Shoalhaven City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

"…working together to foster a safe, attractive place for people to live, work, stay and play..."

Shoalhaven City Council

Shoalhaven City Council

General Purpose Financial Statements
for the financial year ended 30 June 2010

Contents

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 corporate of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 02/11/10.
Council has the power to amend and reissue the financial statements.

Shoalhaven City Council

General Purpose Financial Statements
for the financial year ended 30 June 2010

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 21 September 2010.

Paul Green
MAYOR

Gary Kearney
COUNCILLOR

Russ Pigg
GENERAL MANAGER

Peter Dun
RESPONSIBLE ACCOUNTING OFFICER

Shoalhaven City Council

Income Statement
for the financial year ended 30 June 2010

Budget [1] 2010	$ '000	Notes	Actual 2010	Actual 2009
	Income from Continuing Operations			
	Revenue:			
86,472	Rates & Annual Charges	3a	85,961	80,626
49,928	User Charges & Fees	3b	47,512	44,016
3,047	Interest & Investment Revenue	3c	7,530	1,729
2,524	Other Revenues	3d	3,789	3,191
17,008	Grants & Contributions provided for Operating Purposes	3e,f	17,660	20,917
10,585	Grants & Contributions provided for Capital Purposes	3e,f	19,275	13,704
	Other Income:			
5,034	Net gains from the disposal of assets	5	-	289
	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
174,598	Total Income from Continuing Operations		181,727	164,472
	Expenses from Continuing Operations			
58,471	Employee Benefits & On-Costs	4a	59,338	56,139
6,011	Borrowing Costs	4b	5,241	5,294
46,002	Materials & Contracts	4c	44,364	41,513
28,592	Depreciation & Amortisation	4d	32,374	31,609
	Impairment	4d	-	-
17,669	Other Expenses	4e	19,215	18,437
-	Interest & Investment Losses	3c	-	-
-	Net Losses from the Disposal of Assets	5	853	-
	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
156,745	Total Expenses from Continuing Operations		161,385	152,992
17,853	Operating Result from Continuing Operations		**20,342**	**11,480**
	Discontinued Operations			
-	Net Profit/(Loss) from Discontinued Operations		-	-
17,853	Net Operating Result for the Year		20,342	11,480
17,853	**Net Operating Result attributable to Council**		20,342	11,480
-	**Net Operating Result attributable to Minority Interests**		-	-
7,268	**Net Operating Result for the year before Grants and Contributions provided for Capital Purposes**		1,067	(2,224)

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

Shoalhaven City Council

Statement of Comprehensive Income
for the financial year ended 30 June 2010

$ '000	Notes	Actual 2010	Actual 2009
Net Operating Result for the year (as per Income statement)		**20,342**	**11,480**
Other Comprehensive Income			
Gain (loss) on revaluation & impairment of I,PP&E	20b (ii)	167,961	52,512
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Other Movements in Reserves (enter details here)	20b (ii)	-	-
De-recognition of land under roads		-	-
Adjustment to correct prior period depreciation errors		-	-
Total Other Comprehensive Income for the year		**167,961**	**52,512**
Total Comprehensive Income for the Year		188,303	63,992
Total Comprehensive Income attributable to Council		188,303	63,992
Total Comprehensive Income attributable to Minority Interests		-	-

Shoalhaven City Council

Balance Sheet
as at 30 June 2010

$ '000	Notes	Actual 2010	Actual 2009
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	27,757	33,737
Investments	6b	58,265	50,978
Receivables	7	13,463	14,594
Inventories	8	3,373	9,839
Other	8	1,280	1,136
Non-current assets classified as "held for sale"		-	-
Total Current Assets		**104,138**	**110,284**
Non-Current Assets			
Investments	6b	14,383	13,762
Receivables	7	9,680	9,664
Inventories	8	6,804	-
Infrastructure, Property, Plant & Equipment	9	1,904,899	1,721,672
Investments accounted for using the equity method	19	-	-
Investment Property	14	1,477	1,447
Intangible Assets		-	-
Other	8	-	-
Total Non-Current Assets		**1,937,243**	**1,746,545**
TOTAL ASSETS		2,041,381	1,856,829
LIABILITIES			
Current Liabilities			
Payables	10	16,149	19,003
Borrowings	10	8,153	7,969
Provisions	10	30,630	28,988
Total Current Liabilities		**54,932**	**55,960**
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	64,233	66,639
Provisions	10	9,308	9,625
Total Non-Current Liabilities		**73,541**	**76,264**
TOTAL LIABILITIES		128,473	132,224
Net Assets		1,912,908	1,724,605
EQUITY			
Retained Earnings	20	1,264,707	1,244,365
Revaluation Reserves	20	648,201	480,240
Council Equity Interest		1,912,908	1,724,605
Minority Equity Interest		-	-
Total Equity		1,912,908	1,724,605

This Statement should be read in conjunction with the accompanying Notes.

Shoalhaven City Council

Statement of Changes in Equity

for the financial year ended 30 June 2010

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

$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2009						
Opening Balance (as per Last Year's Audited Accounts)		1,232,885	427,728	**1,660,613**	-	**1,660,613**
a. Correction of Prior Period Errors	20 (c)		-	**-**	-	**-**
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	**-**	-	**-**
Revised Opening Balance (as at 1/7/08)		**1,232,885**	**427,728**	**1,660,613**	**-**	**1,660,613**
c. Net Operating Result for the Year		11,480	-	**11,480**	-	**11,480**
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	52,512	**52,512**	-	**52,512**
- Revaluations: Other Reserves	20b (ii)	-	-	**-**	-	**-**
- Transfers to Income Statement	20b (ii)	-	-	**-**	-	**-**
- Other Movements (enter details here)	20b (ii)	-	-	**-**	-	**-**
Other Comprehensive Income		**-**	**52,512**	**52,512**	**-**	**52,512**
Total Comprehensive Income (c&d)		**11,480**	**52,512**	**63,992**	**-**	**63,992**
e. Distributions to/(Contributions from) Minority Interests		-	-	**-**	-	**-**
f. Transfers between Equity		-	-	**-**	-	**-**
Equity - Balance at end of the reporting period		**1,244,365**	**480,240**	**1,724,605**	**-**	**1,724,605**

This Statement should be read in conjunction with the accompanying Notes.

Shoalhaven City Council

Statement of Cash Flows
for the financial year ended 30 June 2010

Budget 2010	$ '000	Notes	Actual 2010	Actual 2009
	Cash Flows from Operating Activities			
	Receipts:			
86,472	Rates & Annual Charges		87,878	78,550
49,928	User Charges & Fees		47,406	47,040
3,047	Investment & Interest Revenue Received		5,884	7,865
27,593	Grants & Contributions		36,352	34,689
2,524	Other		13,572	8,657
	Payments:			
(58,471)	Employee Benefits & On-Costs		(57,694)	(55,182)
(46,002)	Materials & Contracts		(51,409)	(47,374)
(6,011)	Borrowing Costs		(4,902)	(5,245)
(17,669)	Other		(25,598)	(19,388)
41,411	**Net Cash provided (or used in) Operating Activities**	11b	51,489	49,612
	Cash Flows from Investing Activities			
	Receipts:			
	Sale of Investment Securities		117,130	56,300
	Sale of Investment Property		-	-
2,840	Sale of Real Estate Assets		-	-
2,194	Sale of Infrastructure, Property, Plant & Equipment		1,898	7,771
	Sale of Interests in Joint Ventures & Associates		-	-
	Deferred Debtors Receipts		28	-
	Payments:			
	Purchase of Investment Securities		(123,916)	(73,369)
	Purchase of Investment Property		-	-
(64,109)	Purchase of Infrastructure, Property, Plant & Equipment		(50,120)	(53,178)
(325)	Purchase of Real Estate Assets		(501)	-
	Purchase of Interests in Joint Ventures & Associates		-	-
	Deferred Debtors & Advances Made		(39)	(4,687)
(59,400)	**Net Cash provided (or used in) Investing Activities**		(55,520)	(67,163)
	Cash Flows from Financing Activities			
	Receipts:			
18,745	Proceeds from Borrowings & Advances		6,034	82
	Other Financing Activity Receipts		-	-
	Payments:			
(8,947)	Repayment of Borrowings & Advances		(7,983)	(8,554)
	Repayment of Finance Lease Liabilities		-	-
	Other Financing Activity Payments			-
9,798	**Net Cash Flow provided (used in) Financing Activities**		(1,949)	(8,472)
(8,191)	**Net Increase/(Decrease) in Cash & Cash Equivalents**		(5,980)	(26,023)
33,737	plus: **Cash & Cash Equivalents - beginning of year**	11a	33,737	59,760
25,546	**Cash & Cash Equivalents - end of the year**	11a	27,757	33,737

This Statement should be read in conjunction with the accompanying Notes.

Shoalhaven City Council

Statement of Cash Flows
for the financial year ended 30 June 2010

Budget 0	$ '000	Notes	Actual 0	Actual 0
	Additional Information:			
	plus: **Investments on hand - end of year**	6b	72,648	64,740
	Total Cash, Cash Equivalents & Investments		100,405	98,477

Please refer to Note 11 for information on the following:
- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Contents of the Notes accompanying the Financial Statements

Additional Disclosures

n/a - not applicable

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

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

Under Australian Accounting Standards, 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 it's 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,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

(b) specifically exclude application by Not for Profit entities.

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &
- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

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

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

(iii) Basis of Accounting

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

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

(iv) Changes in Accounting Policies

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

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

(v) Critical Accounting Estimates

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

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

(vi) Financial Statements Presentation

The Council has applied the revised **AASB 101, Presentation of Financial Statements** which became effective on 1 January 2009.

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity.

All non-owner changes in equity must now be presented in the statement of comprehensive income.

As a consequence, the Council had to change the presentation of its financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Revenue recognition

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

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

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.

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.

Income 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 doubtful debt 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.

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/10) and **(ii)** all the related operating results (for the financial year ended the 30th June 2010).

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

(i) The Consolidated Fund

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

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

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

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

(ii) The Trust Fund

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

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

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

(iii) Joint Venture Entities

Jointly Controlled Assets & Operations

Council does not participate in any Joint Ventures.

(d) Leases

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

Finance Leases

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

Operating Leases

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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 for which the investment was acquired & at the time it was acquired. Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

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

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

Assets in this category are primarily classified as current assets.

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(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.

(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 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.

(g) Fair value estimation

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

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

(h) Receivables

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

.

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

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

A provision for doubtful receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Acquisition of assets

Council's non current assets are being progressively re-valued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

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

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

The only remaining asset class that is to be re-valued in a future reporting period is;

- **2010/11**: Community land, land improvements, other structures and other assets

Until the designated future reporting periods, the above remaining asset class is stated at cost (or deemed cost) less accumulated depreciation and any accumulated impairment losses.

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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 re-valued asset's carrying amount may differ materially from that which would be determined if the asset were re-valued at the reporting date.

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Capitalisation Thresholds

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

Land	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised
Plant & Equipment	
Office Furniture	> $1,000
Office Equipment	> $1,000
Other Plant &Equipment	> $2,000
Buildings & Land Improvements	
Park Furniture & Equipment	> $2,000
Building	
- construction/extensions	100% Capitalised
- renovations	> $2,000
Other Structures	> $2,000
Water & Sewer Assets	
All Infrastructure	> $2,000
Stormwater Assets	
Stormwater Drainage	> $5,000
Transport Assets	
Road construction & reconstruction	100% Capitalised
Reseal/Re-sheet & major repairs:	> $2,000
Bridge construction & reconstruction	100% Capitalised

Depreciation

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

Land is not depreciated.

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

Plant & Equipment	
- Office Equipment	10 years
- Office furniture	10 years
- Computer Equipment	4 years
- Vehicles	3 to 5 years
- Heavy Plant/Road Making equip.	6 years
- Other plant and equipment	10 years
Other Equipment	
- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years
Buildings	
- Small buildings (eg toilet block)	40 years
- Large Buildings	60 years
Stormwater Drainage	
- Various	33 to 100 years
Transportation Assets	
- Sealed Roads	50 to 80 years
- Concrete Roads	60 years
- Paver Roads	40 years
- Gravel Roads	10 Years
- Carparks	20 to 60 years
- Traffic Facilities	30 to 40 years
- Kerb & Guttering	70 years
- Bridges	
- Road Pavements	40 years
- Kerb, Gutter & Paths	70 years
- Crash barriers and Pedfence	30 Years
Water & Sewer Assets	
- Various	40 to 100 years
Other Infrastructure Assets	
- Bus Shelters	20 years
- Sporting Facilities	10 Years
- Other Structures	50 Years

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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(r) on Asset Impairment.

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

Council will review the recognition of all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

(m) Crown Reserves

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

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

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

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

(n) Rural Fire Service assets

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

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

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

(o) Investment property

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

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

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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.

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

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

Movements in the environmental clean up provisions are presented as an operating cost, except for the 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..

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.

(q) Non-Current Assets “Held for Sale”

Non-current assets 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.

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

(r) Impairment of assets

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

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

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

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

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as it's written down replacement cost.

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

(s) Payables

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

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

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

(u) Borrowing costs

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Council's outstanding borrowings during the year.

(v) Employee benefits

(i) Wages & salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave are recognised in the provision for employee benefits in respect of employees' services up to the reporting date.

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

Calculations therefore incorporate (where the leave is expected to be paid more than 12 months after the reporting date) the use of discounted cash flows.

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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) Long service leave

The liability for long service leave is recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date.

Long Service Leave is measured at the present value of the expected future payments to be made using an industry estimate of present value measurement.

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

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

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

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

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

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

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around $286 million at 30 June 2010.

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

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

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/10.

(w) Self insurance

Council has determined to self-insure for workers compensation.

A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note10.

Council also maintains cash and investments to meet expected future claims and these are detailed in Note6(c).

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

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

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

Exceptions

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

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

(y) Taxes

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

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

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 the ATO is included as a current asset 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 form 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.

(z) New accounting standards and UIG interpretations

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2010.

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 and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect Council's accounting for its financial assets.

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

Council is yet to assess its full impact.

However, initial indications are that it may affect Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

Applicable to Local Government but no implications for Council;

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash.

They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

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

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

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

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.

Council does not make any such prepayments. The amendment is therefore not expected to have any impact on Council.

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap).

