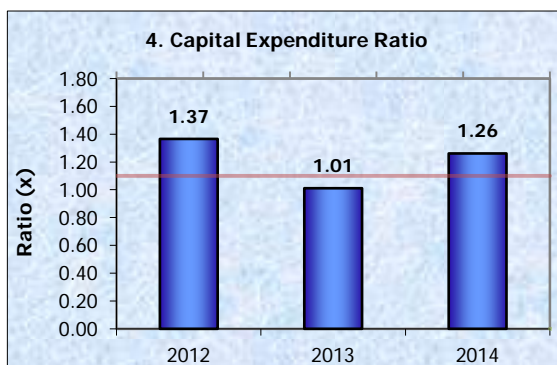
Purpose of Asset Maintenance Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 0.83 x

Council's Asset Maintenance Ratio of 0.83 x is slightly lower than the benchmark ratio of 'greater than 1.00x', which indicates that the level of expenditure on the maintenance of infrastructure assets is not sufficient to prevent the infrastructure backlog from growing. Council is committed to increase expenditure on asset maintenance in future to stop the infrastructure backlog from growing.



— Minimum 1.10

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of Capital Expenditure Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 1.26 x

Council's Capital Expenditure Ratio of 1.26x is above the benchmark of 1.1x reflecting the significant capital expenditure program on new assets and the renewal of existing assets compared to their depreciation.

Shoalhaven City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General ⁽¹⁾ 2014
Infrastructure Asset Performance Indicators By Fund			
1. Building and Infrastructure Renewals Ratio			
<u>Asset Renewals (Building and Infrastructure)⁽¹⁾</u>	49.07%	32.39%	69.17%
Depreciation, Amortisation & Impairment			
prior period:	20.74%	29.52%	33.95%
2. Infrastructure Backlog Ratio			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>	0.00	0.00	0.04
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets			
prior period:	0.00	0.00	0.01
3. Asset Maintenance Ratio			
<u>Actual Asset Maintenance</u>	0.99	0.99	0.75
Required Asset Maintenance			
prior period:	1.00	1.03	1.45
4. Capital Expenditure Ratio			
<u>Annual Capital Expenditure</u>	1.48	1.22	1.23
Annual Depreciation			
prior period:	0.60	1.66	0.91

Notes

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

⁽²⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

⁽³⁾ Written down value

Shoalhaven City Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17
(i) OPERATING BUDGET				
Income from continuing operations	205,452	194,659	198,185	206,526
Expenses from continuing operations	190,732	198,387	205,941	215,311
Operating Result from Continuing Operations	<u>14,720</u>	<u>(3,728)</u>	<u>(7,756)</u>	<u>(8,785)</u>
(ii) CAPITAL BUDGET				
New Capital Works ⁽²⁾	32,868	9,962	18,553	10,822
Replacement/Refurbishment of Existing Assets	40,300	42,708	25,536	32,569
Total Capital Budget	<u>73,168</u>	<u>52,670</u>	<u>44,089</u>	<u>43,391</u>
Funded by:				
– Loans	5,877	7,792	9,773	9,275
– Asset sales	2,308	2,558	1,481	1,120
– Reserves	33,022	20,070	16,882	14,743
– Grants/Contributions	9,737	9,755	2,878	5,169
– Recurrent revenue	22,224	12,495	13,075	13,084
– Other	<u>73,168</u>	<u>52,670</u>	<u>44,089</u>	<u>43,391</u>

Notes:

(1) From 13/14 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

Shoalhaven City Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	50,921	55,342
Plus or minus Adjustments ⁽²⁾	b	329	191
Notional General Income	c	51,250	55,533
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	8.00%	0.00%
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	4,100	-
or plus Rate peg amount	i = c x e	-	1,277
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	55,350	56,810
plus (or minus) last year's Carry Forward Total	l	22	30
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	22	30
Total Permissible income	o = k + n	55,372	56,840
less Notional General Income Yield	p	55,342	56,717
Catch-up or (excess) result	q = o - p	30	123
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	-
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	30	123

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

SHOALHAVEN CITY COUNCIL

Special Schedule No. 9

Independent Auditors' Report to the Council for the Year ended 30 June 2015

Report on Special Schedule No. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Shoalhaven City Council for the year ending 30 June 2015.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

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

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

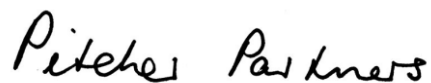
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

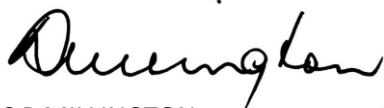
In our opinion, Special Schedule No. 9 of Shoalhaven City Council for the year ending 30 June 2015 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income for the year ending 30 June 2015 is presented fairly. As a result, the schedule may not be suitable for another purpose.



PITCHER PARTNERS



C R MILLINGTON
Partner

Sydney, 5 November 2014