

# Eurobodalla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2015

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# Eurobodalla Shire Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2015

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### Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

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## Eurobodalla Shire Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2015

## Statement by Councillors and Management

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

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

To the best of our knowledge and belief, these Financial Statements:

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

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

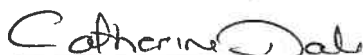
Signed in accordance with a resolution of Council made on 27 October 2015.



L Brown  
MAYOR



R Pollock OAM  
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 financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>Income from continuing operations</b>		
Access charges	5,862	4,649
User charges	9,258	9,612
Fees	246	267
Interest	455	333
Grants and contributions provided for non capital purposes	201	201
Other income	88	93
<b>Total income from continuing operations</b>	<b>16,110</b>	<b>15,155</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,790	2,758
Borrowing costs	584	622
Materials and contracts	4,358	4,593
Depreciation and impairment	6,077	6,070
Loss on sale of assets	1,032	310
Calculated taxation equivalents	31	31
Other expenses	775	919
<b>Total expenses from continuing operations</b>	<b>15,647</b>	<b>15,303</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>463</b>	<b>(148)</b>
Grants and contributions provided for capital purposes	1,392	710
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>1,855</b>	<b>562</b>
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>1,855</b>	<b>562</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(139)	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,716</b>	<b>562</b>
plus Opening Retained Profits	147,009	145,817
plus/less: Asset Revaluation Reserve Transfers	424	630
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	31	31
- Debt guarantee fees	-	-
- Corporate taxation equivalent	139	-
less:		
- Tax Equivalent Dividend paid	(31)	(31)
<b>Closing Retained Profits</b>	<b>149,288</b>	<b>147,009</b>
<b>Return on Capital %</b>	<b>0.4%</b>	<b>0.2%</b>
<b>Subsidy from Council</b>	<b>7,521</b>	<b>9,645</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,716	562
less: Capital grants and contributions (excluding developer contributions)	-	-
<b>Surplus for dividend calculation purposes</b>	<b>1,716</b>	<b>562</b>
<b>Potential Dividend calculated from surplus</b>	<b>858</b>	<b>281</b>

## Eurobodalla Shire Council

## Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>Income from continuing operations</b>		
Access charges	17,250	16,761
User charges	591	608
Liquid Trade Waste charges	99	104
Fees	1	9
Interest	445	404
Grants and contributions provided for non capital purposes	189	190
Other income	77	73
<b>Total income from continuing operations</b>	<b>18,652</b>	<b>18,149</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	3,475	3,662
Borrowing costs	1,227	1,383
Materials and contracts	4,612	5,467
Depreciation and impairment	6,361	6,253
Loss on sale of assets	437	152
Calculated taxation equivalents	46	46
Other expenses	963	1,048
<b>Total expenses from continuing operations</b>	<b>17,121</b>	<b>18,011</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>1,531</b>	<b>138</b>
Grants and contributions provided for capital purposes	1,203	1,052
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>2,734</b>	<b>1,190</b>
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>2,734</b>	<b>1,190</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(459)	(41)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,275</b>	<b>1,149</b>
plus Opening Retained Profits	108,761	107,728
plus/less: Asset Revaluation Reserve Transfers	(18)	(24)
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	46	46
- Corporate taxation equivalent	459	41
less:		
- Tax Equivalent Dividend paid	(46)	(46)
- Surplus dividend paid	(530)	(133)
<b>Closing Retained Profits</b>	<b>110,947</b>	<b>108,761</b>
<b>Return on Capital %</b>	<b>1.1%</b>	<b>0.6%</b>
<b>Subsidy from Council</b>	<b>4,533</b>	<b>7,056</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	2,275	1,149
less: Capital grants and contributions (excluding developer contributions)	-	-
<b>Surplus for dividend calculation purposes</b>	<b>2,275</b>	<b>1,149</b>
<b>Potential Dividend calculated from surplus</b>	<b>1,137</b>	<b>574</b>