It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

None

Not applicable to Local Government per se;

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

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

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

(aa) Rounding of amounts

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

(ab) Comparative Figures

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

(ac) Disclaimer

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

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

$ '000	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
Functions/Activities	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing		Total Assets held (Current & Non-current)	
	Original Budget 2010	**Actual 2010**	Actual 2009	**Original Budget 2010**	**Actual 2010**	Actual 2009	**Original Budget 2010**	**Actual 2010**	Actual 2009	**Actual 2010**	Actual 2009	**Actual 2010**	Actual 2009
Governance	5	15	11	785	1,944	1,543	(780)	(1,929)	(1,532)	-	-	58	58
Administration	891	1,155	1,399	10,413	8,341	10,374	(9,522)	(7,186)	(8,975)	193	293	7,949	62,170
City Services & Operations	34,104	31,355	27,862	56,020	58,055	55,210	(21,916)	(26,700)	(27,348)	8,270	6,232	1,034,105	892,059
Development & Environmental Services	4,265	4,134	3,595	8,266	7,900	7,644	(4,001)	(3,766)	(4,049)	(1)	11	186	391
Finance & Corporate Services	27,896	23,504	22,511	33,106	37,239	34,497	(5,210)	(13,735)	(11,986)	259	403	149,793	57,604
Strategic Planning & Infrastructure	3,406	7,335	5,774	9,979	13,321	9,105	(6,573)	(5,986)	(3,331)	3,972	2,815	5,040	486
Water Supply & Services	17,923	18,766	13,674	18,108	16,500	16,228	(185)	2,266	(2,554)	520	454	321,218	330,286
Waste Water Services	35,083	36,919	33,285	20,068	18,085	18,391	15,015	18,834	14,894	5,546	5,010	523,032	513,775
Total Functions & Activities	**123,573**	**123,183**	**108,111**	**156,745**	**161,385**	**152,992**	**(33,172)**	**(38,202)**	**(44,881)**	**18,759**	**15,218**	**2,041,381**	**1,856,829**
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income [1]	51,025	58,544	56,361	-	-	-	51,025	58,544	56,361	10,690	13,239	-	-
Operating Result from Continuing Operations	**174,598**	**181,727**	**164,472**	**156,745**	**161,385**	**152,992**	**17,853**	**20,342**	**11,480**	**29,449**	**28,457**	**2,041,381**	**1,856,829**

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 2010

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, together with related administration costs.

ADMINISTRATION
Costs not otherwise attributed to other functions / activities.

CITY SERVICES & OPERATIONS
Road and bridge construction and maintenance, drainage works (incl. kerb & gutter), traffic facilities, streetscapes, car parks, coastal and flood plain management, emergency services (bushfire & state emergencies), land management (noxious weeds, fire hazards, technical support), domestic waste collection, trade waste collection, waste disposal (landfill, transfer stations), waste minimisation (recycling), cemeteries and crematoriums, aquatic management, parks and reserves, sport and recreation, community centres, cultural services, welfare, aged, youth, child care and Aboriginal services, public libraries.

DEVELOPMENT & ENVIRONMENTAL SERVICES
Development, subdivision and building control, public health and amenity, environmental protection and management, community health and ranger services.

FINANCE & CORPORATE SERVICES
Corporate strategy, finance, insurances, corporate services (records and printing), mechanical services, fleet management, supply (purchasing and warehousing), tourist park operations, tourist centres, entertainment centre operations and economic development.

STRATEGIC PLANNING & INFRASTRUCTURE
Development of land, asset management and infrastructure planning, Council's internal land management, recreational planning, natural resources and floodplain, road, traffic and transport planning, policy planning.

WATER SUPPLY & SERVICES
Water resources (dams and reservoirs), water reticulation (mains) and water development control.

WASTE WATER SERVICES
Waste water collection and waste water treatment management.

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations

$ '000	Notes	Actual 2010	Actual 2009
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		38,066	36,065
Farmland		1,520	1,425
Business		3,928	3,670
Total Ordinary Rates		**43,514**	**41,160**
Special Rates			
Town Improvement		10	10
Town Planning		208	283
Total Special Rates		**218**	**293**
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		10,830	10,146
Stormwater Management Services		1,021	611
Water Supply Services		3,200	2,972
Sewerage Services		26,961	25,237
Waste Management Services (non-domestic)		217	207
Total Annual Charges		**42,229**	**39,173**
TOTAL RATES & ANNUAL CHARGES		85,961	80,626

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

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

$ '000	Notes	Actual 2010	Actual 2009
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		-	-
Water Supply Services		12,341	10,137
Sewerage Services		1,819	1,785
Waste Management Services (non-domestic)		5,316	5,069
Total User Charges		**19,476**	**16,991**
Other User Charges & Fees			
Town planning		2,969	1,754
Building Services		148	866
Private Works - Section 67		1,774	1,426
Health Licence Fees		103	141
Tourist Parks		15,486	15,042
Cemetries		1,150	1,153
Leaseback Fees - Vehicles		847	818
Library		74	80
Hire of Council Property		229	229
Swimming / Leisure Centres		3,341	3,082
Tourism		134	156
Communication Charges		674	642
Animal Charges		90	128
Entertainment Centre		610	744
Food Inspection Fees		125	-
Family Day Care		158	-
Other		124	764
Total Fees & Charges		**28,036**	**27,025**
TOTAL USER CHARGES & FEES		47,512	44,016

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

$ '000	Notes	Actual 2010	Actual 2009
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		492	491
- Interest earned on Investments (interest & coupon payment income)		5,580	7,136
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		1,122	(5,898)
- Fair Valuation movements in Investments (other)		-	-
Amortisation of Premiums & Discounts			
- Interest Free (& Interest Reduced) Loans provided		10	-
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		326	-
TOTAL INTEREST & INVESTMENT REVENUE		7,530	1,729
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		492	464
General Council Cash & Investments		4,302	2,917
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		1,386	(854)
- Section 64		557	(264)
Water Fund Operations		271	(1,014)
Sewerage Fund Operations		522	248
Other Externally Restricted Assets		-	232
Total Interest & Investment Revenue Recognised		**7,530**	**1,729**
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	30	147
Rental Income - Investment Properties	14	124	111
Rental Income - Other Council Properties		790	763
Parking Fines		603	564
Other Fines		237	170
Legal Fees Recovery - Rates & Charges (Extra Charges)		332	296
Legal Fees Recovery - Other		67	81
Commissions & Agency Fees		72	183
Insurance Claim Recoveries		329	149
Sales - General		4	16
Discounts Received		14	12
Employment Subsidies		165	249
Waste Levy Refunds		355	-
Inhouse Canteen Charges		175	-
Library - Other Councils		133	-
Other		359	450
TOTAL OTHER REVENUE		3,789	3,191

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	6,875	8,921	-	-
Financial Assistance - Local Roads Component	2,638	3,109	-	-
Pensioners' Rates Subsidies - General Component	1,177	1,168	-	-
Total General Purpose	**10,690**	**13,198**	**-**	**-**
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	480	441	-	-
- Sewerage	494	484	-	-
- Domestic Waste Management	370	361	-	-
Water Supplies	-	-	-	4
Sewerage Services	33	-	5,044	4,516
Bushfire & Emergency Services	1,103	1,341	1,033	460
Community Care	1,321	1,320	101	-
Community Centres	-	-	2,000	2,000
Environmental Protection	593	971	10	204
Heritage & Cultural	12	14	-	50
Recreation & Culture	-	-	717	172
Street Lighting	71	69	-	-
Transport (Other Roads & Bridges Funding)	266	20	4,473	1,704
Other	139	536	499	592
Total Specific Purpose	**4,882**	**5,557**	**13,877**	**9,702**
Total Grants	**15,572**	**18,755**	**13,877**	**9,702**
Grant Revenue is attributable to:				
- Commonwealth Funding	10,691	11,158	5,921	3,691
- State Funding	4,966	5,172	7,791	6,011
- Other Funding	(85)	2,425	165	-
	15,572	**18,755**	**13,877**	**9,702**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

$ '000		2010 Operating	2009 Operating	2010 Capital	2009 Capital
(f). Contributions					
Developer Contributions:					
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):					
S 94 - Contributions towards amenities/services		-	-	1,639	1,511
S 64 - Water Supply Contributions		-	-	1,388	876
S 64 - Sewerage Service Contributions		-	-	1,646	866
Total Developer Contributions	17	**-**	**-**	**4,673**	**3,253**
Other Contributions:					
Bushfire Services		-	-	40	-
Dedications (other than by S94)		-	-	271	218
Kerb & Gutter		-	-	249	210
Recreation & Culture		-	-	6	45
Roads & Bridges		58	74	38	-
RTA Contributions (Regional/Local, Block Grant)		1,611	1,712	-	184
Water Supplies (excl. Section 64 contributions)		-	-	75	-
Environmental		301	-	-	-
Other		118	376	46	92
Total Other Contributions		**2,088**	**2,162**	**725**	**749**
Total Contributions		2,088	2,162	5,398	4,002
TOTAL GRANTS & CONTRIBUTIONS		17,660	20,917	19,275	13,704

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

(g). Restrictions relating to Grants and Contributions

$ '000	Actual 2010	Actual 2009
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	27,634	25,355
add: Grants and contributions recognised in the current period which have not been spent:	8,871	6,458
less: Grants an contributions recognised in a previous reporting period which have been spent in the current reporting period:	(6,312)	(4,179)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	**2,559**	**2,279**
Unexpended at the Close of this Reporting Period and held as Restricted Assets	30,193	27,634
Comprising:		
- Specific Purpose Unexpended Grants	2,864	4,957
- Developer Contributions	27,329	22,677
- Other Contributions		-
	30,193	**27,634**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations

$ '000	Notes	Actual 2010	Actual 2009
(a) Employee Benefits & On-Costs			
Salaries and Wages		44,545	42,169
Travelling		30	32
Employee Leave Entitlements (ELE)		8,982	8,116
Superannuation		7,123	5,222
Workers' Compensation Insurance		(184)	1,029
Fringe Benefit Tax (FBT)		174	163
Payroll Tax		733	721
Training Costs (other than Salaries & Wages)		776	1,177
Other		83	121
Total Employee Costs		**62,262**	**58,750**
less: Capitalised Costs		(2,924)	(2,611)
TOTAL EMPLOYEE COSTS EXPENSED		59,338	56,139
Number of "Equivalent Full Time" Employees at year end		**758**	**763**
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		4,734	5,223
Interest on Advances		159	142
Total Interest Bearing Liability Costs		**4,893**	**5,365**
less: Capitalised Costs		-	(447)
Total Interest Bearing Liability Costs Expensed		**4,893**	**4,918**
(ii) Other Borrowing Costs			
Fair Value Adjustments on Recognition of Advances & Deferred Debtors			
- Interest Free (or favourable) Loans and Advances made by Council		12	15
Discount adjustments relating to movements in Provisions (other than ELE)		283	298
Amortisation of Premiums & Discounts		-	-
- Low Interest Loans Received		53	63
Total Other Borrowing Costs		**348**	**376**
TOTAL BORROWING COSTS EXPENSED		5,241	5,294

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

$ '000	Notes	Actual 2010	Actual 2009
(c) Materials & Contracts			
Raw Materials & Consumables		12,076	10,534
Contractor & Consultancy Costs		29,168	27,590
Auditors Remuneration			
i. Audit Services - Council's Auditor		63	91
Legal Expenses:			
- Legal Expenses - Planning & Development		258	193
- Legal Expenses - Other		185	243
- Legal Expenses - Debt Recovery		379	308
Operating Leases:			
Operating Lease Rentals - Minimum Lease Payments [1]		124	132
Fuel		2,111	2,422
TOTAL MATERIALS & CONTRACTS		**44,364**	**41,513**

1. Operating Lease Payments are attributable to:

- Buildings	31	-
- Computers	-	-
- Motor Vehicles	-	-
- Other	93	132
	124	**132**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

$ '000	Notes	Impairment Costs Actual 2010	Impairment Costs Actual 2009	Depreciation/Amortisation Actual 2010	Depreciation/Amortisation Actual 2009
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	3,681	4,021
Office Equipment		-	-	1,058	994
Furniture & Fittings		-	-	64	87
Land Improvements (depreciable)		-	-	1,853	1,696
Buildings - Non Specialised		-	-	12	12
Buildings - Specialised		-	-	4,185	3,889
Other Structures		-	-	1,370	1,373
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	6,068	5,883
- Stormwater Drainage		-	-	1,473	1,459
- Water Supply Network		-	-	5,610	5,196
- Sewerage Network		-	-	6,641	6,636
Other Assets					
- Library Books		-	-	289	284
Asset Reinstatement Costs	9 & 26	-	-	70	79
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	32,374	31,609

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

$ '000	Notes	Actual 2010	Actual 2009
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		680	996
Bad & Doubtful Debts		412	64
Bank Charges		553	488
Computer Software, Equipment & Maintenance		1,116	1,016
Contributions/Levies to Other Levels of Government			
- NSW Fire Brigade Levy		205	202
- NSW Rural Fire Service Levy		577	673
- Department of Lands		752	715
- Emergency Services Levy		90	-
- Waste Levy		3,361	3,048
Councillor Expenses - Mayoral Fee		34	33
Councillor Expenses - Councillors' Fees		420	190
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		-	139
Donations, Contributions & Assistance to other organisations (Section 35		493	574
Election Expenses		-	398
Electricity & Heating		3,658	2,974
Insurance		2,652	2,408
Postage		231	242
Printing & Stationery		500	608
Street Lighting		1,387	1,309
Subscriptions & Publications		474	530
Telephone & Communications		948	914
Valuation Fees		310	252
Washing Machine Rebates		1	115
Rain Water Tank Rebates		27	50
Motor Vehicle Registrations		222	224
Other		112	275
TOTAL OTHER EXPENSES		**19,215**	**18,437**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 5. Gains or Losses from the Disposal of Assets

$ '000	Notes	Actual 2010	Actual 2009
Property (excl. Investment Property)			
Proceeds from Disposal		5	700
less: Carrying Amount of Property Assets Sold		-	(2,181)
Net Gain/(Loss) on Disposal		**5**	**(1,481)**
Plant & Equipment			
Proceeds from Disposal		1,893	2,070
less: Carrying Amount of P&E Assets Sold		(2,751)	(3,206)
Net Gain/(Loss) on Disposal		**(858)**	**(1,136)**
Financial Assets*			
Proceeds from Disposal		117,130	56,300
less: Carrying Amount of Financial Assets Sold / Redeemed		(117,130)	(56,300)
Net Gain/(Loss) on Disposal		**-**	**-**
Non Current Assets Classified as "Held for Sale"			
Proceeds from Disposal		-	5,001
less: Carrying Amount of "Held for Sale" Assets Sold		-	(2,095)
Net Gain/(Loss) on Disposal		**-**	**2,906**
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(853)	289

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

$ '000	Notes	2010 Actual Current	2010 Actual Non Current	2009 Actual Current	2009 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,577	-	2,178	-
Cash-Equivalent Assets[1]					
- Deposits at Call		-	-	3,059	-
- Managed Funds		-	-	-	-
- Short Term Deposits		26,180	-	28,500	-
- NCD's, FRN's		-	-	-	-
- Other Financial Assets		-	-	-	-
Total Cash & Cash Equivalents		**27,757**	**-**	**33,737**	**-**
Investment Securities (Note 6b)					
- Managed Funds		5,265	-	5,649	-
- Long Term Deposits		53,000	-	44,830	-
- NCD's, FRN's (with Maturities > 3 months)		-	12,300	499	12,343
- CDO's		-	2,067	-	1,403
- Unlisted Equity Securities		-	16	-	16
Total Investment Securities		**58,265**	**14,383**	**50,978**	**13,762**
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		86,022	14,383	84,715	13,762

[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:

