

Berrigan Shire Council

SPECIAL PURPOSE FINANCIAL REPORTS
for the year ended 30 June 2008

“Heart of the Southern Riverina”



Berrigan Shire Council

Special Purpose Financial Reports for the financial year ended 30 June 2008

Contents	Page
1. Statement by Councillors & Management	1
2. Special Purpose Financial Reports:	
- Income Statement of Water Supply Business Activity	2
- Income Statement of Sewerage Business Activity	3
- Income Statement of Other Business Activities	4
- Balance Sheet of Water Supply Business Activity	5
- Balance Sheet of Sewerage Business Activity	6
- Balance Sheet of Other Business Activities	7
3. Notes to the Special Purpose Financial Reports	8-16
4. Auditor's Report	

Background

(i) These Special Purpose Financial Reports have been prepared for the use by both Council and the Department 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 reports 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).

Berrigan Shire Council

Special Purpose Financial Reports for the financial year ended 30 June 2008

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Reports have been prepared in accordance with:

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- The Department 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 Department of Water and Energy Best-Practice Management of Water and Sewerage Guidelines.

To the best of our knowledge and belief, these Reports:


- 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 reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 15th October 2008.



Cr John Bruce
MAYOR



Cr Bernard Cuthin
COUNCILLOR



Rowan Perkins
GENERAL MANAGER



Angela Slater
RESPONSIBLE ACCOUNTING OFFICER

Berrigan Shire Council

Income Statement of Council's Water Supply Business Activity
for the financial year ended 30 June 2008

\$ '000	Actual 2008	Actual 2007	Actual 2006
Income from continuing operations			
Access charges	1,001	975	1,636
User charges	697	927	210
Fees	66	62	209
Interest	165	131	100
Grants and contributions provided for non capital purposes	41	41	40
Profit from the sale of assets	-	-	-
Other income	87	207	-
Total income from continuing operations	2,057	2,343	2,195
Expenses from continuing operations			
Employee benefits and on-costs	292	295	428
Borrowing costs	69	38	38
Materials and contracts	1,077	799	382
Depreciation and impairment	506	501	507
Water purchase charges	-	107	75
Loss on sale of assets	-	-	-
Calculated taxation equivalents	8	-	1
Debt guarantee fee (if applicable)	10	5	5
Other expenses	-	181	366
Total expenses from continuing operations	1,962	1,926	1,802
Surplus (deficit) from Continuing Operations before capital amounts	95	417	393
Grants and contributions provided for capital purposes	352	134	11
Surplus (deficit) from Continuing Operations after capital amounts	447	551	404
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	447	551	404
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(29)	(125)	(115)
SURPLUS (DEFICIT) AFTER TAX	419	426	289
plus Opening Retained Profits	17,301	16,750	16,340
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	8	-	1
- Debt guarantee fees	10	5	5
- Corporate taxation equivalent	29	125	115
less:			
- Tax Equivalent Dividend paid	(18)	(5)	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	17,748	17,301	16,750
Return on Capital %	0.6%	1.7%	
Subsidy from Council	1,573		
Calculation of dividend payable:			
Surplus (deficit) after tax	419	426	289
less: Capital grants and contributions (excluding developer contributions)	-	(95)	(11)
Surplus for dividend calculation purposes	419	331	278
Potential Dividend calculated from surplus	209	165	139

Berrigan Shire Council

Income Statement of Council's Sewerage Business Activity
for the financial year ended 30 June 2008

\$ '000	Actual 2008	Actual 2007	Actual 2006
Income from continuing operations			
Access charges	1,076	1,048	1,048
User charges	18	27	-
Liquid Trade Waste Charges	2	2	-
Interest	231	199	135
Grants and contributions provided for non capital purposes	40	40	39
Profit from the sale of assets	-	-	304
Other income	2	-	39
Total income from continuing operations	1,369	1,316	1,565
Expenses from continuing operations			
Employee benefits and on-costs	195	190	303
Borrowing costs	-	-	7
Materials and contracts	528	498	482
Depreciation and impairment	701	400	403
Loss on sale of assets	-	-	-
Calculated taxation equivalents	24	-	1
Debt guarantee fee (if applicable)	-	-	1
Other expenses	96	85	24
Total expenses from continuing operations	1,544	1,173	1,221
Surplus (deficit) from Continuing Operations before capital amounts	(175)	143	344
Grants and contributions provided for capital purposes	479	-	-
Surplus (deficit) from Continuing Operations after capital amounts	304	143	344
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	304	143	344
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(43)	(104)
SURPLUS (DEFICIT) AFTER TAX	304	100	240
plus Opening Retained Profits	11,441	11,298	10,952
plus/less: Prior Period Adjustments	-	-	-
adjustments for amounts unpaid:			
- Taxation equivalent payments	24	-	1
- Debt guarantee fees	-	-	1
- Corporate taxation equivalent	-	43	104
less:			
- Tax Equivalent Dividend paid	(10)	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	11,759	11,441	11,298
Return on Capital %	-1.0%	0.9%	4.4%
Subsidy from Council	1,262	-	-
Calculation of dividend payable:			
Surplus (deficit) after tax	304	100	240
less: Capital grants and contributions (excluding developer contributions)	-	-	-
Surplus for dividend calculation purposes	304	100	240
Potential Dividend calculated from surplus	152	50	120

