

FINANCIAL STATEMENTS FOR THE YEAR ENDING 30th JUNE 2010

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RIVERINA WATER COUNTY COUNCIL
GENERAL PURPOSE FINANCIAL REPORT
INDEPENDENT AUDITORS' REPORT

SCOPE

We have audited the general purpose financial reports of Riverina Water County Council for the year ended 30 June 2010, comprising the Statement by Councillors and Management of the Council, Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying Notes to the Accounts. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with those Australian Accounting concepts and standards and statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the result of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

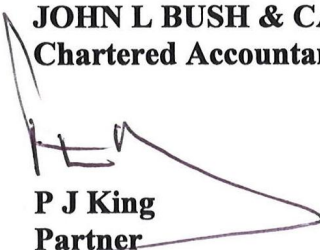
AUDIT OPINION

In our opinion

- a) The accounting record of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993;
- b) The general purpose financial report
 - i. has been prepared in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993;
 - ii. is consistent with the Council's accounting records; and
 - iii. presents fairly the Council's financial position and the results of its operation;
- c) we have been able to obtain all the information relevant to the conduct of our audit; and
- d) no material deficiencies in the records or financial reports were detected in the course of the audit.

Sincerely

JOHN L BUSH & CAMPBELL
Chartered Accountants



P J King
Partner

13 August 2010

13 August 2010



A.B.N. 33 225 395 249

The Chairman
Riverina Water County Council
PO Box 456
WAGGA WAGGA NSW 2650

Dear Sir

Having completed an examination of the books of account and associated records of the Riverina Water County Council for the 12 months ended 30 June 2010 we have pleasure in submitting our report in accordance of Section 417(3) of the Local Government Act 1993.

The financial statements for the year ended 30 June 2010 have been prepared to comply with Statements of Accounting Concepts and Applicable Australian Accounting Standards including the requirements under Australian equivalents of International Financial Reporting Standards, the requirements of the Local Government Act 1993 and Regulations thereto, the Local Government Code of Accounting Practice and Financial Reporting and Local Government Asset Accounting Manual.

Operating Result and Financial Position

The operating result for the year was \$607 thousand. In addition Council received contributions for capital purposes of \$1.972 million and recorded a net loss on disposal of assets of \$11 thousand. The operating result includes an impairment expense of \$1.1 million on the carrying value of water licenses in the financial statements. The total change in net assets resulting from operations was \$5.081 million.

The financial position of Council increased during the year as follows:

	2010	2009	2008	2007	2006
	\$000	\$000	\$000	\$000	\$000
Net Assets 1 July 1997	20,627	20,627	20,627	20,627	20,627
Asset Revaluation	102,134	99,632	95,538	91,639	87,965
Change in net assets resulting from operations	42,416	39,837	35,874	31,288	26,695
Net Assets 30 June	<u>\$165,177</u>	<u>\$160,096</u>	<u>\$152,039</u>	<u>\$143,554</u>	<u>\$135,287</u>

The year's operations, both in terms of the result for the year and the contribution that result had to the financial position of the Council, was excellent.

Cash Investments and Working Capital

The operating result for the year has increased Council's equity and working capital. This result is directly attributable to increased income whilst containing operating expenses.

	2010	2009	2008	2007	2006
	\$000	\$000	\$000	\$000	\$000
Cash (overdraft)	188	153	56	55	5
Investment	8,005	7,518	10,776	11,264	15,058
Working Capital	10,520	8,664	12,142	11,472	13,485

Cash and Investments held at the close of the year amounted to \$8.193 million. The cash flow statement shows an increase in cash of \$522 thousand. Cash and Investments have not been restricted in their use by any externally imposed requirements. However they are restricted by internally imposed requirements. The healthy position of Council's working capital is reflected in the performance indicators detailed in the financial reports.

Actual Performance Compared to Budget

	2010	2010	2009	2009	2008	2008	2007	2007
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
Rates and Annual Charges	2,588	2,698	2,573	2,519	2,520	2,481	2,475	2,499
User charges and fees	12,983	13,871	12,557	12,178	10,392	11,408	12,000	10,539
Interest	308	100	547	350	720	350	802	450
Grants and Contributions	2,168	810	1,506	910	2,937	805	2,927	1,146
Other	832	490	984	542	811	272	602	275
Gain on disposal of assets	(11)	27	90	27	11	27	(55)	27
	18,868	17,996	18,257	16,526	17,391	15,343	18,751	14,936
Expenses	16,289	14,679	14,294	13,593	12,805	13,400	14,158	13,273
Operating Result	\$2,579	\$3,317	\$3,963	\$2,933	\$4,586	\$1,943	\$4,593	1,663

Equity

The equity of council has increased each year and demonstrates the steady growth arising from yearly positive operating results.

	2010	2009	2008	2007	2006
	\$000	\$000	\$000	\$000	\$000
Non Current Assets	156,287	153,053	141,757	134,157	126,267
Non Current Liabilities	1,630	1,621	1,860	2,075	4,465
Working Capital	10,520	8,664	12,142	11,472	13,485
Equity	\$165,177	\$160,096	\$152,039	\$143,554	\$135,287

Other Matters

As discussed earlier in the report during the year the water licenses previously shown at cost in the balance sheet were written down to their current recoverable value. At cost the water licenses were recorded at \$3.6 million. This was from the purchase of 1000 mega litres at \$3,600 per mega litre. Current values of mega litres for high security river water are \$2,500. The difference in cost and current value is \$1.1 million and this has been recorded as an impairment loss.

It is evident that at June 2010 the Council continues to preside over a fundamentally sound balance sheet. The excellent result for 2010 on top of the previous years continues Councils very strong position.

Council's books of account and other records appear to have been maintained in a satisfactory and up to date manner and the requirements of the Local Government Act and Regulations well observed.

In conclusion we wish to acknowledge the excellent assistance and co-operation extended to us by the General Manager and his Staff during the conduct of the audit and from whom we have attained all the information and explanations which we required.

Sincerely

JOHN L BUSH & CAMPBELL
Chartered Accountants



P J King
Partner

RIVERINA WATER COUNTY COUNCIL

STATEMENT BY COUNCILLORS AND MANAGEMENT

Pursuant to Section 413 (2) (c) of the Local Government Act 1993 (as amended), and in accordance with a resolution of the members of Riverina Water County Council, we declare on behalf of Riverina Water County Council that in our opinion:

1. The accompanying financial statements exhibit a true and fair view of the financial position of Riverina Water County Council as at 30th June 2010 and transactions for the twelve months then ended.
2. The Statements have been prepared in accordance with the provisions of the Local Government Act, 1993 (as amended) and the Regulations made thereunder; the Australian Accounting Standards and professional pronouncements, and the Local Government Code of Accounting Practice and Financial Reporting.
3. All information provided has been prepared in accordance with the requirements of the Financial Statement Guidelines for NSW Councils.