$ '000	Notes	2010 Actual Current	2010 Actual Non Current	2009 Actual Current	2009 Actual Non Current
Cash & Cash Equivalents					
a. "At Fair Value through the Profit & Loss"		**27,757**	**-**	**33,737**	**-**
Investments					
a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	5,265	7,367	6,148	6,746
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	53,000	7,000	44,830	7,000
c. "Available for Sale"	6(b-iii)	-	16	-	16
Investments		**58,265**	**14,383**	**50,978**	**13,762**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 6b. Investments (continued)

$ '000	2010 Actual Current	2010 Actual Non Current	2009 Actual Current	2009 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	6,148	6,746	13,408	11,846
Revaluations (through the Income Statement)	-	1,122	(2,397)	(3,501)
Additions	586	-	-	-
Disposals (sales & redemptions)	(1,470)	(500)	(5,362)	(1,100)
Transfers between Current/Non Current	1	(1)	499	(499)
Balance at End of Year	**5,265**	**7,367**	**6,148**	**6,746**
Comprising:				
- Managed Funds	5,265	-	5,649	-
- NCD's, FRN's (with Maturities > 3 months)	-	5,300	499	5,343
- CDO's	-	2,067	-	1,403
Total	**5,265**	**7,367**	**6,148**	**6,746**
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	44,830	7,000	21,299	7,000
Additions	123,330	-	73,369	-
Disposals (sales & redemptions)	(115,160)	-	(49,838)	-
Balance at End of Year	**53,000**	**7,000**	**44,830**	**7,000**
Comprising:				
- Long Term Deposits	53,000	-	44,830	-
- NCD's, FRN's (with Maturities > 3 months)	-	7,000	-	7,000
Total	**53,000**	**7,000**	**44,830**	**7,000**
Note 6(b-iii)				
Reconciliation of Investments classified as "Available for Sale"				
Balance at the Beginning of the Year	-	16	-	16
Additions	-	-	-	-
Disposals (sales & redemptions)	-	-	-	-
Transfers between Current/Non Current	-	-	-	-
Balance at End of Year	**-**	**16**	**-**	**16**
Comprising:				
- Unlisted Equity Securities	-	16	-	16
Total	**-**	**16**	**-**	**16**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 6c. Restricted Cash, Cash Equivalents & Investments

$ '000	2010 Actual Current	2010 Actual Non Current	2009 Actual Current	2009 Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	86,022	14,383	84,715	13,762
attributable to:				
External Restrictions (refer below)	49,295	14,383	44,736	13,762
Internal Restrictions (refer below)	31,475	-	35,706	-
Unrestricted	5,252	-	4,273	-
	86,022	**14,383**	**84,715**	**13,762**

2010 $ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Details of Restrictions				
External Restrictions - Included in Liabilities				
Specific Purpose Unexpended Loans-General (A)	3,188	5,999	(5,346)	3,841
Specific Purpose Unexpended Loans-Water (A)	-	-	-	-
Specific Purpose Unexpended Loans-Sewer (A)	-	-	-	-
RTA Advances (B)	-	-	-	-
Self Insurance Claims (C)	4,646	-	(602)	4,044
External Restrictions - Included in Liabilities	7,834	5,999	(5,948)	7,885
External Restrictions - Other				
Developer Contributions - General (D)	16,877	3,025	(1,244)	18,658
Developer Contributions - Water Fund (D)	4,121	1,795	(377)	5,539
Developer Contributions - Sewer Fund (D)	1,679	1,796	(343)	3,132
RTA Contributions (E)	-	-	-	-
Specific Purpose Unexpended Grants (F)	4,957	-	(2,093)	2,864
Specific Purpose Unexpended Grants (F) - Water Fund	-	-	-	-
Specific Purpose Unexpended Grants (F) - Sewer Fund	-	-	-	-
Water Supplies (G)	5,057	4,335	-	9,392
Sewerage Services (G)	12,515	-	(4,773)	7,742
Domestic Waste Management (G)	4,501	23,110	(20,798)	6,813
Stormwater Management (G)	346	1,021	(605)	762
Other Special Levies (G)	611	4,479	(4,199)	891
External Restrictions - Other	50,664	39,561	(34,432)	55,793
Total External Restrictions	**58,498**	**45,560**	**(40,380)**	**63,678**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

2010 $ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	971	8,047	(7,371)	1,647
Employees Leave Entitlement	4,791	1,423	(1,824)	4,390
Sporting Facilities	238	49	(11)	276
Strategic Projects	12,537	1,726	(5,490)	8,773
Land Development Reserve	1,872	320	(966)	1,226
S94 Matching Funds	2,345	-	(40)	2,305
Shoalhaven Entertainment Centre	109	-	(109)	-
North Nowra Link Road	10,774	-	(6)	10,768
Provision for Investment Losses	2,000	-	-	2,000
Plant Replacement Cemetries	69	21	-	90
Total Internal Restrictions	**35,706**	**11,586**	**(15,817)**	**31,475**
TOTAL RESTRICTIONS	94,204	57,146	(56,197)	95,153

A Loan moneys which must be applied for the purposes for which the loans were raised.
B Advances by the Roads and Traffic Authority for works on the State's classified roads.
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 RTA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.
H The amount of unrestricted cash required to fund uncompleted works as at 30 June 2010 was $4,253K ($2,132 in 2009)

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 7. Receivables

		2010		2009	
$ '000	Notes	**Current**	**Non Current**	**Current**	**Non Current**
Purpose					
Rates & Annual Charges		2,574	3,444	3,988	3,668
Interest & Extra Charges		352	1,084	354	1,133
User Charges & Fees		4,428	291	4,745	-
Accrued Revenues					
- Interest on Investments		958	-	719	-
- Other Income Accruals		342	-	173	-
Government Grants & Subsidies		3,688	-	3,376	-
Deferred Debtors		37	4,861	26	4,863
Net GST Receivable		1,568	-	1,420	-
Other Debtors		62	-	62	-
Total		**14,009**	**9,680**	**14,863**	**9,664**
less: Provision for Impairment					
Rates & Annual Charges		(519)	-	(240)	-
User Charges & Fees		(27)	-	(29)	-
Total Provision for Impairment - Receivables		**(546)**	**-**	**(269)**	**-**
TOTAL NET RECEIVABLES		13,463	9,680	14,594	9,664
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		480	-	415	-
- Rates & Availability Charges		1,152	-	849	-
- Other		1,081	-	1,103	-
Sewerage Services					
- Specific Purpose Grants		494	-	485	-
- Rates & Availability Charges		3,108	-	3,286	-
- Other		606	-	2,146	-
Domestic Waste Management		1,671		1,445	-
Total External Restrictions		**8,592**	**-**	**9,729**	**-**
Unrestricted Receivables		**4,871**	**9,680**	**4,865**	**9,664**
TOTAL NET RECEIVABLES		13,463	9,680	14,594	9,664

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 is charged on overdue rates & charges at 9.00% (2009 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 2010

Note 8. Inventories & Other Assets

		2010		2009	
$ '000	Notes	**Current**	**Non Current**	**Current**	**Non Current**
Inventories					
Real Estate for resale (refer below)		2,205	6,804	8,508	-
Stores & Materials		1,168	-	1,331	-
Total Inventories		**3,373**	**6,804**	**9,839**	**-**
Other Assets					
Prepayments		1,280	-	1,136	-
Total Other Assets		**1,280**	**-**	**1,136**	**-**
TOTAL INVENTORIES & OTHER ASSETS		4,653	6,804	10,975	-
Details for Real Estate Development					
Residential		-	-	-	-
Industrial/Commercial		2,205	6,804	8,508	-
Other Properties		-	-	-	-
Total Real Estate for Resale		**2,205**	**6,804**	**8,508**	**-**
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition Costs		-	349	-	-
Development Costs		2,205	6,015	8,068	-
Other Properties - Book Value		-	440	440	-
Total Real Estate for Resale		**2,205**	**6,804**	**8,508**	**-**
Movements:					
Real Estate assets at beginning of the year		8,508	-	8,467	-
- Purchases and other costs		152	349	41	-
- WDV of Sales (exp)	5	-	-	-	-
- Transfer between Current/Non Current		(6,455)	6,455	-	-
- Other				-	-
Total Real Estate for Resale		**2,205**	**6,804**	**8,508**	**-**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 8. Inventories & Other Assets (continued)

	2010		2009	
$ '000	**Current**	**Non Current**	**Current**	**Non Current**
(i) Externally Restricted Assets				
Water				
Prepayments	7	-	9	-
Total Water	**7**	**-**	**9**	**-**
Sewerage				
Prepayments	4	-	-	-
Total Sewerage	**4**	**-**	**-**	**-**
Domestic Waste Management				
Nil	-	-	-	-
Total Domestic Waste Management	**-**	**-**	**-**	**-**
Total Externally Restricted Assets	11	-	9	-
Total Unrestricted Assets	4,642	6,804	10,966	-
TOTAL INVENTORIES & OTHER ASSETS	**4,653**	**6,804**	**10,975**	**-**

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 9a. Infrastructure, Property, Plant & Equipment

$ '000	as at 30/6/2009				Asset Movements during the Reporting Period					as at 30/6/2010			
	At Cost	**At Fair Value**	**Accumulated Deprec.**	**Carrying Value**	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	**At Cost**	**At Fair Value**	**Accumulated Dep'n**	**Carrying Value**
Plant & Equipment	-	58,677	27,789	30,888	7,622	(2,751)	(3,681)			-	61,852	29,774	32,078
Office Equipment	-	15,490	12,406	3,084	383	-	(1,058)			-	15,873	13,464	2,409
Furniture & Fittings	-	1,753	1,437	316	136	-	(64)			-	1,889	1,501	388
Land:													
- Operational Land	-	180,871	-	180,871	1,042	-	-			-	181,913	-	181,913
- Community Land	40,365	-	-	40,365	200	-	-			40,565	-	-	40,565
- Land under Roads (post 30/6/08)	-	394	-	394	373	-	-			-	767	-	767
Land Improvements - depreciable	36,765	-	9,046	27,719	2,446	-	(1,853)			39,212	-	10,900	28,312
Buildings - Non Specialised	-	726	481	245	-	-	(12)			-	726	493	233
Buildings - Specialised	-	217,910	82,977	134,933	4,508	-	(4,185)			-	222,418	87,162	135,256
Other Structures	41,862	-	17,516	24,346	2,669	-	(1,370)	(257)		43,925	-	18,537	25,388
Infrastructure:													
- Roads, Bridges, Footpaths	551,187	-	134,110	417,077	11,860	-	(6,068)	257	159,751	-	786,905	204,028	582,877
- Bulk Earthworks (non-depreciable)	84,590	-	-	84,590	-	-	-		(45,358)	-	39,232	-	39,232
- Stormwater Drainage	60,140	-	28,233	31,907	2,000	-	(1,473)		40,985	-	131,370	57,951	73,419
- Water Supply Network	-	457,808	171,527	286,281	1,534	-	(5,610)		7,340	-	472,028	182,483	289,545
- Sewerage Network	-	611,082	154,116	456,966	15,315	-	(6,641)		5,243	-	636,681	165,798	470,883
Other Assets:													
- Library Books	5,303	-	4,668	635	303	-	(289)			5,606	-	4,957	649
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26**)**													
- Tip Asset	3,929	-	2,874	1,055	-	-	(70)			3,929	-	2,944	985
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	**824,141**	**1,544,711**	**647,180**	**1,721,672**	**50,391**	**(2,751)**	**(32,374)**	**-**	**167,961**	**133,237**	**2,551,654**	**779,992**	**1,904,899**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

$ '000	Actual 2010				Actual 2009			
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	-	5,395	2,512	**2,883**	-	5,245	2,370	**2,875**
Office Equipment	-	1,721	1,357	**364**	-	1,658	1,228	**430**
Furniture & Fittings	-	79	79	**-**	-	79	79	**-**
Land								
- Operational Land	-	10,146	-	**10,146**	-	10,146	-	**10,146**
- Community Land	-	-	-	**-**	-	-	-	**-**
- Improvements non-depreciable	-	-	-	**-**	-	-	-	**-**
- Improvements - depreciable	-	-	-	**-**	-	-	-	**-**
Buildings	-	2,039	66	**1,973**	-	927	64	**863**
Other Structures	316	-	65	**251**	205	-	53	**152**
Infrastructure	-	472,028	182,483	**289,545**	-	457,808	171,527	**286,281**
Total Water Supply	**316**	**491,408**	**186,562**	**305,162**	**205**	**475,863**	**175,321**	**300,747**
Sewerage Services								
Plant & Equipment	-	5,865	2,729	**3,136**	-	5,593	2,527	**3,066**
Office Equipment	-	1,065	863	**202**	-	1,050	790	**260**
Furniture & Fittings	-	70	20	**50**	-	70	21	**49**
Land								
- Operational Land	-	32,960	-	**32,960**	-	32,960	-	**32,960**
- Community Land	-	-	-	**-**	-	-	-	**-**
- Improvements non-depreciable	-	-	-	**-**	-	-	-	**-**
- Improvements - depreciable	-	-	-	**-**	-	-	-	**-**
Buildings	-	658	429	**229**	-	658	403	**255**
Other Structures	288	-	168	**120**	270	-	162	**108**
Infrastructure	-	636,681	165,798	**470,883**	-	611,082	154,116	**456,966**
Total Sewerage Services	**288**	**677,299**	**170,007**	**507,580**	**270**	**651,413**	**158,019**	**493,664**
Domestic Waste Management								
Plant & Equipment	-	2,765	923	**1,842**	-	2,691	755	**1,936**
Land								
- Operational Land	-	6,728	-	**6,728**	-	6,728	-	**6,728**
- Community Land	-	-	-	**-**	-	-	-	**-**
- Improvements non-depreciable	-	-	-	**-**	-	-	-	**-**
- Improvements - depreciable	11,008	-	3,982	**7,026**	10,763	-	3,739	**7,024**
Buildings	-	1,620	594	**1,026**	-	1,453	563	**890**
Other Assets	-	1,799	328	**1,471**	1,774	-	309	**1,465**
Total DWM	**11,008**	**12,912**	**5,827**	**18,093**	**12,537**	**10,872**	**5,366**	**18,043**
TOTAL RESTRICTED I,PP&E	**11,612**	**1,181,619**	**362,396**	**830,835**	**13,012**	**1,138,148**	**338,706**	**812,454**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 10a. Payables, Borrowings & Provisions

