

Eurobodalla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

"Good Government, Better Living"



EUROBODALLA SHIRE COUNCIL

Good Government, better living

Eurobodalla Shire Council

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

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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).
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Eurobodalla Shire 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:

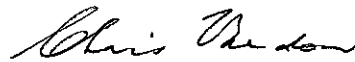
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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 28 September 2010.



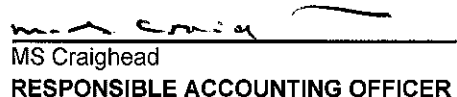
FD Thomson
MAYOR



CP Vardon OAM (Deputy Mayor)
COUNCILLOR



PJ Anderson
GENERAL MANAGER



MS Craighead
RESPONSIBLE ACCOUNTING OFFICER

Eurobodalla Shire 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	6,207	5,959	5,700
User charges	5,517	4,996	4,885
Fees	233	165	196
Interest	355	116	857
Grants and contributions provided for non capital purposes	251	210	191
Profit from the sale of assets	-	-	8
Other income	20	21	52
Total income from continuing operations	12,583	11,467	11,889
Expenses from continuing operations			
Employee benefits and on-costs	2,564	2,490	2,292
Borrowing costs	30	179	31
Materials and contracts	2,958	2,699	3,091
Depreciation and impairment	2,836	2,828	2,404
Loss on sale of assets	483	1,176	-
Calculated taxation equivalents	22	22	23
Other expenses	977	913	1,754
Total expenses from continuing operations	9,870	10,307	9,595
Surplus (deficit) from Continuing Operations before capital amounts	2,713	1,160	2,294
Grants and contributions provided for capital purposes	3,757	9,172	5,598
Surplus (deficit) from Continuing Operations after capital amounts	6,470	10,332	7,892
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	6,470	10,332	7,892
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(814)	(348)	(688)
SURPLUS (DEFICIT) AFTER TAX	5,656	9,984	7,204
plus Opening Retained Profits	134,929	124,534	116,642
plus/less: Prior Period Adjustments / ARR Tfirs	95	63	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	22	22	23
- Corporate taxation equivalent	814	348	688
less:			
- Tax Equivalent Dividend paid	(22)	(22)	(23)
- Surplus dividend paid	-	-	-
Closing Retained Profits	141,494	134,929	124,534
Return on Capital %	1.4%	0.7%	1.6%
Subsidy from Council	7,375	8,627	562
Calculation of dividend payable:			
Surplus (deficit) after tax	5,656	9,984	7,204
less: Capital grants and contributions (excluding developer contributions)	(2,186)	(7,650)	(4,530)
Surplus for dividend calculation purposes	3,470	2,334	2,674
Potential Dividend calculated from surplus	1,735	1,167	1,337

Eurobodalla Shire 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	12,816	11,853	10,415
User charges	177	-	-
Liquid Trade Waste Charges	116	118	118
Fees	12	11	-
Interest	2,997	264	278
Grants and contributions provided for non capital purposes	189	327	178
Other income	51	71	72
Total income from continuing operations	16,358	12,644	11,061
Expenses from continuing operations			
Employee benefits and on-costs	3,059	2,964	2,818
Borrowing costs	822	756	802
Materials and contracts	3,843	4,162	4,173
Depreciation and impairment	3,994	3,868	3,084
Loss on sale of assets	146	495	555
Calculated taxation equivalents	40	40	41
Other expenses	977	789	1,074
Total expenses from continuing operations	12,881	13,074	12,547
Surplus (deficit) from Continuing Operations before capital amounts	3,477	(430)	(1,486)
Grants and contributions provided for capital purposes	1,587	4,441	1,107
Surplus (deficit) from Continuing Operations after capital amounts	5,064	4,011	(379)
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	5,064	4,011	(379)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,043)	-	-
SURPLUS (DEFICIT) AFTER TAX	4,021	4,011	(379)
plus Opening Retained Profits	98,799	94,776	95,155
plus/less: Prior Period Adjustments / ARR Tfirs	(25)	12	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	40	40	41
- Corporate taxation equivalent	1,043	-	-
less:			
- Tax Equivalent Dividend paid	(40)	(40)	(41)
- Surplus dividend paid	(345)	-	-
Closing Retained Profits	103,493	98,799	94,776
Return on Capital %	2.5%	0.2%	0.0%
Subsidy from Council	4,362	8,714	-
Calculation of dividend payable:			
Surplus (deficit) after tax	4,021	4,011	(379)
less: Capital grants and contributions (excluding developer contributions)	-	(3,321)	-
Surplus for dividend calculation purposes	4,021	690	(379)
Potential Dividend calculated from surplus	2,010	345	(190)