Berrigan Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2008

	Saleyards	Saleyards	N/A	N/A
	Actual	Actual	Actual	Actual
\$ '000	2008	2007	2008	2007
Income from continuing operations				
User charges	139	162	-	-
Other income	-	-	-	-
Total income from continuing operations	139	162	-	-
Expenses from continuing operations				
Employee benefits and on-costs	91	116	-	-
Borrowing costs	1	6	-	-
Materials and contracts	98	192	-	-
Depreciation and impairment	46	37	-	-
Other expenses	22	30	-	-
Total expenses from continuing operations	258	381	-	-
Surplus (deficit) from Continuing Operations before capital amounts	(119)	(219)	-	-
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(119)	(219)	-	-
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(119)	(219)	-	-
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(119)	(219)	-	-
plus Opening Retained Profits	469	688	-	-
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	350	469	-	-
Return on Capital %	-33.7%	-41.5%	n/a	n/a
Subsidy from Council	141	n/a	-	-

Berrigan Shire Council

Balance Sheet of Council's Water Supply Business Activity
as at 30 June 2008

\$ '000	Actual 2008	Actual 2007
ASSETS		
Current Assets		
Cash and cash equivalents	254	1,108
Investments	2,630	1,792
Receivables	186	324
Inventories	58	48
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	3,128	3,272
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	26,931	26,498
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	26,931	26,498
TOTAL ASSETS	30,059	29,770
LIABILITIES		
Current Liabilities		
Payables	-	-
Interest bearing liabilities	78	258
Provisions	-	-
Total Current Liabilities	78	258
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	837	915
Provisions	-	-
Total Non-Current Liabilities	837	915
TOTAL LIABILITIES	915	1,173
NET ASSETS	29,144	28,597
EQUITY		
Retained earnings	17,748	17,301
Revaluation reserves	11,396	11,296
Council equity interest	29,144	28,597
Minority equity interest	-	-
TOTAL EQUITY	29,144	28,597

Berrigan Shire Council

Balance Sheet of Council's Sewerage Business Activity
as at 30 June 2008

\$ '000	Actual 2008	Actual 2007
ASSETS		
Current Assets		
Cash and cash equivalents	248	706
Investments	1,240	1,731
Receivables	148	138
Inventories	4	3
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	1,640	2,578
Non-Current Assets		
Investments	-	-
Receivables	919	1,018
Inventories	-	-
Infrastructure, property, plant and equipment	16,844	15,389
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	17,763	16,407
TOTAL ASSETS	19,403	18,985
LIABILITIES		
Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	-	-
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	-	-
NET ASSETS	19,403	18,985
EQUITY		
Retained earnings	11,759	11,441
Revaluation reserves	7,644	7,544
Council equity interest	19,403	18,985
Minority equity interest	-	-
TOTAL EQUITY	19,403	18,985

Berrigan Shire Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2008

	Saleyards Cat. 1/2	Saleyards Cat. 1/2	N/A Cat. 1/2	N/A Cat. 1/2
	Actual	Actual	Actual	Actual
\$ '000	2008	2007	2008	2007
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	-	-	-	-
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	350	513	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	350	513	-	-
TOTAL ASSETS	350	513	-	-
LIABILITIES				
Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	44	-	-
Provisions	-	-	-	-
Total Current Liabilities	-	44	-	-
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	-	44	-	-
NET ASSETS	350	469	-	-
EQUITY				
Retained earnings	350	469	-	-
Revaluation reserves	-	-	-	-
Council equity interest	350	469	-	-
Minority equity interest	-	-	-	-
TOTAL EQUITY	350	469	-	-

Berrigan Shire Council

Special Purpose Financial Reports for the financial year ended 30 June 2008

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	9-11
2	Water Supply Business Best Practice Management disclosure requirements	12-13
3	Sewerage Business Best Practice Management disclosure requirements	14-16

Berrigan Shire Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2008

Note 1. Significant Accounting Policies

These financial statements are Special Purpose Financial Reports (SPFR's) prepared for use by the Council, the Department of Local Government and the Department of Water & Energy.

For the purposes of these statements, the council's activities (listed herein) are based upon them not being reporting entities.

This special purpose financial report, unless otherwise stated, has been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Consensus Views,
- the Local Government Act and Regulations,
- the Local Government Code of Accounting Practice and Financial Reporting, and
- the Local Government Asset Accounting Manual.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets.

