

Eurobodalla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016



Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office 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 and 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 more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council’s self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council’s borrowing position by comparison with commercial rates).
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Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Statement by Councillors and Management

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

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

To the best of our knowledge and belief, these financial statements:

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 25 October 2016.



L Innes
Mayor



A Mayne
Deputy Mayor



Dr C Dale
General manager



A O'Reilly
Responsible accounting officer

Eurobodalla Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	6,047	5,862
User charges	9,872	9,258
Fees	292	246
Interest	445	455
Grants and contributions provided for non-capital purposes	202	201
Other income	72	88
Total income from continuing operations	16,930	16,110
Expenses from continuing operations		
Employee benefits and on-costs	2,775	2,790
Borrowing costs	159	584
Materials and contracts	4,977	4,358
Depreciation and impairment	6,151	6,077
Water purchase charges	–	–
Loss on sale of assets	585	1,032
Calculated taxation equivalents	31	31
Debt guarantee fee (if applicable)	–	–
Other expenses	624	775
Total expenses from continuing operations	15,302	15,647
Surplus (deficit) from continuing operations before capital amounts	1,628	463
Grants and contributions provided for capital purposes	1,831	1,392
Surplus (deficit) from continuing operations after capital amounts	3,459	1,855
Surplus (deficit) from all operations before tax	3,459	1,855
Less: corporate taxation equivalent (30%) [based on result before capital]	(488)	(139)
SURPLUS (DEFICIT) AFTER TAX	2,971	1,716
Plus opening retained profits	149,288	147,009
Plus/less: prior period adjustments	–	–
Plus/less: asset revaluation reserve transfers	301	424
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	31	31
– Debt guarantee fees	–	–
– Corporate taxation equivalent	488	139
Less:		
– Tax equivalent dividend paid	(31)	(31)
– Surplus dividend paid	–	–
Closing retained profits	153,048	149,288
Return on capital %	0.6%	0.4%
Subsidy from Council	4,366	7,521
Calculation of dividend payable:		
Surplus (deficit) after tax	2,971	1,716
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	2,971	1,716
Potential dividend calculated from surplus	1,485	858

Eurobodalla Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	17,773	17,250
User charges	633	591
Liquid trade waste charges	112	99
Fees	–	1
Interest	535	445
Grants and contributions provided for non-capital purposes	190	189
Profit from the sale of assets	272	–
Other income	89	77
Total income from continuing operations	19,604	18,652
Expenses from continuing operations		
Employee benefits and on-costs	3,698	3,475
Borrowing costs	1,097	1,227
Materials and contracts	5,393	4,612
Depreciation and impairment	6,476	6,361
Loss on sale of assets	–	437
Calculated taxation equivalents	44	46
Debt guarantee fee (if applicable)	–	–
Other expenses	776	963
Total expenses from continuing operations	17,484	17,121
Surplus (deficit) from continuing operations before capital amounts	2,120	1,531
Grants and contributions provided for capital purposes	5,056	1,203
Surplus (deficit) from continuing operations after capital amounts	7,176	2,734
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	7,176	2,734
Less: corporate taxation equivalent (30%) [based on result before capital]	(636)	(459)
SURPLUS (DEFICIT) AFTER TAX	6,540	2,275
Plus opening retained profits	110,947	108,761
Plus/less: prior period adjustments	–	–
Plus/less: asset revaluation reserve transfers	268	(18)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	44	46
– Debt guarantee fees	–	–
– Corporate taxation equivalent	636	459
Less:		
– Tax equivalent dividend paid	(44)	(46)
– Surplus dividend paid	(531)	(530)
Closing retained profits	117,860	110,947
Return on capital %	1.3%	1.1%
Subsidy from Council	2,172	4,533
Calculation of dividend payable:		
Surplus (deficit) after tax	6,540	2,275
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	6,540	2,275
Potential dividend calculated from surplus	3,270	1,137

Eurobodalla Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

Batemans Bay
Beach Resort

Category 1

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
User charges	2,646	2,432
Other income	25	23
Total income from continuing operations	2,671	2,455
Expenses from continuing operations		
Employee benefits and on-costs	6	5
Borrowing costs	589	617
Materials and contracts	1,107	1,071
Depreciation and impairment	388	410
Loss on sale of assets	–	13
Calculated taxation equivalents	35	47
Debt guarantee fee (if applicable)	–	–
Other expenses	437	419
Total expenses from continuing operations	2,562	2,582
Surplus (deficit) from continuing operations before capital amounts	109	(127)
Grants and contributions provided for capital purposes	–	15
Surplus (deficit) from continuing operations after capital amounts	109	(112)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	109	(112)
Less: corporate taxation equivalent (30%) [based on result before capital]	(33)	–
SURPLUS (DEFICIT) AFTER TAX	76	(112)
Plus opening retained profits	(4,013)	(3,911)
Plus/less: prior period adjustments	–	10
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	35	47
– Debt guarantee fees	–	–
– Corporate taxation equivalent	33	–
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	(35)	(47)
– Dividend paid	–	–
Closing retained profits	(3,904)	(4,013)
Return on capital %	7.9%	5.2%
Subsidy from Council	–	–