Further, we are not aware at this time of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

*Signed in accordance with a Resolution of Council
dated 25th August 2010.*



.....
Clr. R. Kendall
CHAIRPERSON
25th August 2010



.....
Clr. J. McInerney
DEPUTY CHAIRPERSON
25th August 2010



.....
Mr. G.W. Pieper
GENERAL MANAGER
25th August 2010



.....
Mr. J. Reynoldson
FINANCE OFFICER
25th August 2010

RIVERINA WATER COUNTY COUNCIL

INCOME STATEMENT

For the year ended 30th June 2010

Original Budget ⁽¹⁾ 2010 \$'000		Notes	Actual 2010 \$'000	Actual 2009 \$'000
	INCOME FROM CONTINUING OPERATIONS			
2,698	Rates and Annual Charges	3a	2,588	2,573
13,871	User Charges and Fees	3b	12,983	12,557
100	Interest and Investment Income	3c	308	547
490	Other revenues	3d	832	984
210	Grants and Contributions provided for operating purposes	3e&f	196	197
600	Grants and Contributions provided for capital purposes	3e&f	1,972	1,309
27	Net gain from the disposal of assets	5		90
17,996	TOTAL INCOME FROM CONTINUING OPERATIONS		18,879	18,257
	EXPENSES FROM CONTINUING OPERATIONS			
6,632	Employee benefits and on-costs	4a	5,828	5,405
	Borrowing Costs	4b		
1,855	Materials and Contracts	4c	2,627	2,386
4,337	Depreciation	4d	4,380	4,107
	Impairment – Intangible	4d	1,100	
1,855	Other expenses	4e	2,354	2,396
	Net loss from the disposal of assets	5	11	
14,679	TOTAL EXPENSES FROM CONTINUING ACTIVITIES		16,300	14,294
3,317	NET OPERATING RESULT FOR THE YEAR		2,579	3,963
2,717	NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS AND CONTRIBUTIONS PROVIDED FOR CAPITAL PURPOSES		607	2,654

Note:

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

The above Income Statement should be read in conjunction with the accompanying notes.

RIVERINA WATER COUNTY COUNCIL

STATEMENT OF COMPREHENSIVE INCOME for year ended 30th June 2010

	Notes	Actual 2010 \$'000	Actual 2009 \$'000
Net operating result for the year – from Income statement		2,579	3,963
Other comprehensive income			
Gain (loss) on revaluation of infrastructure, property, plant and equipment		2,502	4,094
Gain (loss) on revaluation of available-for-sale investments			
Realised available-for-sale investment gains recognised in revenue			
De-recognition of land under roads			
Adjustment to correct prior period depreciation errors			
Total other comprehensive income for the year		<hr/> 5,081	<hr/> 8,057
Total comprehensive income for the year		<hr/> 5,081	<hr/> 8,057
Attributable to – Council		5,081	8,057
- Minority interests			

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

RIVERINA WATER COUNTY COUNCIL

BALANCE SHEET as at 30th June 2010

	Notes	Actual 2010 \$'000	Actual 2009 \$'000
CURRENT ASSETS			
Cash and cash equivalents	6a	8,193	7,671
Receivables	7	2,436	2,292
Inventories	8	1,926	1,133
Other	8	252	46
TOTAL CURRENT ASSETS		12,807	11,142
NON-CURRENT ASSETS			
Infrastructure, Property, Plant and Equipment	9	153,779	149,445
Intangibles	25	2,508	3,608
TOTAL NON-CURRENT ASSETS		156,287	153,053
TOTAL ASSETS		169,094	164,195
CURRENT LIABILITIES			
Payables	10	464	864
Provisions	10	1,823	1,614
TOTAL CURRENT LIABILITIES		2,287	2,478
NON-CURRENT LIABILITIES			
Provisions	10	1,630	1,621
TOTAL NON-CURRENT LIABILITIES		1,630	1,621
TOTAL LIABILITIES		3,917	4,099
NET ASSETS		165,177	160,096
EQUITY			
Retained earnings	20	63,043	60,464
Reserves	20	102,134	99,632
TOTAL EQUITY		165,177	160,096

The above Balance Sheet should be read in conjunction with the accompanying notes.

RIVERINA WATER COUNTY COUNCIL

STATEMENT OF CHANGES IN EQUITY For the Year ended 30th June 2010

	TOTAL		ACCUMULATED SURPLUS		ASSET REVALUATION RESERVE	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of the reporting period	160,096	152,039	60,464	56,501	99,632	95,538
Change in equity recognised in the statement of financial performance	2,579	3,963	2,579	3,963		
Transfers to asset revaluation reserve	4,615	4,094			4,615	4,094
Transfer from asset revaluation reserve	(2,113)				(2,113)	
Balance at end of the reporting period	165,177	160,096	63,043	60,464	102,134	99,632

The above Statement of Changes in Equity should be read
in conjunction with the accompanying notes.

RIVERINA WATER COUNTY COUNCIL

CASH FLOW STATEMENT For the Year ended 30th June 2010

Budget 2010 \$'000	Notes	Actual 2010 \$'000	Actual 2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts:</u>			
2,698	Rates and annual charges	2,510	2,495
13,871	User charges and fees	13,196	12,311
100	Investment revenue and interest	269	549
810	Grants and Contributions	2,170	1,441
490	Other	832	984
<u>Payments:</u>			
(5,172)	Employee benefits and on-costs	(6,232)	(5,675)
(362)	Materials and contracts	(2,813)	(2,386)
Borrowing Costs			
(5,829)	Other	(3,187)	(1,660)
6,606	Net cash provided (or used) in operating activities	6,745	8,059
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts:</u>			
	Sale of financial assets		681
365	Sale of infrastructure, property, plant and equipment	437	365
<u>Payments:</u>			
(12,045)	Purchase of infrastructure, property, plant and equipment	(6,660)	(8,658)
	Other		(3,608)
(11,680)	Net cash provided by (or used in) investing activities	(6,223)	(11,220)
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Payments:</u>			
	Borrowings and advances		
	Net cash provided by (or used in) financing activities		
(5,074)	Net increase/(decrease) in cash and cash equivalents	522	(3,161)
6,449	Cash and cash equivalents at beginning of reporting period	7,671	10,832
1,375	Cash and cash equivalents at end of reporting period	8,193	7,671

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

RIVERINA WATER COUNTY COUNCIL

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 2010

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The Local Government Reporting Entity

Council's office is located at 91 Hammond Avenue, Wagga Wagga NSW 2650.

2. Basis of Accounting

Council is responsible for the water supply functions within Lockhart, Urana, Wagga Wagga and part Greater Hume local government areas.

2.1 Compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act (1993) and Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

Financial statement presentation

The Council has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1st January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Council had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

3. Revenue Recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

Annual charges, grants and contributions

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

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

A provision for doubtful debts has not been established as unpaid annual charges and user charges represent a charge against the property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Income is recognised when the Council obtains control of the contribution or the right to receive the contribution and it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date.

User charges and fees

User charges and fees are recognised as revenue when the service has been provided.

Sale of plant, property, infrastructure and equipment

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

Interest and rents

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

4. Principles of Consolidation

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

(ii) The Council is required under the Local Government Act to maintain a separate and distinct Trust Fund to account for all moneys and property received by the council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those moneys.

5 Acquisition of Assets

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets given, plus costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

6. Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An

impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than good will that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

7. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

8. Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost. Receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. A provision for doubtful receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables.

9. Investments

Investments are recognised at cost. Interest revenues are recognised as they accrue.

10. Investment and other Financial Assets

Classification

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expenses in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Subsequent measurement

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Council establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG (General) Regulations 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing council funds.

11. Fair Value Estimation

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

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

The nominal value less estimated adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

12. Infrastructure, Property, Plant and Equipment

All infrastructure and buildings are stated at fair value less depreciation.