## Eurobodalla Shire Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

Batemans Bay  
Beach Resort

Category 1

\$ '000	Actual 2015	Actual 2014
<b>Income from continuing operations</b>		
User charges	2,432	2,201
Other income	23	29
<b>Total income from continuing operations</b>	<b>2,455</b>	<b>2,230</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	5	7
Borrowing costs	617	678
Materials and contracts	1,071	1,033
Depreciation and impairment	410	411
Loss on sale of assets	13	-
Calculated taxation equivalents	47	20
Debt guarantee fee (if applicable)	-	-
Other expenses	419	408
<b>Total expenses from continuing operations</b>	<b>2,582</b>	<b>2,557</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(127)</b>	<b>(327)</b>
Grants and contributions provided for capital purposes	15	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(112)</b>	<b>(327)</b>
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(112)</b>	<b>(327)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(112)</b>	<b>(327)</b>
plus Opening Retained Profits	(3,911)	(3,584)
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	47	20
less:		
- TER dividend paid	(47)	(20)
<b>Closing Retained Profits</b>	<b>(4,023)</b>	<b>(3,911)</b>
<b>Return on Capital %</b>	<b>5.2%</b>	<b>3.5%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>4</b>

## Eurobodalla Shire Council

Statement of Financial Position - Council's Water Supply Business Activity  
as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	9,881	10,167
Investments	795	132
Receivables	3,301	3,182
Inventories	59	59
Other	122	166
<b>Total Current Assets</b>	<b>14,158</b>	<b>13,706</b>
<b>Non-Current Assets</b>		
Infrastructure, property, plant and equipment	283,701	284,228
<b>Total non-Current Assets</b>	<b>283,701</b>	<b>284,228</b>
<b>TOTAL ASSETS</b>	<b>297,859</b>	<b>297,934</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	2	7
Interest bearing liabilities	1,510	5,972
<b>Total Current Liabilities</b>	<b>1,512</b>	<b>5,979</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	1,139	2,649
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>1,139</b>	<b>2,649</b>
<b>TOTAL LIABILITIES</b>	<b>2,651</b>	<b>8,628</b>
<b>NET ASSETS</b>	<b>295,208</b>	<b>289,306</b>
<b>EQUITY</b>		
Retained earnings	149,289	147,010
Revaluation reserves	145,919	142,296
Council equity interest	295,208	289,306
<b>TOTAL EQUITY</b>	<b>295,208</b>	<b>289,306</b>

## Eurobodalla Shire Council

Statement of Financial Position - Council's Sewerage Business Activity  
as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	12,793	10,580
Investments	4,771	3,873
Receivables	176	150
<b>Total Current Assets</b>	<b>17,740</b>	<b>14,603</b>
<b>Non-Current Assets</b>		
Infrastructure, property, plant and equipment	241,437	240,933
<b>Total non-Current Assets</b>	<b>241,437</b>	<b>240,933</b>
<b>TOTAL ASSETS</b>	<b>259,177</b>	<b>255,536</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	39	34
Interest bearing liabilities	6,862	3,309
<b>Total Current Liabilities</b>	<b>6,901</b>	<b>3,343</b>
<b>Non-Current Liabilities</b>		
Interest bearing liabilities	12,113	17,573
<b>Total Non-Current Liabilities</b>	<b>12,113</b>	<b>17,573</b>
<b>TOTAL LIABILITIES</b>	<b>19,014</b>	<b>20,916</b>
<b>NET ASSETS</b>	<b>240,163</b>	<b>234,620</b>
<b>EQUITY</b>		
Retained earnings	110,946	108,759
Revaluation reserves	129,217	125,861
Council equity interest	240,163	234,620
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>240,163</b>	<b>234,620</b>