Eurobodalla Shire 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	1,373	926
Investments	1,958	3,001
Receivables	1,852	1,681
Inventories	64	376
Other	9	-
Non-current assets classified as held for sale	-	-
Total Current Assets	5,256	5,984
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	198,390	179,893
Other	-	-
Total non-Current Assets	198,390	179,893
TOTAL ASSETS	203,646	185,877
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	13	36
Interest bearing liabilities	393	128
Provisions	-	26
Total Current Liabilities	406	190
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	7,174	307
Provisions	-	-
Total Non-Current Liabilities	7,174	307
TOTAL LIABILITIES	7,580	497
NET ASSETS	196,066	185,380
EQUITY		
Retained earnings	141,494	134,929
Revaluation reserves	54,572	50,451
Council equity interest	196,066	185,380
Minority equity interest	-	-
TOTAL EQUITY	196,066	185,380

Eurobodalla Shire 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	3,155	4,522
Investments	13,438	4,296
Receivables	50	-
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	16,643	8,818
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	169,815	163,172
Other	-	-
Total non-Current Assets	169,815	163,172
TOTAL ASSETS	186,458	171,990
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	38	135
Interest bearing liabilities	2,200	2,988
Provisions	-	-
Total Current Liabilities	2,238	3,123
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	15,647	9,398
Provisions	-	-
Total Non-Current Liabilities	15,647	9,398
TOTAL LIABILITIES	17,885	12,521
NET ASSETS	168,573	159,469
EQUITY		
Retained earnings	103,493	98,799
Revaluation reserves	65,080	60,670
Council equity interest	168,573	159,469
Minority equity interest	-	-
TOTAL EQUITY	168,573	159,469

Eurobodalla Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

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Eurobodalla Shire 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 a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division of Local Government.

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared Business Activities

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

Category 1

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

a. 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.

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.

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$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.

Payroll Tax – **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.

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.

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.10% at 30/6/10.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either **(i)** 50% of this surplus in any one year, or **(ii)** the number of water supply or sewerage assessments at 30 June 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.

Eurobodalla Shire Council

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

(i)	Calculated Tax Equivalents	22,000
(ii)	No of assessments multiplied by \$3/assessment	61,494
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	22,000
(iv)	Amounts actually paid for Tax Equivalents	22,000

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	1,735,050
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	592,940
(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 2008	8,477,900

2010 Surplus	3,470,100	2009 Surplus	2,334,000	2008 Surplus	2,673,800
		2009 Dividend	-	2008 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	592,940
(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) (Currently being reviewed and updated)	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]	NO
	- 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 2010Note 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 13,799
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)]	% 42.82%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000 191,641
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000 6,499
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000 17,715
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)]	% 2.25%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000 2,186

- 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 2010Note 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]

(i) Calculated Tax Equivalents	40,000
(ii) No of assessments multiplied by \$3/assessment	56,376
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	40,000
(iv) Amounts actually paid for Tax Equivalents	40,000

2. Dividend from Surplus

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	2,010,450
(ii) No. of assessments x (\$30 less tax equivalent charges per assessment)	523,760
(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 2008	4,331,900

2010 Surplus	4,020,900	2009 Surplus	690,000	2008 Surplus	(379,000)
		2009 Dividend	-	2008 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	523,760
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	345,000

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) (Currently being reviewed and updated)	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 2010Note 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	14,948
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	167,833
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	7,879
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	6,359
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)]	%	1.81%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	28,118
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.36%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	24,074
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)]	%	2.05%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	345
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	3.72%

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2010Note 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)]	%	1.51%
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)		> 100
	7,539		
	- 2,500		
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	9,286
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	381

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



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EUROBODALLA SHIRE COUNCIL

Special Purpose Financial Report

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 Eurobodalla Shire 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 Eurobodalla Shire 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

C R Millington
C R MILLINGTON
Partner

Sydney, 26 October 2010