Fair value was measured at 1st July 2009 and since this time annually indexed in accordance with "NSW Reference Rates Manual for Valuation of Water Supply, Sewerage and Stormwater Assets, 2003", in which the Director of Engineering has provided a report which supports the annual indexation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant & Equipment	Capitalise if value > \$1,000
Office Equipment	Capitalise if value > \$1,000
Furniture & Fittings	Capitalise if value > \$1,000
Land - council land	Capitalise
Buildings - construction / extensions	Capitalise
- renovations	Capitalise if value > \$1,000
Other Structures	Capitalise if value > \$1,000

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

13. Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

14. Borrowings

Council repaid all loan debt during 2006/07.

15. Borrowing Costs

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

16. Employee Benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vested sick leave expected to be settled within 12 months of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and vested sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related services is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans.

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$290 million at 30 June 2009. As result, they have asked for significant increases in contributions from 2009/2010 onwards to recover that deficiency. Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has, however, disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

17. Intangibles

The Council has purchased water licences during the 2009 year. These are recorded at cost and subject to annual impairment testing.

18. Rounding of amounts

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

19. Allocation between Current and Non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liabilities expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

20. New Accounting Standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30th June 2010 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below:

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

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. **No impact on Council.**

- (ii) *AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues (AASB 132)* (effective form 1st February 2010).

In October 2009 the AASB issued an amendment to *AASB 132 (Financial Instruments: Presentation)* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. **No impact on Council.**

- (iii) *AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1st January 2013)

AASB 9 Financial instruments addresses the classification and measurement of financial assets and is likely to affect Council's accounting for its financial assets. The standard is not applicable until 1st January 2013 but is available for early adoption. Council is yet to assess its full impact. **However, initial indications are that it may affect Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.**

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

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1st January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. **No impact on Council.**

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

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. **No impact on Council.**

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

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments. **The amendment is therefore not expected to have any impact on Council.**

21. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financial activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

Note 2(a)

FUNCTIONS

INCOME, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE WATER SUPPLY FUNCTIONS. DETAILS OF THIS FUNCTION IS PROVIDED										
	INCOME FROM CONTINUING OPERATIONS		EXPENSES FROM CONTINUING OPERATIONS		OPERATING RESULTS FROM CONTINUING OPERATIONS		GRANTS INCLUDED IN INCOME FROM CONTINUING OPERATIONS		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	Orig Budget 2010 \$'000	Actual 2010 \$'000	Orig Budget 2010 \$'000	Actual 2010 \$'000	Orig Budget 2010 \$'000	Actual 2010 \$'000	Orig. Budget 2010 \$'000	Actual 2010 \$'000	Orig. Budget 2010 \$'000	Actual 2010 \$'000
FUNCTION										
Water Supplies	17,996	18,879	14,679	16,300	3,317	2,579	210	196	171,747	169,094
TOTALS	17,996	18,879	14,679	16,300	3,317	2,579	210	196	171,747	169,094

As reported on the Income Statement

NOTES TO THE FINANCIAL STATEMENTS

Note 3

INCOME FROM CONTINUING OPERATIONS
--

	Actual 2010 \$'000	Actual 2009 \$'000		
a) RATES & ANNUAL CHARGES				
<u>Annual Charges</u> (pursuant to s.496 & s.501)				
Water Supply Services	2,588	2,573		
Total Rates & Annual Charges	2,588	2,573		
b) USER CHARGES & FEES				
<u>User Charges</u> (pursuant to s.502)				
Total User Charges	12,986	12,560		
	12,986	12,560		
<u>Fees</u>				
Private works	(3)	(3)		
Total User Charges & Fees	12,983	12,557		
c) INTEREST AND INVESTMENT REVENUE				
Interest on investments	308	547		
Total Interest Revenue	308	547		
d) OTHER REVENUES				
Lease Rental	8	7		
Connection Fees	433	415		
Other	391	562		
Total Other Revenue from Ordinary Activities	832	984		
	OPERATING	OPERATING	CAPITAL	CAPITAL
	Actual	Actual	Actual	Actual
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
e) GRANTS				
General Purpose (Untied)				
- Pensioners' Rates Subsidies	192	190		
- Diesel and Alternative Fuels	4	7		
- Water Supplies			11	
Total Grants	196	197	11	
f) CONTRIBUTIONS & DONATIONS				
Water			1,961	1,309
Total Contributions & Donations			1,961	1,309
TOTAL GRANTS & CONTRIBUTIONS	196	197	1,972	1,309

NOTES TO THE FINANCIAL STATEMENTS

Note 4

EXPENSES FROM CONTINUING OPERATIONS
--

	Actual 2010 \$'000	Actual 2009 \$'000
(a) EMPLOYEE BENEFITS AND ON COSTS		
Salaries and Wages	3,303	3,296
Travelling	637	516
Employee Leave Entitlements	1,331	1,176
Superannuation	866	585
Worker's Compensation Insurance	111	170
FBT	46	46
Payroll Tax	344	332
Training Costs (excluding salaries)	114	219
Less Capitalised Costs	(924)	(935)
Total Employee Costs Expended	5,828	5,405
Number of FTE employees	87	86.1
(b) BORROWING COSTS		
Interest on Loans		
Total Borrowing Cost Expended		
(c) MATERIALS AND CONTRACTS		
Contractor and Consulting costs		
Audit Fees	30	17
Other	2,597	2,369
Total Materials and Contracts	2,627	2,386
(d) DEPRECIATION AND IMPAIRMENT		
Plant and equipment	1,041	749
Office equipment/Furniture	18	33
Buildings	113	106
Infrastructure		
- Water supply	3,208	3,219
Impairment		
- Water purchases	1,100	
Total Depreciation and Total Impairment	5,480	4,107
(e) OTHER EXPENSES		
Chairperson Fee	8	8
Member's Fees & Allowances	42	42
Members' Expenses	14	9
Insurance	107	95
Electricity & Heating	1,962	1,842
Telephone	86	96
Other	135	304
Total Other Expenses from Ordinary Activities	2,354	2,396

NOTES TO THE FINANCIAL STATEMENTS

Note 5

GAIN OR LOSS FROM DISPOSAL OF ASSETS

	Actual 2010 \$'000	Actual 2009 \$'000
GAIN (OR LOSS) ON DISPOSAL OF PLANT & EQUIPMENT		
Proceeds from disposal	437	365
Less: Carrying amount of assets sold	448	404
GAIN (OR LOSS) ON DISPOSAL	<u>(11)</u>	<u>(39)</u>
GAIN (OR LOSS) ON DISPOSAL OF FINANCIAL ASSET		
Proceeds from disposal		681
Less: Carrying amount of assets sold		552
GAIN (OR LOSS) ON DISPOSAL		<u>129</u>
TOTAL GAIN (OR LOSS) ON DISPOSAL OF ASSETS	<u>(11)</u>	<u>90</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 6a

CASH AND CASH EQUIVALENTS

	Actual 2010		Actual 2009	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
<u>CASH</u>				
Cash at Bank and on hand	188		153	
Deposits at Call	8,005		7,518	
TOTAL CASH ASSETS	8,193		7,671	
TOTAL CASH ASSETS AND INVESTMENT SECURITIES	8,193		7,671	

NOTES TO THE FINANCIAL STATEMENTS

Note 6b

INVESTMENTS

Restrictions	Notes	MOVEMENTS				PROPOSED UTILISATION OF RESTRICTION		
		Opening Balance 30 June 2009 \$'000	Transfers to Restriction \$'000	Transfers from Restriction \$'000	Closing Balance 30 June 2010 \$'000	Less than 1 Year	Between 1 and 5 Years	Greater than 5 Years
Internal								
Mains Replacement	6a	1,000			1,000		1,000	
Sales Fluctuation	6a	1,200			1,200		1,200	
Employee Leave Entitlement	6a	970	122		1,092			1,092
Total		3,170	122		3,292		2,200	1,092