$ '000	Notes	2010 Current	2010 Non Current	2009 Current	2009 Non Current
Payables					
Goods & Services - operating expenditure		11,489	-	13,925	-
Payments Received In Advance		171	-	301	-
Accrued Expenses:					
- Borrowings		724	-	733	-
- Interest on Bonds & Deposits		-	-	-	-
- Other Expenditure Accruals		1,681	-	1,392	-
Security Bonds, Deposits & Retentions		2,038	-	2,652	-
Mayoral Ball Funds		46	-	-	-
Total Payables		**16,149**	**-**	**19,003**	**-**
Borrowings					
Bank Overdraft		-	-	-	-
Loans - Secured [1]		7,159	59,228	7,437	64,675
Government Advances		933	4,896	499	1,815
Ratepayers' Advances		61	109	33	149
Total Borrowings		**8,153**	**64,233**	**7,969**	**66,639**
Provisions					
Employee Benefits;					
Annual Leave		4,961	-	4,826	-
Sick Leave		13,883	-	13,332	-
Long Service Leave		11,095	414	10,148	403
Sub Total - Aggregate Employee Benefits		**29,939**	**414**	**28,306**	**403**
Self Insurance - Workers Compensation		691	3,353	682	3,964
Asset Remediation/Restoration (Future Works)	26	-	5,541	-	5,258
Total Provisions		**30,630**	**9,308**	**28,988**	**9,625**
Total Payables, Borrowings & Provisions		54,932	73,541	55,960	76,264

(i) Liabilities relating to Restricted Assets

	2010 Current	2010 Non Current	2009 Current	2009 Non Current
Externally Restricted Assets				
Domestic Waste Management	367	-	1,443	-
Water	1,238	1,633	1,356	1,951
Sewer	6,140	33,854	7,921	36,767
Self Insurance	691	3,353	682	3,964
Other	-	-	-	-
Total Liabilities relating to restricted assets	**8,436**	**38,840**	**11,402**	**42,682**

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 2010

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

$ '000	2010	2009

(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	23,587	22,213
	23,587	**22,213**

Note 10b. Description of and movements in Provisions

Class of Provision	2009 Opening Balance as at 1/7/09	2010 Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/10
Annual Leave	4,826	5,450	(5,315)	-	-	**4,961**
Sick Leave	13,332	3,054	(2,503)	-	-	**13,883**
Long Service Leave	10,551	2,319	(1,361)	-	-	**11,509**
Gratuities	-	-	-	-	-	**-**
Other Leave	-	-	-	-	-	**-**
ELE On-Costs	-	-	-	-	-	**-**
Self Insurance	4,646	(602)	-	-	-	**4,044**
Asset Remediation	5,258	283	-	-	-	**5,541**
Other	-	-	-	-	-	**-**
TOTAL	**38,613**	**10,504**	**(9,179)**	**-**	**-**	**39,938**

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 2010

Note 11. Statement of Cash Flows - Additional Information

(a) Reconciliation of Cash Assets

$ '000	Notes	Actual 2010	Actual 2009
Total Cash & Cash Equivalent Assets	6a	27,757	33,737
BALANCE as per the STATEMENT of CASH FLOWS		**27,757**	**33,737**

(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities

$ '000	Notes	Actual 2010	Actual 2009
Net Operating Result from Income Statement		**20,342**	**11,480**
Adjust for non cash items:			
Depreciation & Amortisation		32,374	31,609
Net Losses/(Gains) on Disposal of Assets		853	(289)
Non Cash Capital Grants and Contributions		(271)	(218)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(1,122)	5,898
- Investment Properties		(30)	(147)
- Favourable Financial Liabilities (ie. Loans with no Interest Payable)		(326)	-
- Interest Free Advances made by Council (Deferred Debtors)		12	15
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- "Held to Maturity" Financial Assets		-	-
- Interest on all fair value adjusted Interest Free Advances made by Council		(10)	(15)
- Interest Exp. On Low Interest Loans received by Council (previously Fair Valued)		53	63
Unwinding of Discount Rates on Reinstatement Provisions		283	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		847	(2,684)
Increase/(Decrease) in Provision for Doubtful Debts		277	(96)
Decrease/(Increase) in Inventories		163	125
Decrease/(Increase) in Other Current Assets		(144)	(782)
Increase/(Decrease) in Payables		(2,436)	1,517
Increase/(Decrease) in accrued Interest Payable		(9)	(29)
Increase/(Decrease) in other accrued Expenses Payable		289	69
Increase/(Decrease) in Other Current Liabilities		(698)	960
Increase/(Decrease) in Employee Leave Entitlements		1,644	1,178
Increase/(Decrease) in Other Provisions		(602)	958
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		**51,489**	**49,612**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

$ '000	Notes	Actual 2010	Actual 2009
(c) Non-Cash Investing & Financing Activities			
Dedications		271	218
Total Non-Cash Investing & Financing Activities		**271**	**218**
(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		105	74
Total Financing Arrangements		**505**	**474**

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.

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure

$ '000	Notes	Actual 2010	Actual 2009

(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		880	1,910
Plant & Equipment		385	567
Land		-	395
Other		11,532	14,183
Total Commitments		**12,797**	**17,055**
These expenditures are payable as follows:			
Within the next year		12,797	17,055
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		**12,797**	**17,055**

(b) Other Expenditure Commitments (exclusive of GST)

Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

DWM & Recycling Services		15,756	5,905
Cleaning Services		96	107
Audit Services		195	260
Operating Leases		50	44
Surf Life Saving		-	219
Property Rental		13	44
Total Commitments		**16,110**	**6,579**
These expenditures are payable as follows:			
Within the next year		6,288	6,228
Later than one year and not later than 5 years		7,902	351
Later than 5 years		1,920	-
Total Payable		**16,110**	**6,579**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure (continued)

$ '000	Notes	Actual 2010	Actual 2009

(c) Finance Lease Commitments

Nil

(d) Operating Lease Commitments (Non Cancellable)

Nil

(e) Investment Property Commitments

Nil

(f) Remuneration Commitments

Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:

Within the next year		1,306	1,206
Later than one year and not later than 5 years		1,060	1,700
Later than 5 years			-
Total Payable		**2,366**	**2,906**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

$ '000	Amounts 2010	Indicator 2010	Prior Periods 2009	Prior Periods 2008
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions [1]	46,240	2.02 : 1	2.50	2.69
Current Liabilities less Specific Purpose Liabilities [2,3]	22,909			
2. Debt Service Ratio				
Debt Service Cost	12,876	8.28%	9.71%	9.36%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	155,482			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	85,961	47.30%	49.75%	47.69%
Revenue from Continuing Operations	181,727			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	6,935	7.25%	10.09%	8.24%
Rates, Annual & Extra Charges Collectible	95,688			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals[4] [Buildings & Infrastructure]	10,062	41.94%	60.99%	45.25%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	23,989			

Notes

[1] Refer Notes 6-8 inclusive.
Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

[2] Refer to Note 10(a).

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

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

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 14. Investment Properties

$ '000	Notes	Actual 2010	Actual 2009
(a) Investment Properties at Fair value			
Investment Properties on Hand		1,477	1,447
Reconciliation of Annual Movement:			
Opening Balance		1,447	1,300
- Acquisitions		-	-
- Capitalised Expenditure - this year		-	-
- Acquisitions (Transfers) through Amalgamations		-	-
- Classified as "Held for Sale"		-	-
- Disposals during Year		-	-
- Net Gain/(Loss) from Fair Value Adjustments		30	147
- Transfers from/(to) Inventories (Note 8)		-	-
- Transfers from/(to) Owner Occupied (Note 9)		-	-
- Other Movements		-	-
CLOSING BALANCE - INVESTMENT PROPERTIES		**1,477**	**1,447**

(b) Valuation Basis

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

The 2010 revaluations for Buildings were based on independent assessments made by Scott Fullarton Valuations Pty Ltd for insurance purposes. The land valuations were based on the NSW Valuer General's land valuation as at 19 August 2008.

(c) Contractual Obligations at Reporting Date

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

(d) Leasing Arrangements

Details of leased Investment Properties are as follows;

	Actual 2010	Actual 2009
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:		
Within 1 year	107	113
Later than 1 year but less than 5 years	71	104
Later than 5 years	-	-
Total Minimum Lease Payments Receivable	**178**	**217**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 14. Investment Properties (Continued)

(e) Investment Property Income & Expenditure - summary

$ '000	Notes	Actual 2010	Actual 2009
Rental Income from Investment Properties:			
- Minimum Lease Payments		124	111
- Contingent Rentals		-	-
- Other Income		-	-
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(17)	(27)
- that did not generate rental income		-	-
Net Revenue Contribution from Investment Properties		**107**	**84**
plus:			
Fair Value Movement for year		30	147
Total Income attributable to Investment Properties		**137**	**231**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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	
	2010	**2009**	**2010**	**2009**
Financial Assets				
Cash and Cash Equivalents	27,757	33,737	27,757	33,737
Investments				
- "Held for Trading"	12,632	12,894	12,648	12,894
- "Held to Maturity"	60,000	51,830	60,000	51,830
- "Available for Sale"	16	16	-	16
Receivables	23,143	24,258	23,143	24,258
Total Financial Assets	**123,548**	122,735	**123,548**	122,735
Financial Liabilities				
Payables	15,978	18,702	15,892	18,702
Loans / Advances	72,386	74,608	72,386	74,608
Total Financial Liabilities	**88,364**	93,310	**88,278**	93,310

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 far value through profit & loss"** or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

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

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

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

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

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (during 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	
2010	**Profit**	**Equity**	**Profit**	**Equity**
Possible impact of a 10% movement in Market Values	1,263	1,263	(1,263)	(1,263)
Possible impact of a 1% movement in Interest Rates	1,004	1,004	(1,004)	(1,004)
2009				
Possible impact of a 10% movement in Market Values	1,291	1,291	(1,291)	(1,291)
Possible impact of a 1% movement in Interest Rates	985	985	(985)	(985)

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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.

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:

Ageing of Receivables	**2010 Rates & Annual Charges**	**2010 Other Receivables**	**2009 Rates & Annual Charges**	**2009 Other Receivables**
Current (not yet overdue)	2,574	11,435	3,988	10,875
Past due	3,444	6,236	3,668	5,996
	6,018	**17,671**	**7,656**	**16,871**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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.

As well, payment terms can (in extenuating circumstances) be extended & overdraft facilities can be drawn down.

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

$ '000	Subject to no maturity	≤ 1 Year	payable in: 1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs	Total Cash Outflows	Actual Carrying Values
2010									
Bank Overdraft	-							-	**-**
Trade/Other Payables	2,038	13,854						15,892	**15,978**
Loans & Advances		8,153	8,229	8,117	8,014	7,317	33,023	72,853	**72,386**
Lease Liabilities								-	**-**
Total Financial Liabilities	**2,038**	**22,007**	**8,229**	**8,117**	**8,014**	**7,317**	**33,023**	**88,745**	**88,364**
2009									
Bank Overdraft	-	-	-	-	-	-	-	-	**-**
Trade/Other Payables	2,652	16,050	-	-	-	-	-	18,702	**18,702**
Loans & Advances	-	7,969	7,543	7,598	7,473	7,354	36,866	74,803	**74,608**
Lease Liabilities	-	-	-	-	-	-	-	-	**-**
Total Financial Liabilities	**2,652**	**24,019**	**7,543**	**7,598**	**7,473**	**7,354**	**36,866**	**93,505**	**93,310**

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:	2010 Carrying Value	2010 Average Interest Rate	2009 Carrying Value	2009 Average Interest Rate
Bank Overdraft	-		-	
Trade/Other Payables	15,978	0.0%	18,702	0.0%
Loans & Advances - Fixed Interest Rate	72,386	6.9%	74,608	6.7%
Loans & Advances - Variable Interest Rate				
Lease Liabilities	-		-	
	88,364		93,310	

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 16. Material Budget Variations

$ '000

Council's Original Financial Budget for 09/10 was incorporated as part of its Management Plan and was adopted by the Council on 28 July 2009.

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.

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

Note that for Variations: **F** = Favourable Budget Variation, **U** = Unfavourable Budget Variation

$ '000	2010 Budget	2010 Actual	2010 ---------- Variance* ----------		
REVENUES					
Interest & Investment Revenue	3,047	7,530	4,483	147%	F

The interest rate received on Investments was significantly higher than the budget assumption of 3.5%. During the year the Reserve Bank increased the cash rate several times and this resulted in higher investment returns.

Other Revenues	2,524	3,789	1,265	50%	F

Other revenues received higher than budget include insurance claim recoveries (budget $64,000, actual $329,000) parking fines (budget $500,000, actual $603,000), general fines and costs (budget $210,000, actual $237,000) and rates legal costs recovered (budget $300,000, actual $399,000).

Capital Grants & Contributions	10,585	19,275	8,690	82%	F

Grants received for funding under the Federal Infrastructure/Jobs Fund Programs were not anticipated in the budget. The amount of developer contributions received under section 64 (Water and Sewerage) and section 94 were also higher than anticipated in the budget due to an increase in development activity.

Net Gains from Disposal of Assets	5,034	-	(5,034)	(100%)	U

The budget included $2,840,000 for property sales which were delayed. The budget also included the proceeds expected from the sales of plant and equipment ($2,194,000) but did not deduct the carrying amount of the assets to be sold. Actual proceeds from the sales of plant and equipment was $1,893,000 and the carrying amount $2,751,000. As this was a net loss the amount has been recorded as an expense.

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 16. Material Budget Variations (continued)

$ '000	2010 Budget	2010 Actual	2010 Variance*		
EXPENSES					
Borrowing Costs	6,011	5,241	770	13%	F
Internal loans taken out at 30 June 2009 were at an interest rate lower than anticipated rate of 6.5% in the 2009/10 budget which was already prepared and adopted.					
Depreciation & Amortisation	28,592	32,374	(3,782)	(13%)	U
Increase in depreciation of building assets due to revaluation on 30 June 2008 was not reflected in the budget figure.					
Net Losses from Disposal of Assets	-	853	(853)	n/a	U
See comments above for Net Gains from Disposal of Assets.					
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	41,411	51,489	10,078	24.3%	F
The comments above related to the variances in the Income Statement apply to this result.					
Cash Flows from Financing Activities	9,798	(1,949)	(11,747)	(119.9%)	U
Council did not take out proposed borrowings of $14 million for the Sewer fund as the funds were not required until a later date.					

Notes to the Financial Statements
for the financial year ended 30 June 2010

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	447	20	-	36	-	-	**503**	1,916	(2,419)	-	-
Roads	2,468	323	-	204	(206)	-	**2,789**	44,064	(46,853)	-	-
Parking	1,129	50	-	88	(155)	-	**1,112**	18,236	(19,348)	-	-
Open Space	626	85	-	53	(17)	-	**747**	7,822	(8,569)	-	-
Community Facilities	4,430	345	-	361	(206)	-	**4,930**	9,515	(14,445)	-	-
Other	7,777	816	-	644	(660)	-	**8,577**	11,048	(19,625)	-	-
S94 Contributions - under a Plan	**16,877**	**1,639**	**-**	**1,386**	**(1,244)**	**-**	**18,658**	**92,601**	**(111,259)**	**-**	**-**
S94A Levies - under a Plan	**-**	**-**	**-**	**-**	**-**	**-**	**-**				**-**
Total S94 Revenue Under Plans	**16,877**	**1,639**	**-**	**1,386**	**(1,244)**	**-**	**18,658**				**-**
S94 not under Plans	-	-	-	-	-	-	**-**	-	-	-	-
S93F Planning Agreements	-						**-**				
S64 Contributions	5,800	3,034		557	(720)		**8,671**				
Total Contributions	**22,677**	**4,673**	**-**	**1,943**	**(1,964)**	**-**	**27,329**	**92,601**	**(111,259)**	**-**	**-**

Note 17. Statement of Developer Contributions (continued)

$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening Balance	Contributions received during the Year: Cash	Contributions received during the Year: Non Cash	Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections: Future income	Projections: Exp still outstanding	Projections: Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
Drainage	447	20		36			**503**	1,916	(2,419)	-	
Roads	2,468	323		204	(206)		**2,789**	44,064	(46,853)	-	
Parking	1,129	50		88	(155)		**1,112**	18,236	(19,348)	-	
Open Space	626	85		53	(17)		**747**	7,822	(8,569)	-	
Community Facilities	4,430	345		361	(206)		**4,930**	9,515	(14,445)	-	
Other	7,777	816		644	(660)		**8,577**	11,048	(19,625)	-	
Total	**16,877**	**1,639**	**-**	**1,386**	**(1,244)**	**-**	**18,658**	**92,601**	**(111,259)**	**-**	**-**

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iv) Other Guarantees

Council has provided no other Guarantees other than those listed above.

