

Eurobodalla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013



Eurobodalla Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
- Income Statement of Water Supply Business Activity	3
- Income Statement of Sewerage Business Activity	4
- Income Statement of Other Business Activities	5
- Balance Sheet of Water Supply Business Activity	6
- Balance Sheet of Sewerage Business Activity	7
- Balance Sheet of Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	9
4. Auditor's Report	18

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).
-

Eurobodalla Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

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.

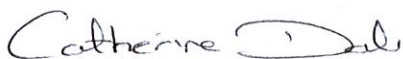
Signed in accordance with a resolution of Council made on 22 October 2013.



L Brown
MAYOR



N Burnside
COUNCILLOR



Dr C Dale
GENERAL MANAGER



A O'Reilly
RESPONSIBLE ACCOUNTING OFFICER

Eurobodalla Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012	
Income from continuing operations			
Access charges	3,300	3,288	
User charges	8,272	7,355	
Fees	241	224	
Interest	274	74	
Grants and contributions provided for non capital purposes	199	387	
Other income	22	20	
Total income from continuing operations	12,308	11,348	
Expenses from continuing operations			
Employee benefits and on-costs	2,676	2,761	
Borrowing costs	642	632	
Materials and contracts	3,990	3,946	
Depreciation and impairment	5,917	3,359	
Loss on sale of assets	1,197	697	
Calculated taxation equivalents	15	16	
Other expenses	946	967	
Total expenses from continuing operations	15,383	12,378	
Surplus (deficit) from Continuing Operations before capital amounts	(3,075)	(1,030)	
Grants and contributions provided for capital purposes	583	1,095	
Surplus (deficit) from Continuing Operations after capital amounts	(2,492)	65	
Surplus (deficit) from discontinued operations	-	-	
Surplus (deficit) from ALL Operations before tax	(2,492)	65	
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	
SURPLUS (DEFICIT) AFTER TAX	(2,492)	65	
plus Opening Retained Profits	147,249	147,247	
plus/less: Asset Revaluation Reserve Transfers	1,060	312	
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	15	16	
- Debt guarantee fees	-	-	
- Corporate taxation equivalent	-	-	
less:			
- Tax Equivalent Dividend paid	(15)	(16)	
- Surplus dividend paid	-	(375)	
Closing Retained Profits	145,817	147,249	
Return on Capital %	-0.9%	-0.1%	
Subsidy from Council	12,995	8,895	
Calculation of dividend payable:			
Surplus (deficit) after tax	(2,492)	65	
less: Capital grants and contributions (excluding developer contributions)	-	(100)	
Surplus for dividend calculation purposes	-	-	
Potential Dividend calculated from surplus	-	-	

Eurobodalla Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	16,137	15,291
User charges	498	400
Liquid Trade Waste charges	104	103
Fees	13	13
Interest	459	75
Grants and contributions provided for non capital purposes	220	261
Other income	70	66
Total income from continuing operations	17,501	16,209
Expenses from continuing operations		
Employee benefits and on-costs	3,417	3,428
Borrowing costs	1,484	1,340
Materials and contracts	4,867	4,628
Depreciation and impairment	5,701	4,260
Loss on sale of assets	1,335	1,324
Calculated taxation equivalents	38	41
Other expenses	1,085	917
Total expenses from continuing operations	17,927	15,938
Surplus (deficit) from Continuing Operations before capital amounts	(426)	271
Grants and contributions provided for capital purposes	(873)	1,905
Surplus (deficit) from Continuing Operations after capital amounts	(1,299)	2,176
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(1,299)	2,176
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(81)
SURPLUS (DEFICIT) AFTER TAX	(1,299)	2,095
plus Opening Retained Profits	108,381	105,579
plus/less: Asset Revaluation Reserve Transfers	1,175	1,001
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	38	41
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	81
less:		
- Tax Equivalent Dividend paid	(38)	(41)
- Surplus dividend paid	(529)	(375)
Closing Retained Profits	107,728	108,381
Return on Capital %	0.4%	0.7%
Subsidy from Council	7,846	5,510
Calculation of dividend payable:		
Surplus (deficit) after tax	(1,299)	2,095
less: Capital grants and contributions (excluding developer contributions)	1,565	(555)
Surplus for dividend calculation purposes	266	1,540
Potential Dividend calculated from surplus	133	770