NOTES TO THE FINANCIAL STATEMENTS

Note 6c

RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

TOTAL CASH, CASH EQUIVALENTS AND INVESTMENTS

	Actual 2010		Actual 2009	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
TOTAL INTERNAL RESTRICTIONS				
Included in liabilities				
- Employee Leave Entitlements	1,092		970	
Other				
- Mains replacement	1,000		1,000	
- Sales Fluctuation	1,200		1,200	
TOTAL INTERNAL RESTRICTIONS	3,292		3,170	

a) Employee Leave Entitlements

The standard provision in local government is to fund 30% of the total Employee Leave Entitlement Liability. A provision of 30% of the Employee Leave Entitlement has been made.

b) Mains Replacement

Due to Council's aging infrastructure, provision is made to create a fund for mains replacements.

c) Sales Fluctuation Reserve

Income from sales of water is largely dependent on seasonal weather conditions. Consumption for 2009/2010 has been based on the trend analysis undertaken, an amount of 15,035 megalitres. Should Council experience an abnormal year, such as 1993, then the consumption could be more around 10,710 megalitres. A sales fluctuation reserves purpose is to afford the Council's consumers some protection against extraordinary increases in the price of water resulting from a decrease in water sales due to unfavourable weather conditions.

NOTES TO THE FINANCIAL STATEMENTS

Note 7

RECEIVABLES

	Actual 2010		Actual 2009	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Rates and Annual Charges	429		351	
User Charges & Fees	945		1,158	
Accrued Interest on Investments	40		1	
Government Grants & Subsidies	145		147	
Other	877		635	
Total	<u>2,436</u>	<u></u>	<u>2,292</u>	<u></u>

Rates and Annual Charges

Annual charges are secured.

User Charges and Fees

User charges and fees are secured.

Government Grants

Government grants and subsidies have been guaranteed.

Private works

Private works have only been undertaken where a deposit has been received and the works are secured against those deposits.

NOTES TO THE FINANCIAL STATEMENTS

Note 8

INVENTORIES AND OTHER ASSETS

	Actual 2010		Actual 2009	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Inventories				
- Stores and Materials	1,926		1,133	
	1,926		1,133	
Other				
Prepayments	252		46	
	252		46	

NOTES TO THE FINANCIAL STATEMENTS

Note 9a

INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

	At 30/6/2009				MOVEMENTS DURING YEAR				At 30/6/2010			
	Fair Value	Fair Value	Accum Depn	Book Value	Asset Purchases	Asset Dispos	Depn	Fair Value	Fair Value	Fair Value	Accum Depn	Book Value
Plant & Equipment	15,373		10,141	5,232	2,060	437	1,041		16,985		11,182	5,803
Office Equipment/ Furniture	503		412	91	7		18		510		430	80
Buildings		4,088	480	3,608	190		113	117		4,395	593	3,802
Infrastructure - Water Supply Network		155,585	15,071	140,514	4,403		3,208	2,385		162,373	18,279	144,094
TOTALS	15,876	159,673	26,104	149,445	6,660	437	4,380	2,502	17,495	166,768	30,484	153,779

Additions to Buildings and Infrastructure are made up of Asset Renewals.
Renewals are defined as replacements of existing assets with equivalent capacity or performance as opposed to the acquisition of new assets.

NOTES TO THE FINANCIAL STATEMENTS

Note 10a

PAYABLES, INTEREST BEARING LIABILITIES AND PROVISIONS

	Actual 2010		Actual 2009	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
<u>Payables</u>				
Goods and Services	241		674	
Accrued Expenses	223		190	
TOTAL PAYABLES	464		864	
<u>Provisions</u>				
Annual Leave	630		575	
Sick Leave	555		467	
Long Service Leave	638	1,630	572	1,621
TOTAL PROVISIONS	1,823	1,630	1,614	1,621

NOTES TO THE FINANCIAL STATEMENTS

Note 11

RECONCILIATION OF CASH FLOWS MOVEMENTS

		Actual 2010 \$'000	Actual 2009 \$'000
a) Reconciliation of Cash			
Total Cash and Cash Equivalents	6A	8,193	7,671
Balances as per statement of cash flows		8,193	7,671
 b) Reconciliation of Surplus/(Deficit) from Ordinary Activities to Cash from Operating Activities			
Surplus/(deficit) from ordinary activities		2,579	3,963
Add: Depreciation and Impairment		5,480	4,107
Decrease in Receivables			
Increase in employee leave entitlements		218	270
Decrease in Inventories			147
Increase in payables			125
Decrease in other current assets			
Loss on Sale Assets		11	
		8,288	8,612
 Less:			
Decrease in employee leave entitlements			
Increase in Receivables		144	463
Increase in Inventories		793	
Decrease in payables		400	
Increase in other current assets		206	
Profit on Sale Assets			90
Net Cash provided by (or used in) operating activities		6,745	8,059

NOTES TO THE FINANCIAL STATEMENTS

Note 12

COMMITMENTS FOR EXPENDITURE

	Actual 2010 \$'000	Actual 2009 \$'000
CAPITAL COMMITMENTS		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:	<u>NIL</u>	<u>NIL</u>
These expenditures are payable as follows:		
Not later than one year	NIL	NIL
Later than one year and not later than 2 years		
Later than 2 years and not later than 5 years		
Later than 5 years	<u>NIL</u>	<u>NIL</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 13

STATEMENT OF PERFORMANCE MEASUREMENT FOR THE YEAR 2009/2010

	Amounts	Current Yr Indicators	2009	2008
1. UNRESTRICTED CURRENT RATIO				
Factors				
<u>Current Assets less All External Restrictions</u>	\$12,807	Ratio 5.60:1	4.50:1	7.58:1
<u>Current Liabilities less Specific Purpose Liabilities</u>	\$ 2,287			
 2. DEBT SERVICE RATIO				
Factors				
<u>Debt Service cost</u>				
Revenue from Continuing Operations excluding capital items and specific purpose grants/contributions	\$			
	\$			
 3. RATE COVERAGE RATIO				
Factors				
<u>Rate & Annual Charges</u>	\$ 2,588	13.71:1	0.14:1	0.14:1
Revenue for Continuing Operations	\$18,879			
 4. RATES & ANNUAL CHARGES OUTSTANDING PERCENTAGE				
Factors				
<u>Rates & Annual Charges Outstanding</u>	\$ 429	14.60%	12.33%	9.78%
Rates & Annual Charges Collectable	\$2,939			
 5. BUILDING AND INFRASTRUCTURE RENEWALS RATIO				
<u>Assets renewals (Building and Infrastructure)</u>				
Depreciation, amortisation & impairment (building and infrastructure)	\$2,247	0.68:1	0.91:1	0.57:1
	\$3,321			

NOTES TO THE FINANCIAL STATEMENTS

Note 14

INVESTMENT PROPERTIES

	Actual 2010 \$'000	Actual 2009 \$'000
AT FAIR VALUE		
Opening balance at 1 st July		
Acquisitions		
Capitalised subsequent expenditure		
Classified as held for sale or disposals		
Net gain (loss) from fair value adjustment		
Transfer (to) from inventories and owner occupied property		
CLOSING BALANCE AT 30th JUNE	<u>NIL</u>	<u>NIL</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 15

FINANCIAL RISK MANAGEMENT

Interest Rate Risk Exposures

The Council's exposure to interest rate risk, and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates, which the Council intends to hold as fixed rate assets and liabilities to maturity.

