

Eurobodalla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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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 2017

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:

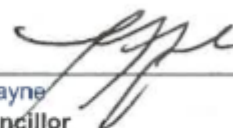
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

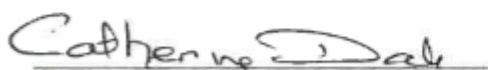
Signed in accordance with a resolution of Council made on 24 October 2017.



L Innes
Mayor



A Mayne
Councillor



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 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	6,191	6,047
User charges	10,682	9,872
Fees	374	292
Interest	563	445
Grants and contributions provided for non-capital purposes	206	202
Other income	75	72
Total income from continuing operations	18,091	16,930
Expenses from continuing operations		
Employee benefits and on-costs	2,942	2,775
Borrowing costs	57	159
Materials and contracts	5,576	4,977
Depreciation, amortisation and impairment	5,987	6,151
Water purchase charges	–	–
Loss on sale of assets	1,442	585
Calculated taxation equivalents	30	31
Other expenses	726	624
Total expenses from continuing operations	16,760	15,302
Surplus (deficit) from continuing operations before capital amounts	1,331	1,628
Grants and contributions provided for capital purposes	1,976	1,831
Surplus (deficit) from continuing operations after capital amounts	3,307	3,459
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	3,307	3,459
Less: corporate taxation equivalent (30%) [based on result before capital]	(399)	(488)
SURPLUS (DEFICIT) AFTER TAX	2,908	2,971
Plus opening retained profits	153,048	149,288
Plus/less: asset revaluation reserve transfers	536	301
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	30	31
– Debt guarantee fees	–	–
– Corporate taxation equivalent	399	488
Less:		
– Tax equivalent dividend paid	(30)	(31)
– Surplus dividend paid	(598)	–
Closing retained profits	156,293	153,048
Return on capital %	0.7%	0.6%
Subsidy from Council	3,146	4,366
Calculation of dividend payable:		
Surplus (deficit) after tax	2,908	2,971
Less: capital grants and contributions (excluding developer contributions)	(26)	(110)
Surplus for dividend calculation purposes	2,882	2,861
Potential dividend calculated from surplus	1,441	1,430

Eurobodalla Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	18,206	17,773
User charges	686	633
Liquid trade waste charges	121	112
Interest	423	535
Grants and contributions provided for non-capital purposes	194	190
Profit from the sale of assets	–	272
Other income	84	89
Total income from continuing operations	19,714	19,604
Expenses from continuing operations		
Employee benefits and on-costs	3,748	3,698
Borrowing costs	729	1,097
Materials and contracts	5,919	5,393
Depreciation, amortisation and impairment	6,710	6,476
Loss on sale of assets	660	–
Calculated taxation equivalents	42	44
Other expenses, including electricity	838	776
Total expenses from continuing operations	18,646	17,484
Surplus (deficit) from continuing operations before capital amounts	1,068	2,120
Grants and contributions provided for capital purposes	5,402	5,056
Surplus (deficit) from continuing operations after capital amounts	6,470	7,176
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	6,470	7,176
Less: corporate taxation equivalent (30%) [based on result before capital]	(320)	(636)
SURPLUS (DEFICIT) AFTER TAX	6,150	6,540
Plus opening retained profits	117,860	110,947
Plus/less: asset revaluation reserve transfers	98	268
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	42	44
– Debt guarantee fees	–	–
– Corporate taxation equivalent	320	636
Less:		
– Tax equivalent dividend paid	(42)	(44)
– Surplus dividend paid	(543)	(531)
Closing retained profits	123,885	117,860
Return on capital %	0.7%	1.3%
Subsidy from Council	4,096	2,172
Calculation of dividend payable:		
Surplus (deficit) after tax	6,150	6,540
Less: capital grants and contributions (excluding developer contributions)	(3,003)	(2,240)
Surplus for dividend calculation purposes	3,147	4,300
Potential dividend calculated from surplus	1,573	2,150

Eurobodalla Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

Batemans Bay
Beach Resort

Category 1

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
User charges	2,434	2,646
Other income	37	25
Total income from continuing operations	2,471	2,671
Expenses from continuing operations		
Employee benefits and on-costs	4	6
Borrowing costs	505	589
Materials and contracts	954	1,107
Depreciation, amortisation and impairment	462	388
Calculated taxation equivalents	35	35
Other expenses	426	437
Total expenses from continuing operations	2,386	2,562
Surplus (deficit) from continuing operations before capital amounts	85	109
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	85	109
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	85	109
Less: corporate taxation equivalent (30%) [based on result before capital]	(26)	(33)
SURPLUS (DEFICIT) AFTER TAX	60	76
Plus opening retained profits	(3,904)	(4,013)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	35	35
– Corporate taxation equivalent	26	33
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	(35)	(35)
Closing retained profits	(3,819)	(3,904)
Return on capital %	7.0%	7.9%
Subsidy from Council	–	–