Eurobodalla Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

Batemans Bay Beach
Resort

Category 1

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	-	-
User charges	2,126	2,117
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Other income	30	44
Total income from continuing operations	2,156	2,161
Expenses from continuing operations		
Employee benefits and on-costs	-	-
Borrowing costs	708	736
Materials and contracts	881	748
Depreciation and impairment	445	462
Loss on sale of assets	-	-
Calculated taxation equivalents	14	14
Other expenses	401	403
Total expenses from continuing operations	2,449	2,363
Surplus (deficit) from Continuing Operations before capital amounts	(293)	(202)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(293)	(202)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(293)	(202)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(293)	(202)
plus Opening Retained Profits	(3,291)	(3,143)
plus/less: Prior Period Adjustments	-	40
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	14	14
less:		
- TER dividend paid	(14)	-
- Dividend paid	-	-
Closing Retained Profits	(3,584)	(3,291)
Return on Capital %	4.0%	4.9%
Subsidy from Council	(27)	(534)

Eurobodalla Shire Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	5,725	3,337
Investments	745	1,439
Receivables	2,960	2,701
Inventories	59	59
Other	122	124
Total Current Assets	9,611	7,660
Non-Current Assets		
Infrastructure, property, plant and equipment	280,896	280,433
Total non-Current Assets	280,896	280,433
TOTAL ASSETS	290,507	288,093
LIABILITIES		
Current Liabilities		
Payables	9	9
Interest bearing liabilities	637	531
Total Current Liabilities	646	540
Non-Current Liabilities		
Interest bearing liabilities	8,614	8,849
Total Non-Current Liabilities	8,614	8,849
TOTAL LIABILITIES	9,260	9,389
NET ASSETS	281,247	278,704
EQUITY		
Retained earnings	145,817	147,249
Revaluation reserves	135,430	131,455
Council equity interest	281,247	278,704
Minority equity interest	-	-
TOTAL EQUITY	281,247	278,704

Eurobodalla Shire Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	8,708	5,924
Investments	4,383	6,618
Receivables	128	106
Other	-	-
Total Current Assets	13,219	12,648
Non-Current Assets		
Infrastructure, property, plant and equipment	236,796	235,012
Total non-Current Assets	236,796	235,012
TOTAL ASSETS	250,015	247,660
LIABILITIES		
Current Liabilities		
Payables	30	41
Interest bearing liabilities	4,973	2,009
Total Current Liabilities	5,003	2,050
Non-Current Liabilities		
Interest bearing liabilities	17,633	21,429
Total Non-Current Liabilities	17,633	21,429
TOTAL LIABILITIES	22,636	23,479
NET ASSETS	227,379	224,181
EQUITY		
Retained earnings	107,729	108,381
Revaluation reserves	119,650	115,800
Council equity interest	227,379	224,181
Minority equity interest	-	-
TOTAL EQUITY	227,379	224,181

Eurobodalla Shire Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2013

Batemans Bay Beach
Resort
Category 1

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Receivables	67	30
Total Current Assets	67	30
Non-Current Assets		
Infrastructure, property, plant and equipment	10,332	10,850
Total Non-Current Assets	10,332	10,850
TOTAL ASSETS	10,399	10,880
LIABILITIES		
Current Liabilities		
Bank Overdraft	274	1,165
Interest bearing liabilities	1,867	601
Total Current Liabilities	2,141	1,766
Non-Current Liabilities		
Interest bearing liabilities	11,026	11,466
Total Non-Current Liabilities	11,026	11,466
TOTAL LIABILITIES	13,167	13,232
NET ASSETS	(2,768)	(2,352)
EQUITY		
Retained earnings	(3,587)	(3,291)
Revaluation reserves	819	939
Council equity interest	(2,768)	(2,352)
TOTAL EQUITY	(2,768)	(2,352)