2010	Notes	Floating interest rate \$'000	Fixed interest maturing in:			Non- interest bearing \$'000	Total \$'000
			≤ 1 year \$'000	> 1 year ≤ 5 years \$'000	> 5 years \$'000		
Financial Assets							
Cash and Cash Equivalents	6	5,693	2,500				8,193
Receivables	7					2,436	2,436
Total		5,693	2,500			2,436	10,629
Weighted Ave. Interest Rate		4.66%	6.3%				
Financial Liabilities							
Bank overdraft & loans	11,10						
Bills Payable	10					464	464
Total						464	464
Weighted Ave. Interest Rate							
Net Financial assets/(liabilities)		5,693	2,500			1,972	10,165
2009	Notes	Floating interest rate \$'000	Fixed interest maturing in:			Non- interest bearing \$'000	Total \$'000
			≤ 1 year \$'000	> 1 year ≤ 5 years \$'000	> 5 years \$'000		
Financial Assets							
Cash and Cash Equivalents	6	5,671	2,000				7,671
Receivables	7					2,292	2,292
Total		5,671	2,000			2,292	9,963
Weighted Ave. Interest Rate		6.64%	4.35%				
Financial Liabilities							
Bank overdraft & loans	11,10						
Bills Payable	10					864	864
Total						864	864
Weighted Ave. Interest Rate							
Net Financial assets/(liabilities)		5,671	2,000			1,428	9,099

NOTES TO THE FINANCIAL STATEMENTS

Note 15 Continued

FINANCIAL RISK MANAGEMENT

Reconciliation of Net Financial Assets

	Notes	2010 \$'000	2009 \$'000
Net financial assets from previous page		10,165	9,099
Non-financial assets and liabilities			
- Inventories	8	1,926	1,133
- Property, plant & equipment	9	153,779	149,445
- Other Assets	8	2,760	3,654
- Provisions	10	(3,453)	(3,235)
Net Assets per Statement of Financial Position		165,177	160,096

Net fair value of Financial Assets

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of other monetary assets and liabilities is based upon market prices, where a market exists, or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Unlisted equity investments, the net fair value is an assessment by the Council based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment (refer also to note 6).

The carrying amounts of net fair values of financial assets and liabilities at balance date are as follows:

		2010		2009	
		Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
<u>Financial Assets</u>					
Trade debtors	7	1,374	1,374	1,509	1,509
Other debtors	7	1,062	1,062	783	783
Unlisted investments	6	8,193	8,193	7,671	7,671
Total		10,629	10,629	9,963	9,963
<u>Financial Liabilities</u>					
Other loans	10				
Other liabilities	10	464	464	864	864
Total		464	464	864	864

NOTES TO THE FINANCIAL STATEMENTS

Note 16

MATERIAL BUDGET VARIATIONS

Council's original budget was incorporated as part of the Management Plan adopted by Council on 24th June 2009. The original projections on which the budget was based have been affected by climate conditions, interest rates and increase in capital expenditure.

This Note sets out the details of material variations between the original budget and actual results for the Operating Statement. Material favourable (F) and unfavourable (U) variances represent amounts of 10% or more of the budgeted amount, or of significant relevance.

Revenues

1. **Interest Received**

The actual amount of interest revenue received was over budget by some \$208 (F) (208%). This was due to increase in funds as a result of better than expected results.

2. **Other revenues**

Main variance of other revenues related to the connection fees received, due to increase in development minor variations in amounts received from Sundry Income, resulted in \$342 (F) (170%) over budget.

3. **Grants & Contributions**

Increase in Urban residential subdivision and an increase due to drought conditions of rural main extensions resulted in \$1,372 (F) (228%) over budget.

Expenses

1. **Materials and Contracts**

Increase in capital works resulted in \$772 (U) (41%) over budget.

2. **Other Expenses**

Due to increase in electricity costs and usage and maintenance on water mains resulted in \$499 (U) (27%) over budget.

NOTES TO THE FINANCIAL STATEMENTS

Note 17

STATEMENT OF DEVELOPER CONTRIBUTIONS

Contributions received during the year where for water mains extensions to supply residential subdivision and rural mains extensions.

Purpose	Opening Balance	Contributions received during year*		Interest earned during year	Expended During Year	Expended in Advance	Held as restricted asset**	Works Provided to date
	\$'000	Cash \$'000	Non-Cash \$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Water Supply	NIL	1,972						1,972
Total Contributions	NIL	1,972						1,972

NOTES TO THE FINANCIAL STATEMENTS

Note 18

CONTINGENCIES

There are no assets and liabilities not recognised in the Balance Sheet.

Council contributes to the Local Government Superannuation Scheme which has a closed section where a portion of member entitlements are defined as a multiple of salary. Member councils bear the responsibility of ensuring there are sufficient monies available to pay out benefits as these members cease employment. The Scheme has a deficit of assets over liabilities totalling \$290 million as at 30th June 2009. The scheme administrators have advised Council that it will need to make significantly higher contributions from 2009/2010 to help reverse this deficit. However, they may call upon Council to make an immediate payment sufficient to offset this deficit at any time. As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils, the amount of such a payment is not able to be reliability quantified.

NOTES TO THE FINANCIAL STATEMENTS

Note 19

INTERESTS IN JOINT VENTURES

Council has no joint venture partnerships

NOTES TO THE FINANCIAL STATEMENTS

Note 20

REVALUATION RESERVES AND RETAINED EARNINGS

	Notes	Actual 2010 \$'000	Actual 2009 \$'000
(a) Revaluation reserves			
Infrastructure, property, plant and equipment revaluation reserve		102,134	99,632
		102,134	99,632
Movements:			
Property, plant and equipment revaluation reserve			
At beginning of year		99,632	95,538
Revaluations		2,502	4,094
At end of year		102,134	99,632
(b) Retained earnings			
Movements in retained earnings were as follows:			
At beginning of year		60,464	56,501
Net operating result for the year		2,579	3,963
At end of year		63,043	60,464

(c) Nature and purpose of reserves

(i) Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

Note 21

REINSTATEMENT, REHABILITATION AND RESTORATION LIABILITIES

Council does not have any items of property, plant and equipment that requires obligations to “decommissioning, restoration or similar liabilities”

NOTES TO THE FINANCIAL STATEMENTS

Note 22

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Council has no non-current assets classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

Note 23

EVENTS OCCURRING AFTER BALANCE SHEET DATE

There are no events that have occurred after 30th June 2010 to be included in balance sheet as at 30th June 2010

NOTES TO THE FINANCIAL STATEMENTS

Note 24

DISCONTINUED OPERATION

Council business is a continuing operation.

NOTES TO THE FINANCIAL STATEMENTS

Note 25

INTANGIBLE ASSETS

	Notes	2010 \$'000	2009 \$'000
Water Licences		3,608	3,608
Less Provision for Impairment		(1,100)	
		<u>2,508</u>	<u>3,608</u>



**Special Purpose Financial Reports and Special Schedules
for the year ending 30th June 2010**

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RIVERINA WATER COUNTY COUNCIL
SPECIAL PURPOSE FINANCIAL REPORTS
INDEPENDENT AUDITORS' REPORT



A.B.N. 33 225 395 249

SCOPE

We have audited the special purpose financial reports of Riverina Water County Council for the year ended 30 June 2010, comprising the Statement by Councillors and Management, Income Statement of Water Supply Business Activity, Balance Sheet of Water Supply Business Activity, and accompanying Notes to the Accounts. The financial statements include the accounts of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council.