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

$ '000

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

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 20. Equity - Retained Earnings and Revaluation Reserves

$ '000	Notes	Actual 2010	Actual 2009
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,241,940	1,232,885
a. Correction of Prior Period Errors	20 (c)	2,425	-
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		20,342	11,480
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes		-	-
Balance at End of the Reporting Period		1,264,707	1,244,365
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		648,201	480,240
- "Available for Sale" Financial Investments Revaluation Reserve		-	-
- Other Reserves		-	-
Total		**648,201**	**480,240**
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		480,240	427,728
- Revaluations for the year	9(a)	167,961	52,512
- Impairment of revalued assets (incl. impairment reversals)	9(a)	-	-
- Transfer to Retained Earnings for Asset disposals		-	-
- Other movements		-	-
- Balance at End of Year		**648,201**	**480,240**
TOTAL VALUE OF RESERVES		**648,201**	**480,240**

(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 2010

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

$ '000	Notes	Actual 2010	Actual 2009

c. Correction of Error/s relating to a Previous Reporting Period

2009 Statements reported the early payment of the Financial Assistance		2,425	-
Grant as Prepaid Income			-
The reversal of this prepayment entry in 2010 affected the 2010 opening			-
balances of the following Financial Statement lines:			
- Payables		(2,425)	-
- Retained Earnings		2,425	-

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 - 1/7/08 (relating to adjustments for the 30/6/08 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30/6/09 (relating to adjustments for the 30/6/09 year end)		2,425	-
Total Prior Period Adjustments - Prior Period Errors		**2,425**	**-**

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 2010

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund $ '000	Actual 2010	Actual 2010	Actual 2010
Continuing Operations	**Water**	**Sewer**	**General**[1]
Income from Continuing Operations			
Rates & Annual Charges	3,200	27,473	55,288
User Charges & Fees	13,545	1,692	32,275
Interest & Investment Revenue	1,780	672	6,180
Other Revenues	1,096	1,340	41,681
Grants & Contributions provided for Operating Purposes	487	502	16,671
Grants & Contributions provided for Capital Purposes	1,496	6,689	11,090
Other Income			
Net Gains from Disposal of Assets	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	**21,604**	**38,368**	**163,185**
Expenses from Continuing Operations			
Employee Benefits & on-costs	6,087	8,625	52,242
Borrowing Costs	154	3,314	2,875
Materials & Contracts	4,858	6,947	55,476
Depreciation & Amortisation	6,046	7,164	19,164
Impairment			-
Other Expenses	1,614	2,308	25,088
Interest & Investment Losses			-
Net Losses from the Disposal of Assets	41	92	720
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Expenses from Continuing Operations	**18,800**	**28,450**	**155,565**
Operating Result from Continuing Operations	2,804	9,918	7,620
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	2,804	9,918	7,620
Net Operating Result attributable to each Council Fund	2,804	9,918	7,620
Net Operating Result attributable to Minority Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	1,308	3,229	(3,470)

[1] General Fund refers to all Council's activities other than Water, Sewer & Other

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 2010

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund **$ '000**	**Actual 2010**	**Actual 2010**	**Actual 2010**
ASSETS	**Water**	**Sewer**	**General**[1]
Current Assets			
Cash & Cash Equivalents	5,852	3,712	18,193
Investments	4,491	3,624	50,150
Receivables	2,575	4,212	6,676
Inventories	-	-	3,373
Other	1,156	-	1,135
Total Current Assets	14,074	11,548	79,527
Non-Current Assets			
Investments	4,588	3,538	6,257
Receivables	-	-	9,680
Inventories	-	-	6,804
Infrastructure, Property, Plant & Equipment	305,162	507,580	1,092,157
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	1,477
Other	16,023	-	-
Total Non-Current Assets	325,773	511,118	1,116,375
TOTAL ASSETS	**339,847**	**522,666**	**1,195,902**
LIABILITIES			
Current Liabilities			
Payables	920	3,227	12,002
Borrowings	318	3,446	5,400
Provisions	-	-	30,630
Total Current Liabilities	1,238	6,673	48,032
Non-Current Liabilities			
Payables	-	-	-
Borrowings	1,633	44,820	33,803
Provisions	-	-	9,308
Total Non-Current Liabilities	1,633	44,820	43,111
TOTAL LIABILITIES	**2,871**	**51,493**	**91,143**
Net Assets	**336,976**	**471,173**	**1,104,759**
EQUITY			
Retained Earnings	184,271	274,598	805,838
Revaluation Reserves	152,705	196,575	298,921
Council Equity Interest	**336,976**	**471,173**	**1,104,759**
Minority Interests	-	-	-
Total Equity	**336,976**	**471,173**	**1,104,759**

[1] General Fund refers to all Council's activities other than Water, Sewer & Other
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 2010

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 2010	NPV of Provision 2009
Waste Depot Remediation	Varied		5,541	5,258
Balance at End of the Reporting Period		10	5,541	5,258

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:

	2010	2009
Balance at beginning of year	5,258	4,960
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	-	-
Effect of a change in other calculation estimates used	-	-
Amortisation of discount (expensed to borrowing costs)	283	298
Expenditure incurred attributable to Provisions	-	-
Total - Reinstatement, rehabilitation and restoration provision	**5,541**	**5,258**

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

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 28. Additional Council Disclosures - Council Information

Principal Place of Business:
Bridge Road
NOWRA NSW 2541

Contact Details

Mailing Address:
PO Box 42
NOWRA NSW 2541

Telephone: 02 4429 3111
Facsimile: 02 4422 1816

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

Internet: www.shoalhaven.nsw.gov.au
Email: council@shoalhaven.nsw.gov.au

Officers

GENERAL MANAGER
Russ Pigg

RESPONSIBLE ACCOUNTING OFFICER
Peter Dun

PUBLIC OFFICER
Rob McLean

AUDITORS
Carl Millington
Pitcher Partners

Elected Members

MAYOR
Paul Green

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

Other Information

ABN: 59 855 182 344

PITCHER PARTNERS
ACCOUNTANTS AUDITORS & ADVISORS

Level 22 MLC Centre
19 Martin Place
Sydney NSW 2000
Australia

Postal Address:
GPO Box 1615
Sydney NSW 2001
Australia

Tel: +61 2 9221 2099
Fax: +61 2 92231762

www.pitcher.com.au
partners@pitcher-nsw.com.au

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

SHOALHAVEN CITY COUNCIL
Independent Audit Report to the Council
General Purpose Financial Statements for the Year ended 30 June 2010

Report on the Financial Statements

We have audited the general purpose financial statements of Shoalhaven City Council, which comprises the Balance Sheet as at 30 June 2010, 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 (including the Australian Accounting Interpretations) and the statutory requirements under Local Government Act, 1993. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements 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 the financial statements based on our audit.Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement and Cash Flow Statement, Notes 2(a), and 16 to the financial statements, estimated expenditure in note 17, additional Council disclosure notes, nor the attached Special Schedules.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 2010, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations).

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.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Shoalhaven City Council for the year ended 30 June 2010 included on Shoalhaven City Council's web site. The Council is responsible for the integrity of the Shoalhaven City Council's web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Pitcher Partners

PITCHER PARTNERS

CARL MILLINGTON
Partner

Sydney, 2 November 2010

PITCHER PARTNERS
ACCOUNTANTS AUDITORS & ADVISORS

Level 22 MLC Centre
19 Martin Place
Sydney NSW 2000
Australia

Postal Address:
GPO Box 1615
Sydney NSW 2001
Australia

Tel: +61 2 9221 2099
Fax: +61 2 92231762

www.pitcher.com.au
partners@pitcher-nsw.com.au

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

2 November 2010

The Mayor
Councillor Paul Green
Shoalhaven City Council
PO Box 42
NOWRA NSW 2541

Dear Councillor Green

REPORT ON THE CONDUCT OF THE AUDIT – Section 417(3)
YEAR ENDED 30 JUNE 2010

In accordance with the requirements of the Department of Local Government, and the provisions of Section 417(3) of the Local Government Act, 1993, we provide the following comments arising from our conduct of the audit of Council's books, records, and financial statements for the 2010 year.

Audit Conclusion

Our audit of the financial reports for the year ended 30 June 2010 resulted in unqualified independent audit reports for Council's General Purpose and Special Purpose Financial Statements.

Additional Audit Considerations and Comment

The following comments are provided in accordance with Section 415(3) of the Local Government Act, 1993 and Clause 227 of the Local Government (General) Regulation 2005.

Income Statement

Operating Result. Council's operating result increased from a surplus of $11.480M in 2009 to a surplus of $20.342M in 2010. This compared with a budgeted surplus of $17.853M for the year.

Operating Result before Capital. The operating result before capital grants and contributions was a surplus of $1.067M compared with the prior year deficit of $2.224M. This compared with the original budget surplus of $7.268M surplus.

Depreciation. Included in the operating result was $32.374M for the depreciation and amortisation of assets which increased from $31.609M in the prior year and compared with the original budget of $28.592M.

Operating Grants and Contributions. Operating grants and contributions for the year totalled $17.660M and represented 9.7% of total income from continuing operations. This compares with $20.917M and 12.7% in 2009.

Capital Grants and Contributions. Capital grants and contributions amounted to $19.275M for the 2010 year and represented 10.5% of total income from continuing operations. This compares with $13.704M and 8.3% for the prior year.

Rates and Annual Charges. Revenue from rates and annual charges increased to $85.961M from $80.626M in the prior year. This represented a 6.6% increase and was $511K lower than the original budget for 2010.

Balance sheet - Financial Position

Council's equity at 30 June 2010 amounted to $1.913 billion and was increased by the net operating result for the year and $167.961M from the revaluation of infrastructure assets.

The revaluation of infrastructure assets was the major factor in the increase in Council's non-current assets, whilst $6.804 resulted from the reclassification of held-for-sale assets from current to non-current. A further $50.12M of infrastructure, property, plant and equipment was purchased during the year and $1.898M was derived from sales of assets.

At balance date Council had not utilised any of its bank overdraft facility of $505K.

Movements in Cash and Cash Equivalents

Council's cash and cash equivalent balances decreased by $5.98M during the year, with $51.489M being provided from operations, $55.520M utilised in investing activities such as acquisition of non-current assets and investments, and $1.949M utilised in the net reduction of loans.

Total Investments and Cash Balances

Council's total cash, cash equivalents and investments at 30 June 2010 was comprised of the following:

	2010 $'000	**2009 $'000**	**2008 $'000**
Externally restricted cash	**63,678**	58,498	68,069
Internally restricted cash	**31,475**	35,706	39,734
Unrestricted cash	**5,252**	4,273	5,526
Total Cash & Cash Equivalents	**100,405**	98,477	113,329

Movements in both internally and externally restricted cash and investments are detailed fully in Note 6c.

Unrestricted Working Capital (Net Current Assets)

	2010 $'000	2009 $'000	2008 $'000
Current assets	**104,138**	110,284	119,480
Current liabilities	**54,932**	58,385	52,622
Net current assets	**49,206**	51,899	66,858
Add: liabilities not expected to be settled in coming 12 months	**23,587**	22,213	19,659
Adjusted net Current Assets	**72,793**	74,112	86,517
Less: Commitments against working capital			
Net external restrictions	**49,462**	44,389	49,603
Unrestricted Working Capital	**23,331**	29,723	36,914

Council's balance of unrestricted net current assets has decreased from $29.723M in 2009 to $23.331M at the end of the 2010 financial year.

After taking into consideration Council's internal reserves, other liabilities that are anticipated to be funded from the 2010/11 operating budget and anticipated timing of rate revenues, the unrestricted working capital balance appears to provide a reasonable basis for funding the coming year's operations.

Performance Indicators and Trends

Prescribed performance indicators are included in Note 13 to the financial report and provide a comparison of the 2010 year results with prior years.

	2010	2009	2008	2007	2006
Unrestricted current ratio	2.02:1	2.14:1	2.50:1	3.25:1	2.51:1
Debt service ratio	8.28%	9.90%	9.36%	7.06%	7.67%
Rate coverage ratio	47.3%	49.75%	47.69%	40.59%	43.13%
Rates & annual charges outstanding ratio	7.25%	10.09%	8.24%	7.08%	7.69%
Asset renewals ratio	41.94%	60.99%	45.25%	N/A	N/A

Unrestricted Current Ratio. The ratio is above the Division of Local Government guidelines of 2:1 and the generally accepted industry benchmark of 1:1.

Debt Service Ratio. The debt service ratio has decreased on prior years and remains below the industry benchmark of between 10% and 20%.

Rates and Annual Charges Coverage Ratio. Council's rates and annual charges revenue represented 47.3% of 2010 total revenue, and is lower than the previous year due to the impact of increased grants and contributions received.

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 7.25%. This represents a strong improvement on the prior year but is still higher than the generally accepted industry benchmark of 5%.

Asset Renewals Ratio. The ratio is below industry guidelines of 100%.

Other Matters

Revaluation of roads and related infrastructure assets

As a result of the requirement to revalue all roads and related infrastructure assets, Council's roads, bridges, footpaths and stormwater drainage assets have increased in value by $167.961M. This revaluation increment was processed through Council's equity, with a corresponding increase in the Infrastructure, Property, Plant & Equipment Revaluation Reserve.

Correction of error relating to a previous reporting period

To assist councils deal with the effects of the economic downturn in 2009, the Federal Government brought forward payments of the financial assistance grant. Council recorded the receipt of the grant instalment as prepaid income rather than as income in the year of receipt as required by current Accounting Standards. This error was rectified in the 2010 year and the adjustment of $2.425M disclosed in the Statement of Changes in Equity and Note 20c.

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 17), and other legislatively prescribed standards.

Conduct of the audit

All audit issues have been appropriately attended to and there are no other matters of audit significance that require mention in this report.

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

Yours faithfully
PITCHER PARTNERS

CARL MILLINGTON
Partner

Shoalhaven City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

"…working together to foster a safe, attractive place for people to live, work, stay and play..."

Shoalhaven City Council

Special Purpose Financial Statements
for the financial year ended 30 June 2010

Contents

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 2010

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 21 September 2010.