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 Department 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)

Nil

Category 2

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

- a. **Berrigan Shire Council's Water Supply**
Supply drinking quality water to the towns of Barooga, Berrigan, Finley and Tocumwal.
- b. **Berrigan Shire Council's Sewerage Service**
Supply of a reticulated sewerage service to the towns of Barooga, Berrigan, Finley and Tocumwal.
- c. **Finley Livestock Exchange**
Supply of livestock exchange centre to vendors and buyers throughout Finley, Northern Victoria and Southern NSW.

Monetary Amounts

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

As required by the Department of Water & Energy, the amounts shown in Notes 2 and Note 3 are shown in whole dollars.

Berrigan Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

Note 1. Significant Accounting Policies (continued)

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Report) just like all other costs.

However, where council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all council nominated business activities and are reflected in the SPFR.

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 – **1.6% + \$100** on combined land values above \$359,000

Payroll Tax – **6%** on Salaries and Wages in excess of \$600,000

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 the 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 the GPFR.

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 for all Category 1 businesses have been applied to all 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.

Berrigan Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

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 is disclosed for each of Councils business activities on the 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 50% of this surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2008 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 Department of Water & Energy prior to making the dividend and only after the Department has approved its payment.

Berrigan Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2008

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	8,100
(ii)	No of assessments multiplied by \$3/assessment	10,602
(iii)	Amounts payable for tax-equivalents [lesser of (i) and (ii)]	8,100
(iv)	Amounts actually paid for Tax Equivalents	8,100

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	209,264
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	97,920
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2008, less the cumulative dividends paid for the 2 years to 30 June 2007	1,027,528

2008 Surplus	418,528	2007 Surplus	330,900	2006 Surplus	278,100
		2007 Dividend	-	2006 Dividend	-

(iv)	Maximum Dividend from Surplus [least of (i), (ii) and (iii) above]	97,920
(v)	Dividend paid from Surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 7 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)	Integrated Water Cycle Management Evaluation	NO
(vii)	Complete and implement Integrated Water Cycle Management Strategy	NO

Berrigan Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2008

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Revenue (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$000	2,447
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)]	%	40.81%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$000	26,165
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$000	1,434
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$000	427
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Total Cost (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	1.88%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$000	-

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

Berrigan Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2008

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	24,228
(ii)	No of assessments multiplied by \$3/assessment	9,690
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	9,690
(iv)	Amounts actually paid for Tax Equivalents	9,690

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	151,886
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	87,210
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2008, less the cumulative dividends paid for the 2 years to 30 June 2007	643,672

2008 Surplus	303,772	2007 Surplus	100,100	2006 Surplus	239,800
		2007 Dividend	-	2006 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	87,210
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 5 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]	NO
	Complying charges (a) Residential [Item 2(c) in Table 1]	NO
	(b) Non Residential [Item 2(c) in Table 1]	NO
	(c) Trade Waste [Item 2(d) in Table 1]	NO
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	NO
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	NO
(iii)	Complete Performance Reporting Form (by 15 September each year)	NO
(iv)	Integrated Water Cycle Management Evaluation	NO
(v)	Complete and implement Integrated Water Cycle Management Strategy	NO

Berrigan Shire Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2008Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2008

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	1,617
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	15,108
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	721
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	530
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)]	%	1.16%
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	4,064
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.99%
NWI F13	Operating Cost (OMA) (Water & Sewerage) Operating Cost (Water & Sewerage) (NWI F11 + NWI F12)	\$'000	2,155
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	957
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)]	%	1.60%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	\$'000	-

Berrigan Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2008

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)]	%	-7.12%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 438 Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) Net Interest: - 327 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		> 100
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	(17,025)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	81

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

Independent auditor's report to Berrigan Shire Council

Report on the special purpose financial report

We have audited the accompanying financial report, being a special purpose financial report, of Berrigan Shire Council (the Council), which comprises the balance sheets by business activity as at 30 June 2008, and the income statements by business activity for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Council's responsibility for the financial report

The Councillors' and management of the Council are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the NSW Government Policy Statement "Application of National Competition Policy to Local Government", Department of Local Government Guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality", The Local Government Code of Accounting Practice and Financial Reporting and The Department of Water and Energy Practice Management of Water Supply and Sewerage Guidelines and are appropriate to meet the needs of the Council and The Department of Local Government. The Councillors and managements' responsibility also includes establishing and maintaining internal control 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 responsibility

Our responsibility is to express an opinion on the financial report 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 members. 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 report 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 reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Note 1 to the financial statements so as to present a view which is consistent with our understanding of the business activities of the Council and their financial position and of their performance.



The financial report has been prepared for distribution to Council for the purpose of fulfilling the Council's financial reporting obligations under the Local Government Code of Accounting Practice and Financial Reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the Council and The Department 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 special purpose financial report presents fairly, in all material respects, the financial position of the business activities of Berrigan Shire Council as at 30 June 2008 and of their financial performance for the year then ended in accordance with the accounting policies described in the Notes to the financial report.

WHK Audit & Risk Assessment

Timothy S Frazer
Partner

Albury

15 October 2008