The special purpose financial reports have been prepared for distribution to the Council and the Department 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 report or on the financial statements to which it relates to any person other than the Council or the Department of Local Government or for any purpose other than for which the report was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with those Australian Accounting Standards adopted and the Local Government Code of Accounting Practice and Financial Reporting so as to present a view which is consistent with our understanding of the business activities of the Council and their financial position and the result of their operations.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the Special Purpose Financial Reports of the Riverina Water County Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

JOHN L BUSH & CAMPBELL
Chartered Accountants

P J King
Partner

13 August 2010

RIVERINA WATER COUNTY COUNCIL

STATEMENT BY COUNCILLORS AND MANAGEMENT

In accordance with a resolution of the members of Riverina Water County Council we declare on behalf of Riverina Water County Council that in our opinion:

1. The accompanying special purpose financial reports exhibit a true and fair view of the financial position of Riverina Water County Council declared business activity as at 30th June 2010.
2. The special purpose financial reports have been prepared in accordance with:
 - NSW Government Policy Statement “Application of National Competition Policy to Local Government”,
 - Department of Local Government Guidelines “Pricing and 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 guidelines.
3. All information provided has been prepared in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting.

Further, we are not aware at this time of any circumstances which would render any particulars included in the special purpose financial reports to be misleading or inaccurate.

*Signed in accordance with a Resolution of Council
dated 25th August 2010.*



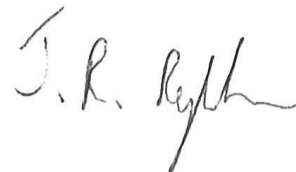
.....
Clr. R. Kendall
CHAIRPERSON
25th August 2010



.....
Clr. J. McInerney
DEPUTY CHAIRPERSON
25th August 2010



.....
Mr. G.W. Pieper
GENERAL MANAGER
25th August 2010



.....
Mr. J. Reynoldson
FINANCE OFFICER
25th August 2010

RIVERINA WATER COUNTY COUNCIL

INCOME STATEMENT OF WATER SUPPLY BUSINESS ACTIVITY FOR THE YEAR ENDED 30th JUNE 2010

	Actual 2010 \$'000	Actual 2009 \$'000	Actual 2008 \$'000
Income from continuing operations			
Access charges	2,588	2,573	2,520
User charges	12,983	12,557	10,392
Fees			
Interest	308	547	720
Grants and contributions provided for non capital purposes	196	197	190
Profit from the sale of assets		90	11
Other income	832	984	811
Total income from continuing operations	16,907	16,948	14,644
Expenses from continuing operations			
Employee benefits and on-costs	5,828	5,405	4,992
Borrowing costs			
Materials and contracts	2,627	2,386	1,683
Depreciation and impairment	5,480	4,107	4,003
Water purchase charges	101	42	65
Loss on sale of assets	11		
Calculated taxation equivalents	23	23	25
Debt guarantee fee (if applicable)			
Other expenses	2,253	2,354	2,062
Total expenses from continuing operations	16,323	14,317	12,830
Surplus (deficit) from continuing operations before capital amounts	584	2,631	1,814
Grants and contributions provided for capital purposes	1,972	1,309	2,747
Surplus (deficit) from continuing operations after capital amounts	2,556	3,940	4,561
Surplus (deficit) from all operations before tax	2,556	3,940	4,561
Less Corporate Taxation Equivalent (30%) [based on result before capital]	766	1,182	1,368
Surplus (deficit) after tax	1,790	2,758	3,193
Opening retained profits			
Adjustments for amounts unpaid			
Taxation equivalent payments			
Debt guarantee fees			
Corporate taxation equivalent	766	1,182	1,368
Less:			
– TER dividend paid			
– Surplus dividend paid			
Closing retained profits	2,556	3,940	4,561
Return on Capital %	1.0%	1.8%	1.3%
Subsidy from Council			
Calculation of dividend payable:			
Surplus (deficit) after tax	1,790	2,758	3,193
Less: Capital grants and contributions (excluding developer contributions)	1,972	1,309	2,747
Surplus for dividend calculation purposes	1,790	713	446
Dividend calculated from surplus	895	345	210

RIVERINA WATER COUNTY COUNCIL

BALANCE SHEET OF WATER SUPPLY BUSINESS ACTIVITY AS AT 30th JUNE 2010

WATER CATEGORY 1

	Notes	Actual 2010 \$'000	Actual 2009 \$'000
CURRENT ASSETS			
Cash and cash equivalents		8,193	7,671
Receivables		2,436	2,292
Inventories		1,926	1,133
Other		252	46
TOTAL CURRENT ASSETS		12,807	11,142
NON-CURRENT ASSETS			
Property, Plant and Equipment		153,779	149,445
Intangibles		2,508	3,608
TOTAL NON-CURRENT ASSETS		156,287	153,053
TOTAL ASSETS		169,094	164,195
CURRENT LIABILITIES			
Bank overdraft			
Payables		464	864
Provisions		14,885	13,887
TOTAL CURRENT LIABILITIES		15,349	14,751
NON-CURRENT LIABILITIES			
Provisions		1,630	1,621
TOTAL NON-CURRENT LIABILITIES		1,630	1,621
TOTAL LIABILITIES		16,979	16,372
NET ASSETS		152,115	147,823
EQUITY			
Retained Profits		49,981	48,191
Asset Revaluation reserve		102,134	99,632
TOTAL EQUITY		152,115	147,823

RIVERINA WATER COUNTY COUNCIL

NOTES TO THE SPECIAL PURPOSE FINANCIAL REPORTS

Note 1

SIGNIFICANT ACCOUNTING POLICIES

These accounting policies are supplemental to the Policy Notes contained in the General Purpose Financial Report and only apply to the Special Purpose Financial Reports (SPFRs). A statement summarising the supplemental accounting policies adopted in the preparation of the SPFRs for National Competition Policy reporting purposes follows.

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and Department of Local Government. For the purposes of these statements, the Council is not a reporting entity.

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, 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 Council is a Category 1 business.

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 A513). As required by the Department of Water and Energy, the amounts shown in Notes 2 are shown in whole dollars.

(i) Taxation Equivalent Payments

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations 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 SPFRs as expenses. 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 Tax Rate	30 %
Land Tax	1.6 %

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 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 (Operating Result 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 Operating Result 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 overall operations of the council.

Accordingly, there is no need for disclosure of internal charges in the General Purpose Financial Reports (GPFRs). The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations which may 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. The debt guarantee fee represents the difference between the commercial and discount rate multiplied by the loan amount.

(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. The overall subsidies from council is contained within the Operating Statement and is consistent with those subsidies disclosed in council's management plans.

(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". The rates of return achieved from councils major business activities are paid to the council as owner of the business. The rate of return is calculated as follows:

$$\frac{\text{Operating Result before capital Amounts + Interest Expense}}{\text{Total Written Down Current Replacement Cost of P, P \& E}}$$

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return can be calculated for each of council's business activities from the Statement of Business Activities and Statement of Financial Position and is disclosed at the bottom of the Statement of Business Activities. The return on capital achieved for Council's business is 1% and is consistent with that required for "Long Term Sustainability".

(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 assessments at 30th June 2009 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 submitted to the Department of Water and Energy.