Paul Green
MAYOR

Gary Kearney
COUNCILLOR

Russ Pigg
GENERAL MANAGER

Peter Dun
RESPONSIBLE ACCOUNTING OFFICER

Shoalhaven City Council

Income Statement of Council's Water Supply Business Activity
for the financial year ended 30 June 2010

$ '000	Actual 2010	Actual 2009	Actual 2008
Income from continuing operations			
Access charges	3,200	2,971	2,941
User charges	13,545	10,464	9,128
Fees	-	-	-
Interest	1,780	(1,206)	813
Grants and contributions provided for non capital purposes	487	454	427
Other income	1,096	1,764	1,498
Total income from continuing operations	**20,108**	**14,447**	**14,807**
Expenses from continuing operations			
Employee benefits and on-costs	6,087	5,969	5,045
Borrowing costs	154	192	227
Materials and contracts	4,858	4,738	4,561
Depreciation and impairment	6,046	5,649	5,479
Water purchase charges	-	-	-
Loss on sale of assets	41	104	82
Calculated taxation equivalents	188	188	157
Debt guarantee fee (if applicable)	-	-	-
Other expenses	1,614	1,636	1,409
Total expenses from continuing operations	**18,988**	**18,476**	**16,960**
Surplus (deficit) from Continuing Operations before capital amounts	**1,120**	**(4,029)**	**(2,153)**
Grants and contributions provided for capital purposes	1,496	876	1,244
Surplus (deficit) from Continuing Operations after capital amounts	**2,616**	**(3,153)**	**(909)**
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	**2,616**	**(3,153)**	**(909)**
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(336)	-	-
SURPLUS (DEFICIT) AFTER TAX	**2,280**	**(3,153)**	**(909)**
plus Opening Retained Profits	181,615	184,728	186,594
plus/less: Prior Period Adjustments		-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	188	188	157
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	336	-	-
less:			
- Tax Equivalent Dividend paid	(148)	(148)	(37)
- Surplus dividend paid		-	(1,077)
Closing Retained Profits	**184,271**	**181,615**	**184,728**
Return on Capital %	**0.4%**	**n/a**	**0.0%**
Subsidy from Council	**5,896**	**10,863**	**8,480**
Calculation of dividend payable:			
Surplus (deficit) after tax	2,280	(3,153)	(909)
less: Capital grants and contributions (excluding developer contributions)	(108)	-	-
Surplus for dividend calculation purposes	**2,172**	**-**	**-**
Potential Dividend calculated from surplus	**1,086**	**-**	**-**

Shoalhaven City Council

Income Statement of Council's Sewerage Business Activity
for the financial year ended 30 June 2010

$ '000	Actual 2010	Actual 2009	Actual 2008
Income from continuing operations			
Access charges	27,473	25,014	23,236
User charges	441	1,010	855
Liquid Trade Waste Charges	197	159	61
Fees	1,054	1,195	1,729
Interest	672	176	228
Grants and contributions provided for non capital purposes	502	496	469
Other income	1,340	1,469	1,326
Total income from continuing operations	**31,679**	**29,519**	**27,904**
Expenses from continuing operations			
Employee benefits and on-costs	8,625	8,373	7,386
Borrowing costs	3,314	2,765	2,408
Materials and contracts	6,947	6,645	6,679
Depreciation and impairment	7,164	7,194	6,147
Loss on sale of assets	92	153	11
Calculated taxation equivalents	644	644	561
Debt guarantee fee (if applicable)	-	-	-
Other expenses	2,308	2,295	2,064
Total expenses from continuing operations	**29,094**	**28,069**	**25,256**
Surplus (deficit) from Continuing Operations before capital amounts	**2,585**	**1,450**	**2,648**
Grants and contributions provided for capital purposes	6,689	5,382	9,827
Surplus (deficit) from Continuing Operations after capital amounts	**9,274**	**6,832**	**12,475**
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	**9,274**	**6,832**	**12,475**
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(776)	(435)	(794)
SURPLUS (DEFICIT) AFTER TAX	**8,498**	**6,397**	**11,681**
plus Opening Retained Profits	265,754	259,582	247,799
plus/less: Prior Period Adjustments		-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	644	644	561
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	776	435	794
less:			
- Tax Equivalent Dividend paid	(133)	(130)	(122)
- Surplus dividend paid	(941)	(1,174)	(1,131)
Closing Retained Profits	**274,598**	**265,754**	**259,582**
Return on Capital %	**1.2%**	**0.9%**	**1.1%**
Subsidy from Council	**1,954**	**3,881**	**2,411**
Calculation of dividend payable:			
Surplus (deficit) after tax	8,498	6,397	11,681
less: Capital grants and contributions (excluding developer contributions)	(5,044)	(4,516)	(8,739)
Surplus for dividend calculation purposes	**3,454**	**1,881**	**2,942**
Potential Dividend calculated from surplus	**1,727**	**941**	**1,471**

Shoalhaven City Council

Income Statement of Council's Other Business Activities
for the financial year ended 30 June 2010

$ '000	Holiday Haven Actual 2010	Holiday Haven Actual 2009	Cemeteries Actual 2010	Cemeteries Actual 2009
Income from continuing operations				
Access charges	-	-	-	-
User charges	15,620	15,165	1,161	1,164
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	672	641	-	-
Total income from continuing operations	**16,292**	**15,806**	**1,161**	**1,164**
Expenses from continuing operations				
Employee benefits and on-costs	518	484	516	478
Borrowing costs	211	240	68	83
Materials and contracts	5,567	4,663	208	211
Depreciation and impairment	1,357	1,214	178	155
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	60	60	21	24
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	4,016	3,942	504	527
Total expenses from continuing operations	**11,729**	**10,603**	**1,495**	**1,478**
Surplus (deficit) from Continuing Operations before capital amounts	**4,563**	**5,203**	**(334)**	**(314)**
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	**4,563**	**5,203**	**(334)**	**(314)**
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	**4,563**	**5,203**	**(334)**	**(314)**
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,369)	(1,561)	-	-
SURPLUS (DEFICIT) AFTER TAX	**3,194**	**3,642**	**(334)**	**(314)**
plus Opening Retained Profits	45,002	39,739	(1,494)	(1,204)
plus/less: Prior Period Adjustments		-		-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	60	60	21	24
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	1,369	1,561	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(28,744)	-	-	-
Closing Retained Profits	**20,881**	**45,002**	**(1,807)**	**(1,494)**
Return on Capital %	**21.0%**	**24.7%**	**-5.5%**	**-4.6%**
Subsidy from Council	**-**	**-**	**685**	**648**

Shoalhaven City Council

Income Statement of Council's Other Business Activities
for the financial year ended 30 June 2010

	Mechanical Services		Electrical Services	
$ '000	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Income from continuing operations				
Access charges	-	-	-	-
User charges	156	114	74	63
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	4,190	3,882	2,275	1,899
Total income from continuing operations	**4,346**	**3,996**	**2,349**	**1,962**
Expenses from continuing operations				
Employee benefits and on-costs	2,247	2,108	1,404	1,241
Borrowing costs	-	-	-	-
Materials and contracts	548	482	399	296
Depreciation and impairment	14	69	-	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	87	87	36	36
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	1,093	1,103	457	449
Total expenses from continuing operations	**3,989**	**3,849**	**2,296**	**2,022**
Surplus (deficit) from Continuing Operations before capital amounts	**357**	**147**	**53**	**(60)**
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	**357**	**147**	**53**	**(60)**
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	**357**	**147**	**53**	**(60)**
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(107)	(44)	(16)	-
SURPLUS (DEFICIT) AFTER TAX	**250**	**103**	**37**	**(60)**
plus Opening Retained Profits	(831)	(1,065)	(270)	(246)
plus/less: Prior Period Adjustments		-		-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	87	87	36	36
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	107	44	16	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	**(387)**	**(831)**	**(181)**	**(270)**
Return on Capital %	**302.5%**	**306.3%**	**55.2%**	**-57.7%**
Subsidy from Council	**-**	**-**	**-**	**70**

Shoalhaven City Council

Balance Sheet of Council's Water Supply Business Activity
as at 30 June 2010

$ '000	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Cash and cash equivalents	5,852	1,000
Investments	4,491	3,590
Receivables	2,575	2,367
Inventories	-	-
Other	1,156	960
Non-current assets classified as held for sale	-	-
Total Current Assets	**14,074**	**7,917**
Non-Current Assets		
Investments	4,588	4,588
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	305,162	300,747
Investments accounted for using equity method	-	-
Investment property	-	-
Other	16,023	17,034
Total non-Current Assets	**325,773**	**322,369**
TOTAL ASSETS	**339,847**	**330,286**
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	920	858
Interest bearing liabilities	318	498
Provisions	-	-
Total Current Liabilities	**1,238**	**1,356**
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	1,633	1,951
Provisions	-	-
Total Non-Current Liabilities	**1,633**	**1,951**
TOTAL LIABILITIES	**2,871**	**3,307**
NET ASSETS	336,976	326,979
EQUITY		
Retained earnings	184,271	181,615
Revaluation reserves	152,705	145,364
Council equity interest	336,976	326,979
Minority equity interest	-	-
TOTAL EQUITY	336,976	326,979

Shoalhaven City Council

Balance Sheet of Council's Sewerage Business Activity
as at 30 June 2010

$ '000	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Cash and cash equivalents	3,712	1,000
Investments	3,624	8,476
Receivables	4,212	5,917
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	**11,548**	**15,393**
Non-Current Assets		
Investments	3,538	4,718
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	507,580	493,664
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	**511,118**	**498,382**
TOTAL ASSETS	**522,666**	**513,775**
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	3,227	5,189
Interest bearing liabilities	3,446	3,233
Provisions	-	-
Total Current Liabilities	**6,673**	**8,422**
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	44,820	48,266
Provisions	-	-
Total Non-Current Liabilities	**44,820**	**48,266**
TOTAL LIABILITIES	**51,493**	**56,688**
NET ASSETS	471,173	457,087
EQUITY		
Retained earnings	274,598	265,754
Revaluation reserves	196,575	191,333
Council equity interest	471,173	457,087
Minority equity interest	-	-
TOTAL EQUITY	471,173	457,087

Shoalhaven City Council

Balance Sheet of Council's Other Business Activities
as at 30 June 2010

	Holiday Haven		Cemeteries	
$ '000	**Actual 2010**	**Actual 2009**	**Actual 2010**	**Actual 2009**
ASSETS				
Current Assets				
Cash and cash equivalents	-	23,228	(4,525)	(4,314)
Investments	-	-	-	-
Receivables	7,262	3,625	578	129
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	**7,262**	**26,853**	**(3,947)**	**(4,185)**
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	22,742	22,077	4,866	5,002
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	**22,742**	**22,077**	**4,866**	**5,002**
TOTAL ASSETS	**30,004**	**48,930**	**919**	**817**
LIABILITIES				
Current Liabilities				
Payables	3,672	473	835	398
Interest bearing liabilities	1,014	817	248	210
Provisions	-	-	-	-
Total Current Liabilities	**4,686**	**1,290**	**1,083**	**608**
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	4,437	2,638	766	826
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	**4,437**	**2,638**	**766**	**826**
TOTAL LIABILITIES	**9,123**	**3,928**	**1,849**	**1,434**
NET ASSETS	20,881	45,002	(930)	(617)
EQUITY				
Retained earnings	20,881	45,002	(1,807)	(1,494)
Revaluation reserves	-	-	877	877
Council equity interest	**20,881**	**45,002**	**(930)**	**(617)**
Minority equity interest	-	-	-	-
TOTAL EQUITY	20,881	45,002	(930)	(617)

Shoalhaven City Council

Balance Sheet of Council's Other Business Activities
as at 30 June 2010

$ '000	Mechanical Services Actual 2010	Mechanical Services Actual 2009	Electrical Services Actual 2010	Electrical Services Actual 2009
ASSETS				
Current Assets				
Cash and cash equivalents	(14)	(431)	(490)	(572)
Investments	-	-	-	-
Receivables	498	278	318	261
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	**484**	**(153)**	**(172)**	**(311)**
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	118	48	96	104
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	**118**	**48**	**96**	**104**
TOTAL ASSETS	**602**	**(105)**	**(76)**	**(207)**
LIABILITIES				
Current Liabilities				
Payables	989	726	44	2
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Total Current Liabilities	**989**	**726**	**44**	**2**
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	**-**	**-**	**-**	**-**
TOTAL LIABILITIES	**989**	**726**	**44**	**2**
NET ASSETS	(387)	(831)	(120)	(209)
EQUITY				
Retained earnings	(387)	(831)	(181)	(270)
Revaluation reserves	-	-	61	61
Council equity interest	**(387)**	**(831)**	**(120)**	**(209)**
Minority equity interest	-	-	-	-
TOTAL EQUITY	(387)	(831)	(120)	(209)

Shoalhaven City Council

Special Purpose Financial Statements
for the financial year ended 30 June 2010

Contents of the Notes accompanying the Financial Statements

Shoalhaven City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies

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

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

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

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

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

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

In preparing these statements, each business unit has been viewed as a separate unit and accordingly, transactions between business units and other Council operations have not been eliminated

National Competition Policy

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

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

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

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

Category 1

(where gross operating turnover is over $2 million)

a. **Shoalhaven Water**
   Water Supply

b. **Shoalhaven Sewer**
   Sewerage Services

c. **Holiday Haven**
   Caravan Park Operations

d. **Shoalhaven Mechanical Services**
   Mechanical Services

Category 2

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

a. **Shoalhaven Memorial Gardens**
   Cemetery and Crematorium Services

b. **Electrical Technology Services**
   Electrical Services

Monetary Amounts

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

Shoalhaven City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

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

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking it's 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 %

<u>Corporate Income Tax Rate</u> – **30%**

<u>Land Tax</u> – The first **$376,000** of combined land values attracts **0%**. From $376,001 to $2,299,000 the rate is **1.6% + $100.** For the remaining combined land value that exceeds $2,299,000, a premium marginal rate of **2.0%** applies.

<u>Payroll Tax</u> – **5.65%** on the value of taxable salaries and wages in excess of $638,000.

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

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

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed $3 per assessment.

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Shoalhaven City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

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 Business Activities.

(iii) Return on Investments (Rate of Return)

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

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

The 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 2010 multiplied by $30 (less the payment for tax equivalent charges, not exceeding $3 per assessment).