Eurobodalla Shire Council

Statement of Financial Position – Council's Water Supply Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	942	9,881
Investments	15,802	795
Receivables	3,374	3,301
Inventories	60	59
Other	122	122
Non-current assets classified as held for sale	–	–
Total current assets	20,300	14,158
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	283,553	283,701
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	283,553	283,701
TOTAL ASSETS	303,853	297,859
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	2	2
Borrowings	71	1,510
Provisions	–	–
Total current liabilities	73	1,512
Non-current liabilities		
Payables	–	–
Borrowings	1,069	1,139
Provisions	–	–
Total non-current liabilities	1,069	1,139
TOTAL LIABILITIES	1,142	2,651
NET ASSETS	302,711	295,208
EQUITY		
Retained earnings	153,048	149,289
Revaluation reserves	149,663	145,919
Council equity interest	302,711	295,208
Non-controlling equity interest	–	–
TOTAL EQUITY	302,711	295,208

Eurobodalla Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	954	12,793
Investments	16,003	4,771
Receivables	175	176
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	17,132	17,740
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	248,330	241,437
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	248,330	241,437
TOTAL ASSETS	265,462	259,177
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	36	39
Borrowings	3,195	6,862
Provisions	–	–
Total current liabilities	3,231	6,901
Non-current liabilities		
Payables	–	–
Borrowings	12,073	12,113
Provisions	–	–
Total non-current liabilities	12,073	12,113
TOTAL LIABILITIES	15,304	19,014
NET ASSETS	250,158	240,163
EQUITY		
Retained earnings	117,860	110,946
Revaluation reserves	132,298	129,217
Council equity interest	250,158	240,163
Non-controlling equity interest	–	–
TOTAL EQUITY	250,158	240,163

Eurobodalla Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

Batemans Bay Beach
Resort

Category 1

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	–	–
Receivables	115	80
Inventories	–	–
Other	21	–
Non-current assets classified as held for sale	–	–
Total Current Assets	136	80
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	8,884	9,495
Investments accounted for using equity method	–	–
Investment property	–	–
Other	–	–
Total non-current assets	8,884	9,495
TOTAL ASSETS	9,020	9,575
LIABILITIES		
Current liabilities		
Bank overdraft	3,041	3,046
Payables	–	–
Borrowings	2,663	654
Provisions	–	–
Total current liabilities	5,704	3,700
Non-current liabilities		
Payables	–	–
Borrowings	6,699	9,081
Provisions	–	–
Other Liabilities	–	–
Total non-current liabilities	6,699	9,081
TOTAL LIABILITIES	12,403	12,781
NET ASSETS	(3,383)	(3,206)
EQUITY		
Retained earnings	(3,905)	(4,013)
Revaluation reserves	522	807
Council equity interest	(3,383)	(3,206)
Non-controlling equity interest	–	–
TOTAL EQUITY	(3,383)	(3,206)

Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies

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

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

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. 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 and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

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

a. Eurobodalla Water Supply

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

b. Eurobodalla Sewerage Fund

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

c. Batemans Bay Beach Resort

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

Category 2

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

Council has no Category 2 Business Activities

Monetary amounts

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

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, 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 to in the Best-Practice Management of Water Supply and Sewerage Guidelines 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 Best-Practice Management of Water Supply and Sewerage Guidelines 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 each reported business activity.

While 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 (gain or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

The 30% rate applied 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 and charges

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

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

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 Council's borrowing rate for its business activities.

(ii) Subsidies

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

Subsidies occur when 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 Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

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

(iv) Dividends

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

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed the minimum of either:

- (i) 50% of 'the surplus before dividend' in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment), or
- (iii) the cumulative 'surplus before dividends' for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015.

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

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 2. Water supply business
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	31,000
(ii)	Number of assessments multiplied by \$3/assessment	62,946
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	31,000
(iv)	Amounts actually paid for tax equivalents	31,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,485,300
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	598,460
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	5,248,700

2016 Surplus	2,970,600	2015 Surplus	1,716,100	2014 Surplus	562,000
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	598,460
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	18,308
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)]	%	58.37%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	278,044
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	8,375
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	2,938
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.33%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	8

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	44,000
(ii)	Number of assessments multiplied by \$3/assessment	58,734
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	44,000
(iv)	Amounts actually paid for tax equivalents	44,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	3,270,000
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	543,340
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	9,300,300

2016 Surplus	6,540,000	2015 Surplus	2,274,700	2014 Surplus	1,148,600
		2015 Dividend	530,000	2014 Dividend	133,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	543,340
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	531,000
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	21,930
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	233,467
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	9,866
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	10,226
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 (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.37%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	1,923

**National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)**

NWI F3	Total income (water and 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	39,925
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.98%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	13,164
NWI F19	Economic real rate of return (water and 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 and equipment (w33b + s34b)]	%	1.80%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	531
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	6.56%

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-2.80%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 9,370 Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: 276 Interest expense (w4a + s4a) – interest income (w9 + s10)		-
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	8,100
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	392

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007