RIVERINA WATER COUNTY COUNCIL

NOTES TO THE SPECIAL PURPOSE FINANCIAL REPORTS

Note 2

WATER SUPPLY BUSINESS BEST PRACTICE MANAGEMENT DISCLOSURE REQUIREMENTS

Calculation and Payment of Tax-Equivalents

	\$
(i) Calculated Tax- Equivalents	22,581
(ii) No. of assessments multiplied by \$3/assessment	89,424
(iii) Amounts payable for Tax-Equivalents (lesser of (i) and (ii))	22,581
(iv) Amounts paid for Tax-Equivalents	22,581
Dividend from Surplus	
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines)</i>	895,000
(ii) No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	871,659
(iii) Cumulative Surplus before Dividends for the 3 years to 30 th June 2008, less the cumulative Dividends Paid for the 2 years to 30 th June 2007	8,325,000
(iv) Maximum Dividend from Surplus (least of (i),(ii) and (iii))	895,000
(v) Dividend paid from Surplus	

Nil

Required Outcomes for 6 Criteria

	YES	
(1) Completion for Strategic Business Plan (including Financial Plan)	✓	
(2) Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of the Best Practice Guidelines)	✓	
Complying charges (a) Residential (Item 2(b) in Table 1)	✓	
(b) Non-residential (Item 2(b) in Table 1)		✓
DSP with Commercial Developer Charges (Item 2(e) in Table 1)	✓	
(3) Sound Demand Management implemented	✓	
(4) Sound Drought Management implemented	✓	
(5) Complete performance Reporting Form by 15 th September each year	✓	
(6) Integrated Water Cycle Management Strategy (by June 2010)		✓

National Water Initiative (NWI) Financial Performance Indicators

		%	\$'000
NWI F1	Total Revenue (Water)		18,571
NWI F4	Residential Revenue from Usage Charges (Water)	80.1	
NWI F9	Written Down Replacement Cost of Fixed Assets		147,896
NWI F11	Operating Cost (OMA) (Water)		9,028
NWI F14	Capital Expenditure		6,660
NWI F17	Economic Real Rate of Return (Water)	3.36	
NWI F26	Capital Works Grants (Water)		11

**Special Schedules
for the year ending 30th June 2010**

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RIVERINA WATER COUNTY COUNCIL

SPECIAL SCHEDULE NO. 1

NET COST OF SERVICES For the year ended 30th June 2010

(\$'000)

FUNCTION OR ACTIVITY	EXPENSES FROM CONTINUING OPERATIONS		INCOME FROM CONTINUING OPERATIONS		NET COST OF SERVICES	
	Expenses	Group totals	Revenues	Group totals	Net Cost	Group totals
WATER SUPPLIES TOTALS – FUNCTIONS						
CAPITAL GRANTS CONTRIBUTIONS ¹						
GENERAL PURPOSE REVENUES ²	16,300	16,300	18,879	18,879	2,579	2,579
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	16,300	16,300	18,879	18,879	2,579	2,579

¹Each function and activity should record the operating and expenses excluding any capital contributions.

All capital contributions are to be recorded in total for the Council

²General purpose Revenue consists of:

- Rates & Annual Charges (incl. Ex-gratia payments)
- Interest on Investments
- Interest on overdue rates and charges
- General Purpose Grants (Financial Assistance Grants & Pensioners' Rates Subsidies)

RIVERINA WATER COUNTY COUNCIL

SPECIAL SCHEDULE NO. 2(a)

STATEMENT OF LONG-TERM DEBT (ALL PURPOSE) For the year ended 30th June 2010

(\$'000)

Classification of Debt	Principal Outstanding at beginning of Year (1)			New Loans Raised during the year (2)	Debt Redemption during the Year (3)		Interest applicable for year	Principal Outstanding at end of Year		
	Current	Non-Current	Total		From Revenue	Sinking Funds		Current (4)	Non-Current (5)	Total
LOANS (By source)										
Treasury Corporation										
Other State Government										
Financial institutions										
Other										
TOTAL LOANS										
TOTAL LONG TERM DEBT			NIL							NIL

Exclude: Internal Loans

Refinancing of loans except for any additional borrowings

Please check that for each debt line category:

Principal outstanding (previous year) + New Loans Raised – Debt Redemption = Principal Outstanding (Current Year)

- (1) Show same values as reported on previous year's Special Schedule 5(1). If values are different, please provide reason for variation.
- (2) Values should agree with Proceeds from Loans and Other Borrowings shown on the Cash Flow Statement (Financing Activities).
- (3) Values should agree with Reduction of Loans and Other Liabilities shown on the Cash Flow Statement (Financing Activities).
- (4) Total should agree with Current Liabilities – Borrowings (Statement of Financial Position).
- (5) Total should agree with Non-Current Liabilities – Borrowings (Statement of Financial Position).

RIVERINA WATER COUNTY COUNCIL

SPECIAL SCHEDULE NO. 3

INCOME STATEMENT (GROSS INCLUDING INTERNAL TRANSACTIONS) for the year ended 30th June 2010

	2010 \$'000	2009 \$'000
<u>A. EXPENSES & REVENUES</u>		
Expenses		
Management		
- Administration	1,929	1,747
- Engineering & Supervision	764	666
Operation and Maintenance Expenses		
Mains		
- Operation Expenses	124	108
- Maintenance Expenses	805	760
Reservoirs		
- Operation Expenses	124	109
- Maintenance Expenses	85	58
Pumping Stations		
- Operation Expenses (excl. energy costs)	498	436
- Energy Costs	1,962	1,842
- Maintenance Expenses	499	529
Treatment		
- Operation Expenses (excl. chemical costs)	388	340
- Chemical Costs	561	660
- Maintenance Expenses	110	96
Other		
- Operation Expenses	450	592
- Maintenance Expenses	628	604
- Purchase of Water	101	42
Depreciation and Impairment		
- System Assets	3,321	3,325
- Plant and Equipment	1,059	782
- Impairment	1,100	
Miscellaneous		
- Interest		
- Other Expenses	1,792	1,598
<u>Total Expenses</u>	16,300	14,294
Revenues		
Rates & Service Availability Charges		
- Residential	2,274	2,259
- Commercial	254	254
- Other	60	60
User Charges		
- Sales of Water: Residential	9,151	8,723
- Sales of Water: Commercial	3,364	3,284
- Sales of Water: Other	471	553
Interest Income	308	547
Other Revenue (includes Profit on Sale)	829	1,071
Grants		
- Grants for Acquisition of Assets	11	

