

# Warrumbungle Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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*"excellence in local government"*



# Warrumbungle 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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# Warrumbungle 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 16 November 2017.**



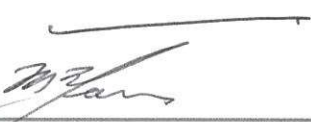
Peter Shinton  
Mayor



Councillor.....*Michael Jones*.....



Leanne Ryan  
Acting General Manager



Michael Jones  
Responsible Accounting Officer

## Warrumbungle Shire Council

# Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	1,301	1,268
User charges	1,371	1,627
Fees	27	8
Interest	92	109
Grants and contributions provided for non-capital purposes	41	40
Other income	11	235
<b>Total income from continuing operations</b>	<b>2,843</b>	<b>3,287</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	942	985
Borrowing costs	32	36
Materials and contracts	654	484
Depreciation, amortisation and impairment	1,169	801
Other expenses	971	862
<b>Total expenses from continuing operations</b>	<b>3,768</b>	<b>3,168</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(925)</b>	<b>119</b>
Grants and contributions provided for capital purposes	370	40
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(555)</b>	<b>159</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	—	(36)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(555)</b>	<b>123</b>
Plus opening retained profits	20,768	20,609
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	—	36
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
<b>Closing retained profits</b>	<b>20,213</b>	<b>20,768</b>
Return on capital %	-2.3%	0.5%
Subsidy from Council	1,823	441
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(555)	123
Less: capital grants and contributions (excluding developer contributions)	(370)	(40)
<b>Surplus for dividend calculation purposes</b>	<b>—</b>	<b>83</b>
<b>Potential dividend calculated from surplus</b>	<b>—</b>	<b>42</b>



## Warrumbungle Shire Council

# Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	1,240	975
User charges	101	332
Liquid trade waste charges	111	62
Interest	115	133
Grants and contributions provided for non-capital purposes	29	28
Other income	10	11
<b>Total income from continuing operations</b>	<b>1,606</b>	<b>1,541</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	606	632
Materials and contracts	255	179
Depreciation, amortisation and impairment	538	334
Other expenses	574	500
<b>Total expenses from continuing operations</b>	<b>1,973</b>	<b>1,645</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(367)</b>	<b>(104)</b>
Grants and contributions provided for capital purposes	—	—
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(367)</b>	<b>(104)</b>
Surplus (deficit) from discontinued operations	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>(367)</b>	<b>(104)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(367)</b>	<b>(104)</b>
Plus opening retained profits	12,071	12,175
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	—	—
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
<b>Closing retained profits</b>	<b>11,704</b>	<b>12,071</b>
<b>Return on capital %</b>	<b>-2.1%</b>	<b>-0.5%</b>
<b>Subsidy from Council</b>	<b>788</b>	<b>544</b>
Calculation of dividend payable:		
Surplus (deficit) after tax	(367)	(104)
Less: capital grants and contributions (excluding developer contributions)	—	—
<b>Surplus for dividend calculation purposes</b>	<b>—</b>	<b>—</b>
<b>Potential dividend calculated from surplus</b>	<b>—</b>	<b>—</b>

## Warrumbungle Shire Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

	Warrumbungle Quarry Category 2	
	Actual 2017	Actual 2016
<b>\$ '000</b>		
<b>Income from continuing operations</b>		
User charges	1,104	1,178
<b>Total income from continuing operations</b>	<b>1,104</b>	<b>1,178</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	150	172
Borrowing costs	13	14
Materials and contracts	160	81
Other expenses	717	796
<b>Total expenses from continuing operations</b>	<b>1,040</b>	<b>1,063</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>64</b>	<b>115</b>
Grants and contributions provided for capital purposes	—	—
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>64</b>	<b>115</b>
Surplus (deficit) from discontinued operations	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>64</b>	<b>115</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(19)	(35)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>45</b>	<b>81</b>
Plus opening retained profits	375	260
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	19	35
Add:		
– Subsidy paid/contribution to operations	—	—
Less:		
– TER dividend paid	—	—
– Dividend paid	—	—
<b>Closing retained profits</b>	<b>439</b>	<b>375</b>
Return on capital %	21.3%	26.0%
Subsidy from Council	—	—

## Warrumbungle Shire Council

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

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,205	2,372
Receivables	879	938
Inventories	6	6
<b>Total current assets</b>	<b>3,090</b>	<b>3,316</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	39,076	29,972
<b>Total non-current assets</b>	<b>39,076</b>	<b>29,972</b>
<b>TOTAL ASSETS</b>	<b>42,166</b>	<b>33,288</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	5	6
Borrowings	78	75
Provisions	191	184
<b>Total current liabilities</b>	<b>274</b>	<b>265</b>
<b>Non-current liabilities</b>		
Borrowings	534	612
Provisions	2	4
<b>Total non-current liabilities</b>	<b>536</b>	<b>616</b>
<b>TOTAL LIABILITIES</b>	<b>810</b>	<b>881</b>
<b>NET ASSETS</b>	<b>41,356</b>	<b>32,407</b>
<b>EQUITY</b>		
Retained earnings	20,213	20,768
Revaluation reserves	21,143	11,639
Council equity interest	41,356	32,407
<b>TOTAL EQUITY</b>	<b>41,356</b>	<b>32,407</b>