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

Asset Adjustment in balance Sheet

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

- Holiday Haven
- Shoalhaven Mechanical Services
- Shoalhaven Memorial Services
- Electrical Technology Services
-

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 2010

Note 2. Water Supply Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) **2010**

1. Calculation and Payment of Tax-Equivalents
[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

		2010
(i)	Calculated Tax Equivalents	188,000
(ii)	No of assessments multiplied by $3/assessment	149,547
(iii)	Amounts payable for Tax Equivalents **[lesser of (i) and (ii)]**	149,547
(iv)	Amounts actually paid for Tax Equivalents	148,926

2. Dividend from Surplus

		2010
(i)	50% of Surplus before Dividends **[Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]**	1,086,000
(ii)	No. of assessments multiplied by $30/assessment, less tax equivalent charges/assessment	1,345,923
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2010, less the cumulative dividends paid for the 2 years to 30 June 2009	2,172,000

2010 Surplus	2,172,000	**2009 Surplus**	-	**2008 Surplus**	-
		2009 Dividend	-	**2008 Dividend**	-

		2010
(iv)	Maximum dividend from surplus **[least of (i), (ii) and (iii) above]**	1,086,000
(v)	Dividend actually paid from surplus **[refer below for required pre-dividend payment Criteria]**	-

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 2010

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)			2010

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)**	$'000	19,749
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)]**	%	73.53%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) **Written down current cost of system assets (w47)**	$'000	289,545
NWI F11	Operating Cost (OMA) (Water) **Management Expenses (w1) + Operational & Maintenance Expenses (w2)**	$'000	12,559
NWI F14	Capital Expenditure (Water) **Acquisition of fixed assets (w16)**	$'000	15,962
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)]**	%	0.37%
NWI F26	Capital Works Grants (Water) **Grants for the Acquisition of Assets (w11a)**	$'000	75

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 2010

Note 3. Sewerage Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) **2010**

1. Calculation and Payment of Tax-Equivalents
[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

		2010
(i)	Calculated Tax Equivalents	644,000
(ii)	No of assessments multiplied by $3/assessment	137,160
(iii)	Amounts payable for Tax Equivalents **[lesser of (i) and (ii)]**	137,160
(iv)	Amounts actually paid for Tax Equivalents	133,440

2. Dividend from Surplus

		2010
(i)	50% of Surplus before Dividends **[Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]**	1,727,000
(ii)	No. of assessments x ($30 less tax equivalent charges per assessment)	1,234,440
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2010, less the cumulative dividends paid for the 2 years to 30 June 2009	6,163,818

2010 Surplus	3,454,000	**2009 Surplus**	1,880,894	**2008 Surplus**	2,942,764
		2009 Dividend	940,447	**2008 Dividend**	1,173,393

		2010
(iv)	Maximum dividend from surplus **[least of (i), (ii) and (iii) above]**	1,234,440
(v)	Dividend actually paid from surplus **[refer below for required pre-dividend payment Criteria]**	940,447

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 2010

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)			2010
National Water Initiative (NWI) Financial Performance Indicators			
NWI F2	Total Revenue (Sewerage) **Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)**	$'000	32,653
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) **Written down current cost of system assets (s48)**	$'000	470,883
NWI F12	Operating Cost (Sewerage) **Management Expenses (s1) + Operational & Maintenance Expenses (s2)**	$'000	17,300
NWI F15	Capital Expenditure (Sewerage) **Acquisition of Fixed Assets (s17)**	$'000	26,379
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)]**	%	1.61%
NWI F27	Capital Works Grants (Sewerage) **Grants for the Acquisition of Assets (12a)**	$'000	5,043

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	52,269
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) **Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)**	%	1.86%
NWI F16	Capital Expenditure (Water & Sewerage) **Acquisition of Fixed Assets (w16 + s17)**	$'000	42,341
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)]**	%	1.15%
NWI F20	Dividend (Water & Sewerage) **Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)**	$'000	940
NWI F21	Dividend Payout Ratio (Water & Sewerage) **Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)**	%	12.84%

Shoalhaven City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2010

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) **2010**

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)]**	%	3.02%
NWI F23	Interest Cover (Water & Sewerage) **Earnings before Interest & Tax (EBIT) divided by Net Interest**		9
	Earnings before Interest & Tax (EBIT): 9,333 **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: 1,016 **Interest Expense (w4a + s4a) - Interest Income (w9 + s10)**		
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	7,322
NWI F25	Community Service Obligations (Water & Sewerage) **Grants for Pensioner Rebates (w11b + s12b)**	$'000	974

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

PITCHER PARTNERS
ACCOUNTANTS AUDITORS & ADVISORS

Level 22 MLC Centre
19 Martin Place
Sydney NSW 2000
Australia

Postal Address:
GPO Box 1615
Sydney NSW 2001
Australia

Tel: +61 2 9221 2099
Fax: +61 2 92231762

www.pitcher.com.au
partners@pitcher-nsw.com.au

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

SHOALHAVEN CITY COUNCIL
Special Purpose Financial Statements
Independent Auditors' Report to the Council for the Year ended 30 June 2010

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

We have audited the accompanying financial statements, being special purpose financial statements, of Shoalhaven City Council's declared business activities, which comprises the balance sheet as at 30 June 2010 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 establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report 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 the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of Council. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

The special purpose financial statements have been prepared for distribution to the Council and the New South Wales Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial statements to which it relates to any person other than the Council or the New South Wales Division of Local Government, or for any purpose other than that for which it was prepared.

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 2010 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Pitcher Partners

PITCHER PARTNERS

CARLMILLINGTON
Partner

Sydney, 2 November 2010

Shoalhaven City Council

SPECIAL SCHEDULES
for the year ended 30 June 2010

"…working together to foster a safe, attractive place for people to live, work, stay and play..."

Shoalhaven City Council

Shoalhaven City Council

Special Schedules
for the financial year ended 30 June 2010

Contents

Page

Special Schedules[1]

[1] Special Purpose Schedules are not audited.

Background

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as;

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the NSW Office of Water,
- the Department of Environment, Climate Change and Water, and
- the Division of Local Government (DLG).

(ii) The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals,
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.

Shoalhaven City Council

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2010

$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Administration	**38,972**	**3,596**	**2,277**	**(33,099)**
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,891	1,074	1,192	**375**
Beach Control	276	1		**(275)**
Enforcement of Local Goct Regs	876	691	-	**(185)**
Animal Control	531	213	-	**(318)**
Other	2	-	-	**(2)**
Total Public Order & Safety	**3,576**	**1,979**	**1,192**	**(405)**
Health	**1,114**	**327**	**-**	**(787)**
Environment				
Noxious Plants and Insect/Vermin Control	522	261	-	**(261)**
Other Environmental Protection	4,041	526	188	**(3,327)**
Solid Waste Management	14,125	17,811		**3,686**
Street Cleaning	201	-	-	**(201)**
Drainage	199	-	-	**(199)**
Stormwater management	1,474	1,021	37	**(416)**
Total Environment	**20,562**	**19,619**	**225**	**(718)**
Community Services and Education				
Administration & Education	286	12	-	**(274)**
Social Protection (Welfare)	167	34	102	**(31)**
Aged Persons and Disabled	144	28	16	**(100)**
Childrens Services	1,378	1,188	8	**(182)**
Total Community Services & Education	**1,975**	**1,262**	**126**	**(587)**
Housing and Community Amenities				
Public Cemeteries	976	1,161	-	**185**
Public Conveniences	776	4	-	**(772)**
Street Lighting	1,389	71	-	**(1,318)**
Town Panning	2,908	680	71	**(2,157)**
Other Community Amenities	55	-	268	**213**
Total Housing and Community Amenities	**6,104**	**1,916**	**339**	**(3,849)**
Water Supplies	**16,872**	**17,499**	**1,463**	**2,090**
Sewerage Services	**17,712**	**30,033**	**6,689**	**19,010**

Shoalhaven City Council

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

for the financial year ended 30 June 2010

$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	2,308	463	17	(1,828)
Museums	6	357	-	351
Art Galleries	164	32	-	(132)
Community Centres and Halls	2,848	901	301	(1,646)
Other Cultural Services	340	82	-	(258)
Sporting Grounds and Venues	1,341	60	591	(690)
Swimming Pools	5,914	3,350	62	(2,502)
Parks & Gardens	3,545	81	80	(3,384)
Other Sport and Recreation	667	149	173	(345)
Total Recreation and Culture	**17,133**	**5,475**	**1,224**	**(10,434)**
Mining, Manufacturing and Construction				
Building Control	4,661	2,555	-	(2,106)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	**4,661**	**2,555**	**-**	**(2,106)**
Transport and Communication				
Urban Roads (UR) - Local	4,536	1,684	1,744	(1,108)
Urban Roads - Regional	507	28	-	(479)
Sealed Rural Roads (SRR) - Local	4,222	6	61	(4,155)
Sealed Rural Roads - Regional	907	277	362	(268)
Unsealed Rural Roads (URR) - Local	1,912	-	16	(1,896)
Unsealed Rural Roads (URR) - Regional	10	-	-	(10)
Bridges on UR - Local	28	-	-	(28)
Bridges on SRR - Local	16	-	-	(16)
Bridges on URR - Local	116	-	-	(116)
Bridges on Regional Roads	-	-	-	-
Parking Areas	291	4	51	(236)
Footpaths	763	11	137	(615)
Other Transport & Communication	3,539	1,124	2,947	532
Total Transport and Communication	**16,847**	**3,134**	**5,318**	**(8,395)**
Economic Affairs				
Camping Areas & Caravan Parks	9,963	15,638	-	5,675
Other Business undertakings	5,894	875	422	(4,597)
Total Economic Affairs	**15,857**	**16,513**	**422**	**1,078**
Totals – Functions	**161,385**	**103,908**	**19,275**	**(38,202)**
General Purpose Revenues[1]		**58,544**	**-**	**58,544**
Share of interests - joint ventures & associates using the equity method	**-**	**-**		**-**
NET OPERATING RESULT FOR YEAR	**161,385**	**162,452**	**19,275**	**20,342**

(1) Includes: Rates & Annual Charges (incl. Ex Gratia), Untied General Purpose Grants & Interest on Investments (excl. Restricted Assets)

Shoalhaven City Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2010

$'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**	-	-	-	-	6	-	100	**100**
Financial Institutions	7,191	63,630	**70,821**	2,180	7,191	-	-	4,610	7,110	58,700	**65,810**
Other	36	1,154	**1,190**		246	-	-	81	49	895	**944**
Total Loans	**7,227**	**64,884**	**72,111**	**2,180**	**7,437**	**-**	**-**	**4,697**	**7,159**	**59,695**	**66,854**
Other Long Term Debt											
Ratepayers Advances	33	149	**182**	35	47	-	-	9	61	109	**170**
Government Advances	499	2,010	**2,509**	3,819	499	-	-	187	933	4,896	**5,829**
Total Long Term Debt	**532**	**2,159**	**2,691**	**3,854**	**546**	**-**	**-**	**196**	**994**	**5,005**	**5,999**
Total Debt	**7,759**	**67,043**	**74,802**	**6,034**	**7,983**	**-**	**-**	**4,893**	**8,153**	**64,700**	**72,853**

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 (as per the GPFS's).

Shoalhaven City Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993]

for the financial year ended 30 June 2010

$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	5,985	451	5,534
Sewer	12,000	501	11,499
Totals	**17,985**	**952**	**17,033**

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

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
General Fund	Water Fund	11/06/09	30/06/09	10	30/06/19	6.07%	5,985	451	5,534
Sewer Fund	Water Fund	11/06/09	30/06/09	15	30/06/24	6.28%	12,000	501	11,499
Totals							**17,985**	**952**	**17,033**

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 2010

$'000		Actuals 2010	Actuals 2009
A	**Expenses and Income**		
	Expenses		
1.	**Management expenses**		
	a. Administration	4,393	3,004
	b. Engineering and Supervision	1,298	2,655
2.	**Operation and Maintenance expenses**		
	- Dams & Weirs		
	a. Operation expenses	140	63
	b. Maintenance expenses	3	216
	- Mains		
	c. Operation expenses	1,122	1,086
	d. Maintenance expenses	1,043	1,041
	- Reservoirs		
	e. Operation expenses	248	194
	f. Maintenance expenses	62	65
	- Pumping Stations		
	g. Operation expenses (excluding energy costs)	162	142
	h. Energy costs	860	611
	i. Maintenance expenses	156	99
	- Treatment		
	j. Operation expenses (excluding chemical costs)	977	917
	k. Chemical costs	467	450
	l. Maintenance expenses	329	306
	- Other		
	m. Operation expenses	1,226	833
	n. Maintenance expenses	51	186
	o. Purchase of water	22	18
3.	**Depreciation expenses**		
	a. System assets	5,610	5,369
	b. Plant and equipment	436	281
4.	**Miscellaneous expenses**		
	a. Interest expenses	154	192
	b. Revaluation Decrements	-	456
	c. Other expenses	-	-
5.	**Total expenses**	**18,759**	**18,184**

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 2010

$'000		Actuals 2010	Actuals 2009
	Income		
6.	**Residential charges**		
	a. Access (including rates)	2,662	2,497
	b. Usage charges	7,394	6,054
7.	**Non-residential charges**		
	a. Access (including rates)	538	474
	b. Usage charges	5,458	4,409
8.	**Extra charges**	-	-
9.	**Interest income**	1,780	(1,206)
10.	**Other income**	1,789	1,765
11.	**Grants**		
	a. Grants for acquisition of assets	75	4
	b. Grants for pensioner rebates	480	441
	c. Other grants	40	9
12.	**Contributions**		
	a. Developer charges	1,388	876
	b. Developer provided assets	-	-
	c. Other contributions	-	-
13.	**Total income**	**21,604**	**15,323**
14.	**Gain or loss on disposal of assets**	(41)	(104)
15.	**Operating Result**	**2,804**	**(2,965)**
15a.	**Operating Result (less grants for acquisition of assets)**	2,729	(2,969)

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 2010

$'000	Actuals 2010	Actuals 2009
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. Subsidised scheme	-	21
b. Other new system assets	14,479	275
c. Renewals	945	684
d. Plant and equipment	538	683
17. Repayment of debt		
a. Loans	498	759
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	**16,460**	**2,422**
Non-operating funds employed		
20. Proceeds from disposal of assets	192	234
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	**192**	**234**
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	43,739	43,518
b. Residential (unoccupied, ie. vacant lot)	2,168	2,255
c. Non-residential (occupied)	3,548	3,465
d. Non-residential (unoccupied, ie. vacant lot)	394	404
25. Number of ETs for which developer charges were received	231 ET	149 ET
26. Total amount of pensioner rebates (actual dollars)	$818k	$755k

Shoalhaven City Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2010

$'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*?	Yes		
If Yes, go to 28a. If No, please report if council has removed **land value** from access charges (ie rates)?			
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)			
c. Cross-subsidy **to** non-residential customers (page 24 of Guidelines)			
d. Cross-subsidy **to** large connections in unmetered supplies (page 26 of Guidelines)			
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	Yes		
b. Total cross-subsidy in water supply developer charges for 2009/10 (page 47 of Guidelines)			
** 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)			-

* 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 Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2010