	2010 \$'000	2009 \$'000
- Other Grants Contributions	196	197
- Developer Charges	1,961	1,309
<u>Total Revenues</u>	<u>18,879</u>	<u>18,257</u>
Operating Result	2,579	3,963
<u>Operating Result</u> (less Grants for Acquisition of Assets)	2,568	3,963
<u>B. CAPITAL TRANSACTIONS</u>		
Non-Operating Expenditure		
Acquisition of Fixed Assets		
- Subsidised Scheme		
- Other New System Assets	2,346	3,844
- Renewals	2,247	3,024
- Plant & Equipment	2,067	1,790
Repayment of Debt		
Loans		
TOTALS	<u>6,660</u>	<u>8,658</u>
Non-Operating Funds Employed		
Proceeds from Disposal of Assets	437	1,046
TOTALS	<u>437</u>	<u>1,046</u>
<u>C. RATES & CHARGES</u>		
(a) Urban		
1. Number of Assessments		
- Residential (occupied)	22,348	22,021
- Residential (unoccupied)	706	799
- Non-Residential (occupied)	1,655	1,639
- Non-Residential (unoccupied)		
2. User Charge		
If charge varies with usage, charges for various ranges:		
Up to 150 kls per quarter		
Over 150 kls per quarter	0.86c/kl	
Stepped Tariff	1.29c/kl	0.78c/kl
(b) Non-Urban		
1. Number of Assessments		
- Residential (occupied)	5,052	5,041
- Residential (unoccupied)	615	618
- Non-Residential (occupied)	752	753
- Non-Residential (unoccupied)		
2. User Charge		
If charge varies with usage, specify charges for various ranges		
Up to 150 kls per quarter		
Over 150 kls per quarter	0.95c/kl	
Non-Stepped Tariff	1.44c/kl	0.90c/kl
3. Annual Water Allowance for Minimum Rate or Charge		
4. Does Council have a Land Value component in its charging for:		
- Residential	NO	NO
- Non-Residential	NO	NO
5. Typical Developer Charge		
	4	4
6. Number of ET's for which Developer Charges were received		
	354	699
7. Total Amount of Pensioner Rebates		
	337	332

RIVERINA WATER COUNTY COUNCIL

SPECIAL SCHEDULE NO. 3 Continued

WATER SUPPLY – CROSS SUBSIDIES for the year ended 30th June 2010

D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES

Yes No Amount
\$

27. Annual Charges

a. Does Council have best-practice water supply annual charges and usage charges*?

	x	
--	---	--

If Yes, go to 28a.

If No, please report if Council has removed land value from access charges (ie rates)?.

Council has not used
land values since 1994

* Such charges for both residential customers and non-residential customers comply with section 3.2 of *“Water Supply, Sewerage and Trade Waste Pricing Guidelines*, Department of Land and Water Conservation, December, 2002. Such charges do not involve significant cross-subsidies.

b. Cross-subsidy **from** residential customers using less than allowance (page 25 of Guidelines)

c. Cross- subsidy **to** non-residential customers (page 24 of Guidelines)

d. Cross- subsidy **to** large connections in unmetered supplies (page 26 of Guidelines)

28. Developer Charges

a. Has Council completed a water supply Development Servicing** Plan?

x		
---	--	--

b. Total cross-subsidy in water supply developer charges for 2007/08 (page 47 of Guidelines)

\$888 / ET

** In accordance with page 9 of *Developer Charges Guidelines for Water Supply, Sewerage and Stormwater*, Department of Land & Water Conservation, December, 2002.

29. Disclosure of Cross Subsidies

\$888 / ET

TOTAL OF CROSS SUBSIDIES (27b + 27c + 27d + 28b)

Councils which have not yet implemented best-practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

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

RIVERINA WATER COUNTY COUNCIL

NOTES TO THE SPECIAL SCHEDULES NO. 3

Administration* (item 1a of Special Schedules 3 and 5) comprises the following:

- Administration Staff
 - Salaries and Allowance
 - Traveling Expenses
 - Accrual of Leave Entitlements
 - Employment Overheads
- Meter Reading
- Bad and Doubtful Debts
- Other Administrative/Corporate Support Services

Engineering and Supervision * (item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering Staff
 - Salaries and Allowance
 - Traveling Expenses
 - Accrual of Leave Entitlements
 - Employment Overheads
- Other Technical and Supervision Staff
 - Salaries and Allowance
 - Traveling Expenses
 - Accrual of Leave Entitlements
 - Employment Overheads

Operation Expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses

Maintenance Expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalization principles and the distinction between capital and maintenance expenditure).

Other Expenses (item 4b of Special Schedules 3 and 5) include all expenses not recorded elsewhere.

Residential Charges** (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all revenues from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b User Charges.

Non-residential Charges** (items 6a, 7b of Special Schedules 3 and 5) include all revenues from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b User Charges.

Other Revenues (items 10 and 11 of Special Schedules 3 and 5 respectively) include all revenues not recorded elsewhere.

Other Contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) include capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

* Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. In item 16 for water supply and item 17 for sewerage, and not in items 1a and 1b).

** To enable accurate reporting of **average residential bills**, it is essential for councils to accurately separate their residential (item 6) and non-residential (item 7) charges.

RIVERINA WATER COUNTY COUNCIL

SPECIAL SCHEDULE NO. 4

WATER SUPPLY – NET ASSETS COMMITTED (GROSS INCLUDING INTERNAL TRANSACTIONS) AS AT 30th JUNE 2009

(\$'000)

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
<u>ASSETS</u>			
<i>Cash and Investments</i>	8,193		8,193
- Other			
<i>Receivables</i>			
- Specific Purpose Grants	145		145
- Rates and Availability Charges	1,374		1,374
- Other	917		917
<i>Inventories</i>	1,926		1,926
<i>Property, Plant and Equipment</i>			
- System Assets		147,896	147,896
- Plant & Equipment		5,883	5,883
<i>Other Assets</i>	252	2,508	2,760
Total Assets	12,807	156,287	169,094
<u>LIABILITIES</u>			
<i>Bank Overdraft</i>			
<i>Creditors</i>	464		464
<i>Borrowings</i>			
- Loans			
<i>Provisions</i>	1,823	1,630	3,453
Total Liabilities	2,287	1,630	3,917
NET ASSETS COMMITTED	10,520	154,657	165,177
<u>EQUITY</u>			
Accumulated Surplus	10,520	52,523	63,043
Asset Revaluation Reserve		102,134	102,134
Total Equity	10,520	154,657	165,177

Notes to System Assets:

Current Replacement Cost of System Assets	253,380
Accumulated Current Cost Depreciation of system Assets	106,258
Written Down Current Cost of System Assets	147,896

RIVERINA WATER COUNTY COUNCIL

SPECIAL SCHEDULE NO. 7

CONDITION OF PUBLIC WORKS AS AT 30th JUNE 2010

(\$'000)

Asset Class	Asset Category	Depreciation Rate (5)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	WDV	Asset Condition	Estimated cost to bring to satisfactory	Annual Maintenance Expense	Program Maintenance Works
		Per Note 1	Per Note 4	Per Note 9			Per Section 428(2d)				
									(i)	(ii)	(iii)
Public Buildings	Council Offices/Depots	2.5	113		3,915	113	3,802	S			
	Houses	2.5						S			
Water	Treatment Plants	1.3	354		19,765	354	19,411	S	475	110	56
	Bores	4						S	Included in Pumping Stations		
	Reservoirs	1	332		20,786	332	20,454	S	85	85	64
	Pipelines	2	2,253		95,497	2,253	93,244	S	6,333	805	620
	Pump Stations	1.3	269		11,254	269	10,985	S	499	499	525
Total – Classes	Total – All Assets		3,321		151,217	3,321	147,896		7,392	1,499	1,265

S = Satisfactory

SPECIAL SCHEDULE NO. 8

FINANCIAL PROJECTIONS

	2010 ⁽¹⁾ \$m	2011 \$m	2012 \$m
Recurrent budget			
Income from continuing operations	19	18	
Expenses from continuing operations	15	16	
Operating result from continuing operations	4	2	
Capital budget			
New capital works ⁽²⁾	3	3	
Funded by:			
– Loans			
– Asset sales			
– Reserves			
– Grants/Contributions	1	1	
– Recurrent revenue	2	2	
– Other			

Notes:

(1) From Income Statement

(2) New Capital Works are major non-current projects – new services, mains extensions