Eurobodalla Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	795	942
Investments	22,826	15,802
Receivables	3,421	3,374
Inventories	60	60
Other	122	122
Total current assets	27,224	20,300
Non-current assets		
Infrastructure, property, plant and equipment	190,509	283,553
Total non-current assets	190,509	283,553
TOTAL ASSETS	217,733	303,853
LIABILITIES		
Current liabilities		
Payables	2	2
Borrowings	71	71
Total current liabilities	73	73
Non-current liabilities		
Borrowings	995	1,069
Total non-current liabilities	995	1,069
TOTAL LIABILITIES	1,068	1,142
NET ASSETS	216,665	302,711
EQUITY		
Retained earnings	156,293	153,048
Revaluation reserves	60,372	149,663
Council equity interest	216,665	302,711
TOTAL EQUITY	216,665	302,711

Eurobodalla Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	656	954
Investments	18,821	16,003
Receivables	189	175
Total current Assets	19,666	17,132
Non-current assets		
Infrastructure, property, plant and equipment	247,612	248,330
Total non-current assets	247,612	248,330
TOTAL ASSETS	267,278	265,462
LIABILITIES		
Current liabilities		
Payables	11	36
Borrowings	2,542	3,195
Total current liabilities	2,553	3,231
Non-current liabilities		
Borrowings	14,990	12,073
Total non-current liabilities	14,990	12,073
TOTAL LIABILITIES	17,543	15,304
NET ASSETS	249,735	250,158
EQUITY		
Retained earnings	123,885	117,860
Revaluation reserves	125,850	132,298
Council equity interest	249,735	250,158
TOTAL EQUITY	249,735	250,158

Eurobodalla Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Batemans Bay
Beach Resort

Category 1

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Receivables	28	115
Other	–	21
Total Current Assets	28	136
Non-current assets		
Infrastructure, property, plant and equipment	8,473	8,884
Total non-current assets	8,473	8,884
TOTAL ASSETS	8,501	9,020
LIABILITIES		
Current liabilities		
Bank overdraft	3,216	3,041
Payables	123	281
Borrowings	1,349	2,382
Total current liabilities	4,688	5,704
Non-current liabilities		
Borrowings	7,111	6,699
Total non-current liabilities	7,111	6,699
TOTAL LIABILITIES	11,799	12,403
NET ASSETS	(3,298)	(3,383)
EQUITY		
Retained earnings	(3,820)	(3,905)
Revaluation reserves	522	522
Council equity interest	(3,298)	(3,383)
TOTAL EQUITY	(3,298)	(3,383)

Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements 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 these Special Purpose Financial Statements 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 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' in 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 NSW government policy statement titled '*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 a standard for 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 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, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations 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 Special Purpose 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 **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of **\$549,001 up to \$3,357,000** the rate is **1.6% + \$100**. For the remaining combined land value that **exceeds \$3,357,000** 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 Department of Primary Industries Water (DPIW), 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 NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water 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 the business activities.

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 - 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 gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the 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 the SPFS.

The rate applied of 30% is the equivalent company tax rate prevalent at reporting 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 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.

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

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

The rate of return 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 2.38% at 30/6/17.

(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.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	29,968
(ii)	Number of assessments multiplied by \$3/assessment	63,237
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	29,968
(iv)	Amounts actually paid for tax equivalents	29,968

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,440,861
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	602,402
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	7,243,322

2017 Surplus	2,881,722	2016 Surplus	2,860,600	2015 Surplus	1,501,000
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	602,402
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	598,460
(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 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2017

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	19,504
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)]	%	59.59%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	186,260
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	9,243
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,113
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)]	%	2.26%

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - 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 2017Note 3. Sewerage business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	42,000
(ii)	Number of assessments multiplied by \$3/assessment	58,989
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	42,000
(iv)	Amounts actually paid for tax equivalents	41,857

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,573,300
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	547,890
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	8,434,600

2017 Surplus	3,146,600	2016 Surplus	4,300,000	2015 Surplus	2,049,000
		2016 Dividend	531,000	2015 Dividend	530,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	547,890
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	543,340
(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 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

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	21,700
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	10,505
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	13,071
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)]	%	1.89%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	2,993

**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	39,102
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.02%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	16,184
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)]	%	2.05%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	1,142
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	20.49%

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

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)]	%	-4.71%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
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	5,572
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	400

- 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