$'000		Actuals Current	Actuals Non Current	Actuals Total
	ASSETS			
30.	**Cash and investments**			
	a. Developer charges	5,539	-	**5,539**
	b. Special purpose grants	-	-	**-**
	c. Accrued leave	-	-	**-**
	d. Unexpended loans	-	-	**-**
	e. Sinking fund	-	-	**-**
	f. Other	4,804	4,588	**9,392**
31.	**Receivables**			
	a. Specific purpose grants	480	-	**480**
	b. Rates and charges	1,152	-	**1,152**
	c. Other	1,081	-	**1,081**
32.	**Inventories**	-	-	**-**
33.	**Property, plant and equipment**			
	a. System assets	-	289,545	**289,545**
	b. Plant and equipment	-	15,617	**15,617**
34.	**Other assets**	1,018	16,023	**17,041**
35.	**Total assets**	**14,074**	**325,773**	**339,847**
	LIABILITIES			
36.	**Bank overdraft**	-	-	**-**
37.	**Creditors**	920	-	**920**
38.	**Borrowings**			
	a. Loans	318	1,633	**1,951**
	b. Advances	-	-	**-**
	c. Finance leases	-	-	**-**
39.	**Provisions**			
	a. Tax equivalents	-	-	**-**
	b. Dividend	-	-	**-**
	c. Other	-	-	**-**
40.	**Total liabilities**	**1,238**	**1,633**	**2,871**
41.	**NET ASSETS COMMITTED**	**12,836**	**324,140**	**336,976**
	EQUITY			
42.	Accumulated surplus			**184,271**
43	Asset revaluation reserve			**152,705**
44.	**TOTAL EQUITY**			**336,976**

	Note to system assets:	
45.	**Current replacement cost** of system assets	472,028
46.	Accumulated **current cost** depreciation of system assets	(182,483)
47.	Written down **current cost** of system assets	**289,545**

Shoalhaven City Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2010

$'000		Actuals 2010	Actuals 2009
A	**Expenses and Income**		
	Expenses		
1.	**Management expenses**		
	a. Administration	4,792	6,029
	b. Engineering and Supervision	1,298	-
2.	**Operation and Maintenance expenses**		
	- Mains		
	a. Operation expenses	1,960	2,070
	b. Maintenance expenses	140	196
	- Pumping Stations		
	c. Operation expenses (excluding energy costs)	1,848	1,845
	d. Energy costs	455	330
	e. Maintenance expenses	919	690
	- Treatment		
	f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	2,448	2,263
	g. Chemical costs	117	116
	h. Energy costs	516	434
	i. Effluent Management	88	87
	j. Biosolids Management	554	540
	k. Maintenance expenses	716	543
	- Other		
	l. Operation expenses	1,123	1,254
	m. Maintenance expenses	326	332
3.	**Depreciation expenses**		
	a. System assets	6,641	6,798
	b. Plant and equipment	523	396
4.	**Miscellaneous expenses**		
	a. Interest expenses	3,314	2,765
	b. Revaluation Decrements	-	-
	c. Other expenses	580	584
5.	**Total expenses**	**28,358**	**27,272**

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 2010

$'000		Actuals 2010	Actuals 2009
	Income		
6.	**Residential charges** (including rates)	24,057	22,578
7.	**Non-residential charges**		
	a. Access (including rates)	2,643	2,436
	b. Usage charges	1,055	1,010
8.	**Trade Waste Charges**		
	a. Annual Fees	27	159
	b. Usage charges	170	-
	c. Excess mass charges	-	-
	d. Re-inspection fees	-	-
9.	**Extra charges**	1,142	1,196
10.	**Interest income**	672	176
11.	**Other income**	1,411	1,283
12.	**Grants**		
	a. Grants for acquisition of assets	5,043	4,516
	b. Grants for pensioner rebates	494	484
	c. Other grants	8	10
13.	**Contributions**		
	a. Developer charges	1,646	866
	b. Developer provided assets	-	-
	c. Other contributions	-	187
14.	**Total income**	**38,368**	**34,901**
15.	**Gain or loss on disposal of assets**	(92)	(153)
16.	**Operating Result**	**9,918**	**7,476**
16a.	**Operating Result (less grants for acquisition of assets)**	4,875	2,960

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 2010

$'000		Actuals 2010	Actuals 2009
B	**Capital transactions**		
	Non-operating expenditures		
17.	**Acquisition of Fixed Assets**		
	a. Subsidised scheme	10,097	15,066
	b. Other new system assets	13,826	2,781
	c. Renewals	1,748	2,294
	d. Plant and equipment	708	594
18.	**Repayment of debt**		
	a. Loans	3,233	2,561
	b. Advances	-	-
	c. Finance leases	-	-
19.	**Transfer to sinking fund**	-	-
20.	**Totals**	**29,612**	**23,296**
	Non-operating funds employed		
21.	**Proceeds from disposal of assets**	165	210
22.	**Borrowing utilised**		
	a. Loans	-	12,000
	b. Advances	-	-
	c. Finance leases	-	-
23.	**Transfer from sinking fund**	-	-
24.	**Totals**	**165**	**12,210**
C	**Rates and charges**		
25.	**Number of assessments**		
	a. Residential (occupied)	40,886	40,073
	b. Residential (unoccupied, ie. vacant lot)	2,125	2,208
	c. Non-residential (occupied)	2,501	2,004
	d. Non-residential (unoccupied, ie. vacant lot)	208	195
26.	**Number of ETs for which developer charges were received**	216 ET	133 ET
27.	**Total amount of pensioner rebates (actual dollars)**	$897k	$882k

Shoalhaven City Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2010

$'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*?	Yes		
If Yes, go to 29a. If No, please report if council has removed **land value** from access charges (ie rates)?			
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)			
c. Cross-subsidy **to** trade waste discharges (page 46 of Guidelines)			
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	Yes		
b. Total cross-subsidy in sewerage developer charges for 2009/10 (page 47 of Guidelines)			
** 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)			**-**

* Councils which have not yet implemented best practice sewer pricing & liquid waste prising should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

Shoalhaven City Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2010

$'000		Actuals Current	Actuals Non Current	Actuals Total
	ASSETS			
31.	**Cash and investments**			
	a. Developer charges	3,132	-	**3,132**
	b. Special purpose grants	-	-	**-**
	c. Accrued leave	-	-	**-**
	d. Unexpended loans	-	-	**-**
	e. Sinking fund	-	-	**-**
	f. Other	4,204	3,538	**7,742**
32.	**Receivables**			
	a. Specific purpose grants	494	-	**494**
	b. Rates and charges	3,108	-	**3,108**
	c. Other	606	-	**606**
33.	**Inventories**	-	-	**-**
34.	**Property, plant and equipment**			
	a. System assets	-	470,883	**470,883**
	b. Plant and equipment	-	36,697	**36,697**
35.	**Other assets**	4	-	**4**
36.	**Total Assets**	**11,548**	**511,118**	**522,666**
	LIABILITIES			
37.	**Bank overdraft**	-	-	**-**
38.	**Creditors**	3,227	-	**3,227**
39.	**Borrowings**			
	a. Loans	3,446	44,820	**48,266**
	b. Advances	-	-	**-**
	c. Finance leases	-	-	**-**
40.	**Provisions**			
	a. Tax equivalents	-	-	**-**
	b. Dividend	-	-	**-**
	c. Other	-	-	**-**
41.	**Total Liabilities**	**6,673**	**44,820**	**51,493**
42.	**NET ASSETS COMMITTED**	**4,875**	**466,298**	**471,173**
	EQUITY			
42.	Accumulated surplus			**274,598**
44.	Asset revaluation reserve			**196,575**
45.	**TOTAL EQUITY**			**471,173**

	Note to system assets:	
46.	**Current replacement cost** of system assets	636,681
47.	Accumulated **current cost** depreciation of system assets	(165,798)
48.	Written down **current cost** of system assets	**470,883**

Shoalhaven City Council

Notes to Special Schedule No.'s 3 & 5
for the financial year ended 30 June 2010

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.

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) include 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 - Condition of Public Works

as at 30 June 2010

$'000

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n. Expense ($)	Cost	Valuation	Accumulated Depreciation & Impairment	Carrying Amount (WDV)	Asset Condition#	Estimated cost to bring up to a satisfactory condition / standard (1)	Required(2) Annual M'ntce	Current(3) Annual M'ntce
		per Note 1	per Note 4	<<<<<<<<<<<< per Note 9 >>>>>>>>>>>>				<<<<<<<< per Section 428(2d) >>>>>>>>			
Buildings	Administration Buildings	1-2%	831	40	33,526	12,584	20,982	2	166	20	2
	Council Works Depot	1-2%	200	439	10,220	4,802	5,857	3	561	112	13
	Community Buildings	1-2%	1,215	381	73,458	22,819	51,020	3	1,850	370	356
	Sporting Facilities, Parks & Reser	2-4%	1,156	15,288	28,672	27,568	16,392	3	1,392	906	199
	Commercial / Industrial property	1-2%	293	560	13,416	5,369	8,607	2	1,963	393	127
	Animal Control	2.00%	11	-	732	391	341	3	18	4	2
	Cemetries / Crematorium	1-10%	69	2,030	1,087	1,083	2,034	2	134	27	6
	Swimming pools / Leisure Centre	1-10%	644	6,213	25,507	9,076	22,644	3	768	154	195
	Tourist Caravan Parks	2-10%	468	3,447	13,502	7,958	8,991	2	952	190	200
	Libraries	2-10%	138	-	6,617	2,603	4,014	2	59	12	5
	Waste Depots	2.00%	50	1,064	1,556	919	1,701	2	42	8	8
	Wharves, Jetties, & Boat Ramps	2.00%	174	7,444	-	2,803	4,641	3	94	19	20
	Fire Control / Emergency Service	1-2%	142	4,598	3,615	2,429	5,784	3	363	73	12
	Amenities / Toilets	2.00%	154	182	10,608	5,548	5,242	2	1,260	252	147
	Road Furniture	1.00%	5	44	-	44	-	1	-	-	-
	Communication Facilities	2.00%	17	1,700	294	196	1,798	1	-	40	40
	Tennis / Net ball	2-10%	-	495	-	-	495	3	290	104	40
	Coastal	1-2%	-	-	334	-	334	2	383	160	165
	sub total		**5,567**	**43,925**	**223,144**	**106,192**	**160,877**		**10,295**	**2,844**	**1,537**

Shoalhaven City Council

Special Schedule No. 7 - Condition of Public Works

$'000

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n. Expense ($)	Cost	Valuation	Accumulated Depreciation & Impairment	Carrying Amount (WDV)	Asset Condition#	Estimated cost to bring up to a satisfactory condition / standard (1)	Required(2) Annual M'ntce	Current(3) Annual M'ntce
Public Roads	Road Surface	1-2%	1,963		118,226	42,243	75,983	3	9,308	5,900	4,563
	Road Pavement	2.50%	1,362		339,567	70,282	269,285	3	14,619	855	906
	Gravel Roads	10.00%	843		21,958	10,979	10,979	3	6,000	2,821	1,579
	Guideposts						-	3	-	52	132
	Linemarking						-	3	-	180	106
	Crash Barrier	3.33%	36		3,362	1,526	1,836	3	470	102	1
	Signs	2-3%	1		147	19	128	3	-	161	284
	Shoulders				-	-	-	3	1,800	750	384
	Bridges		310		72,014	28,333	43,681	3	302	185	204
	Footpaths	1.43%	269		39,291	12,056	27,235	3	1,656	306	275
	Bus Shelters	5.00%	30		1,616	570	1,046	2	23	4	8
	Carparks	5.00%	3		1,327	176	1,151	2	-	170	54
	Kerb and Gutter	1.43%	1,251		228,628	37,843	190,785	3	4,167	2,900	46
	sub total		**6,068**	**-**	**826,136**	**204,027**	**622,109**		**38,345**	**14,386**	**8,542**

Shoalhaven City Council

Special Schedule No. 7 - Condition of Public Works (continued)
as at 30 June 2010

$'000

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n. Expense ($)	Cost	Valuation	Accumulated Depreciation & Impairment	Carrying Amount (WDV)	Asset Condition#	Estimated cost to bring up to a satisfactory condition standard (1)	Required(2) Annual Maintenance	Current(3) Annual Maintenance
		per Note 1	per Note 4	<<<<<<<<<<<< per Note 9 >>>>>>>>>>>>				<<<<<<<< per Section 428(2d) >>>>>>>>			
Water	Infrastructure Including:		5,610		472,028	182,483	289,545	1	-	3,050	2,942
	- Treatment Plants										
	- Dams and Reservoirs										
	- Pumping Stations										
	- Pipelines / Mains										
	sub total		**5,610**	**-**	**472,028**	**182,483**	**289,545**		**-**	**3,050**	**2,942**
Sewerage	Infrastructure Including:		6,641		636,681	165,798	470,883	1	-	3,800	3,399
	- Treatment Plants										
	- Pumping Stations										
	- Pipelines / Mains										
	sub total		**6,641**	**-**	**636,681**	**165,798**	**470,883**		**-**	**3,800**	**3,399**

Shoalhaven City Council

Special Schedule No. 7 - Condition of Public Works (continued)
as at 30 June 2010

$'000

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n. Expense ($)	Cost	Valuation	Accumulated Depreciation & Impairment	Carrying Amount (WDV)	Asset Condition#	Estimated cost to bring up to a satisfactory condition standard (1)	Required(2) Annual Maintenance	Current(3) Annual Maintenance
		per Note 1	per Note 4	<<<<<<<<<<<< per Note 9 >>>>>>>>>>>>				<<<<<<<< per Section 428(2d) >>>>>>>>			
Drainage Works	Infrastucture Including:		1,473		131,370	57,951	73,419	3	436	130	100
	- Stormwater Drainage pits										
	- Stormwater drainage pipes										
	- Flood Mitigation Structures										
	sub total		**1,473**	**-**	**131,370**	**57,951**	**73,419**		**436**	**130**	**100**
	TOTAL - ALL ASSETS		**25,359**	**43,925**	**2,289,359**	**716,451**	**1,616,833**		**49,076**	**24,210**	**16,520**

Notes:

(1). Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned enhancements to the existing asset.

(2). Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.

(3). Current Annual Maintenance is what has been spent in the current year to maintain assets.

\# **Asset Condition "Key" - as per NSW Local Government Asset Accounting Manual:**

1 **Near Perfect** - Ranges from New or Good

2 **Superficial Deterioration** - Ranges from Generally Good to Fair

3 **Deterioration Evident** - Ranges from Fair to Marginal

4 **Requires Major Reconstruction** - Ranges from Poor to Critical

5 **Asset Unserviceable** - Critical, Beyond Repair

Shoalhaven City Council

Special Schedule No. 8 - Financial Projections
as at 30 June 2010

$million	Actual [1] 09/10	Forecast 10/11	Forecast 11/12	Forecast 12/13	Forecast 13/14
(i) RECURRENT BUDGET					
Income from continuing operations	182	177	202	197	198
Expenses from continuing operations	161	172	179	186	192
Operating Result from Continuing Operations	**20**	**5**	**23**	**11**	**6**
(ii) CAPITAL BUDGET					
New Capital Works [2]	37	37	60	58	31
Replacement/Refurbishment of Existing Assets	10	25	21	21	20
Total Capital Budget	**47**	**62**	**81**	**79**	**51**
Funded by:					
– Loans	7	21	19	25	13
– Asset sales	-	-	-	-	-
– Reserves	20	32	32	35	26
– Grants/Contributions	16	3	19	9	3
– Recurrent revenue	4	6	11	10	9
– Other	-	-	-	-	-
	47	**62**	**81**	**79**	**51**

Notes:

(1) From 09/10 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.