## Eurobodalla Shire Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

Batemans Bay Beach  
Resort

Category 1

\$ '000	Actual 2015	Actual 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Receivables	80	92
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>80</b>	<b>92</b>
<b>Non-Current Assets</b>		
Infrastructure, property, plant and equipment	9,495	9,960
<b>Total Non-Current Assets</b>	<b>9,495</b>	<b>9,960</b>
<b>TOTAL ASSETS</b>	<b>9,575</b>	<b>10,052</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	3,046	711
Interest bearing liabilities	654	645
<b>Total Current Liabilities</b>	<b>3,700</b>	<b>1,356</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	9,081	11,792
Provisions	-	-
Other Liabilities	-	-
<b>Total Non-Current Liabilities</b>	<b>9,081</b>	<b>11,792</b>
<b>TOTAL LIABILITIES</b>	<b>12,781</b>	<b>13,148</b>
<b>NET ASSETS</b>	<b>(3,206)</b>	<b>(3,096)</b>
<b>EQUITY</b>		
Retained earnings	(4,013)	(3,915)
Revaluation reserves	807	819
Council equity interest	<b>(3,206)</b>	<b>(3,096)</b>
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>(3,206)</b>	<b>(3,096)</b>

## Eurobodalla Shire Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Contents of the Notes accompanying the Financial Statements

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2	Water Supply Business Best Practice Management disclosure requirements	13
3	Sewerage Business Best Practice Management disclosure requirements	15

## Eurobodalla Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### 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 these special purpose financial statements, 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) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

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

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

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

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

#### Declared Business Activities

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

##### Category 1

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

##### a. Eurobodalla Water Supply

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

##### b. Eurobodalla Sewerage Fund

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

##### c. Batemans Bay Resort

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

##### Category 2

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

Council has no Category 2 Business Activities

#### Monetary Amounts

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

## Eurobodalla Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

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

##### (i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these 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 **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, 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 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 each reported Business Activity.

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

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

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

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

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

##### Local Government Rates & Charges

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

##### Loan & Debt Guarantee Fees

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

## Eurobodalla Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

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

##### (ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of 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 3.02% at 30/6/15.

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

##### (iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2015 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

## Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2015Note 2. Water Supply Business  
Best Practice Management disclosure requirements

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

2015

**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)	No of assessments multiplied by \$3/assessment	64,440
(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]	858,050
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	613,400
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	(213,900)

2015 Surplus	1,716,100	2014 Surplus	562,000	2013 Surplus	(2,492,000)
		2014 Dividend	-	2013 Dividend	-

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

**3. Required outcomes for 6 Criteria**

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	YES
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	YES
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

## Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2015Note 2. Water Supply Business  
Best Practice Management disclosure requirements (continued)

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Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015


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**National Water Initiative (NWI) Financial Performance Indicators**

<b>NWI F1</b>	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	16,997
<b>NWI F4</b>	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)]	%	57.88%
<b>NWI F9</b>	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	278,273
<b>NWI F11</b>	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	7,923
<b>NWI F14</b>	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	2,567
<b>NWI F17</b>	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	1.06%
<b>NWI F26</b>	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	49

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

## Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2015Note 3. Sewerage Business  
Best Practice Management disclosure requirements

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

2015

**1. Calculation and Payment of Tax-Equivalents**

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

(i)	Calculated Tax Equivalents	46,000
(ii)	No of assessments multiplied by \$3/assessment	57,741
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	46,000
(iv)	Amounts actually paid for Tax Equivalents	46,000

**2. Dividend from Surplus**

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	1,137,350
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	531,410
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	3,027,300

2015 Surplus	2,274,700	2014 Surplus	1,148,600	2013 Surplus	266,000
		2014 Dividend	133,000	2013 Dividend	529,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	531,410
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	530,000

**3. Required outcomes for 4 Criteria**

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges	
	(a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES



## Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2015Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

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Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015


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**National Water Initiative (NWI) Financial Performance Indicators**

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	19,300
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	231,572
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	9,050
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	3,942
<b>NWI F18</b>	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	1.66%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	110

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

<b>NWI F3</b>	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	34,828
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.12%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	6,509
<b>NWI F19</b>	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	1.33%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	530
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	12.18%

## Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2015Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

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Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015


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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-0.88%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest  Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)  Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		8
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	4,352
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	390

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