Eurobodalla Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2	Water Supply Business Best Practice Management disclosure requirements	13
3	Sewerage Business Best Practice Management disclosure requirements	15

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

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

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

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the AASB and Australian Accounting Interpretations. The disclosures in these special purpose financial statements have been prepared in accordance with the Local Government Act and Regulation and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

Declared Business Activities

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

Category 1

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

a. Eurobodalla Water Supply

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

b. Eurobodalla Sewerage Fund

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

c. Batemans Bay Beach Resort

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

Category 2

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

Council has no Category 2 Business Activities

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest 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).

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

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies (continued)

statements as a cost of operations just like all other costs.

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$406,000** of combined land values attracts **0%**. From \$406,001 to \$2,482,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,482,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$689,000.

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

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

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies (continued)

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.76% at 30/6/13.

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 2013 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.

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 2. Water Supply Business
Best Practice Management disclosure requirements

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

2013

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	15,000
(ii)	No of assessments multiplied by \$3/assessment	62,106
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	15,000
(iv)	Amounts actually paid for Tax Equivalents	15,000

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	606,060
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	(1,556,000)

2013 Surplus	(2,492,000)	2012 Surplus	(35,000)	2011 Surplus	1,646,000
		2012 Dividend	375,000	2011 Dividend	300,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(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

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 2. Water Supply Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

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	12,617
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)]	%	68.32%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	275,881
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	7,612
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	2,651
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)]	%	-0.32%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

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

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements

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

2013

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	38,000
(ii)	No of assessments multiplied by \$3/assessment	57,375
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	38,000
(iv)	Amounts actually paid for Tax Equivalents	38,000

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	133,000
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	535,750
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	3,139,700

2013 Surplus	266,000	2012 Surplus	1,539,700	2011 Surplus	2,009,000
		2012 Dividend	375,000	2011 Dividend	300,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	133,000
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	528,820

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

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

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	17,734
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	234,645
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	9,369
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	3,975
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)]	%	1.13%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	(1,565)

**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	15,115
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	2.55%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	4,737
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)]	%	0.17%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	529
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	-23.20%

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

2013

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)]	%	2.39%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		1
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	(2,279)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	386

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



PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

Level 22 MLC Centre
19 Martin Place
Sydney NSW 2000
Australia

Postal Address:
GPO Box 1615
Sydney NSW 2001
Australia

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

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

Pitcher Partners is an association of independent firms

Melbourne | Sydney | Perth | Adelaide | Brisbane

EUROBODALLA SHIRE COUNCIL Special Purpose Financial Report Independent Auditors' Report to the Council for the Year ended 30 June 2013

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

We have audited the accompanying financial statements, being special purpose financial statements, of Eurobodalla Shire Council's declared business activities, which comprises the balance sheet as at 30 June 2013 and the income statement for the year then ended, a summary of significant accounting policies, and other explanatory notes and the Statement by Councillors and Management.

Council's Responsibilities for the Financial Statements

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

Auditor's Responsibilities

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

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

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

Auditor's Opinion

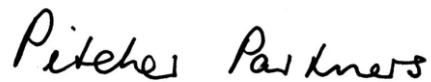
In our opinion, the financial statements present fairly, in all material respects, the financial position of Eurobodalla Shire Council as of 30 June 2013 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the special purpose financial statements.

Basis of Accounting

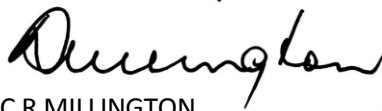
Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the New South Wales Division of Local Government for the purpose of fulfilling the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

Other Matter

Eurobodalla Shire Council has prepared a separate financial report for the year ended 30 June 2013 in accordance with Australian Accounting Standards and the Code of Accounting Practice and Financial Reporting on which we issued a separate auditor's report to the Council dated 30 October 2013.



PITCHER PARTNERS



C R MILLINGTON
Partner

Sydney, 30 October 2013