## Warrumbungle Shire Council

# Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,687	2,722
Receivables	475	459
<b>Total current Assets</b>	<b>3,162</b>	<b>3,181</b>
<b>Non-current assets</b>		
Receivables	1,077	1,086
Infrastructure, property, plant and equipment	17,686	22,102
<b>Total non-current assets</b>	<b>18,763</b>	<b>23,188</b>
<b>TOTAL ASSETS</b>	<b>21,925</b>	<b>26,369</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Provisions	77	73
<b>Total current liabilities</b>	<b>77</b>	<b>73</b>
<b>Non-current liabilities</b>		
Provisions	1	2
<b>Total non-current liabilities</b>	<b>1</b>	<b>2</b>
<b>TOTAL LIABILITIES</b>	<b>78</b>	<b>75</b>
<b>NET ASSETS</b>	<b>21,847</b>	<b>26,294</b>
<b>EQUITY</b>		
Retained earnings	11,704	12,071
Revaluation reserves	10,143	14,223
Council equity interest	21,847	26,294
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>21,847</b>	<b>26,294</b>



## Warrumbungle Shire Council

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

as at 30 June 2017

Warrumbungle Quarry

	Category 2	
	Actual	Actual
\$ '000	2017	2016
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	34	28
Inventories	467	277
<b>Total Current Assets</b>	<b>501</b>	<b>305</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	361	496
<b>Total non-current assets</b>	<b>361</b>	<b>496</b>
<b>TOTAL ASSETS</b>	<b>862</b>	<b>801</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	58	20
Borrowings	42	41
<b>Total current liabilities</b>	<b>100</b>	<b>61</b>
<b>Non-current liabilities</b>		
Borrowings	323	365
<b>Total non-current liabilities</b>	<b>323</b>	<b>365</b>
<b>TOTAL LIABILITIES</b>	<b>423</b>	<b>426</b>
<b>NET ASSETS</b>	<b>439</b>	<b>375</b>
<b>EQUITY</b>		
Retained earnings	439	375
Council equity interest	439	375
<b>TOTAL EQUITY</b>	<b>439</b>	<b>375</b>

## Warrumbungle Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2017

#### 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

## Warrumbungle 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)

Nil

##### Category 2

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

##### a. Warrumbungle Shire Council Sewerage Service

All individual Sewerage Services are now combined into one entity known as Warrumbungle Sewerage Fund. This entity incorporates the previous individual Operations and Net Assets of the Sewerage Treatment and Reticulation Systems of the towns Baradine, Coonabarabran, Coolah and Dunedoo.

##### b. Warrumbungle Shire Council Combined Water Supply

All individual Water Funds are now combined into one entity known as Warrumbungle Water Fund. This entity incorporates the previous individual Operations and Net Assets of the Water Supply Systems of the towns of Baradine, Binnaway, Coonabarabran, Coolah, Dunedoo and Mendooran.

##### c. Warrumbungle Quarry

#### 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).



# Warrumbungle Shire Council

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

### 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. 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.

#### 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.



## Warrumbungle Shire Council

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

#### Note 1. Significant accounting policies (continued)

##### (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 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.

## Warrumbungle 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	<input type="text" value="—"/>
(ii) Number of assessments multiplied by \$3/assessment	<input type="text" value="10,026"/>
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	<input type="text" value="—"/>
(iv) Amounts actually paid for tax equivalents	<input type="text" value=""/>

**2. Dividend from surplus**

(i) 50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="—"/>
(ii) Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	<input type="text" value="100,260"/>
(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	<input type="text" value="(1,233,700)"/>

2017 Surplus	<input type="text" value="(925,000)"/>	2016 Surplus	<input type="text" value="83,300"/>	2015 Surplus	<input type="text" value="(392,000)"/>
		2016 Dividend	<input type="text" value="—"/>	2015 Dividend	<input type="text" value="—"/>

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="n/a"/>
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	<input type="text" value="—"/>
(vi) Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	<input type="text" value="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)	<input type="text" value="YES"/>
(ii) Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	<input type="text" value="YES"/>
– Complying charges [item 2 (b) in table 1]	<input type="text" value="YES"/>
– DSP with commercial developer charges [item 2 (e) in table 1]	<input type="text" value="NO"/>
– If dual water supplies, complying charges [item 2 (g) in table 1]	<input type="text" value="NO"/>
(iii) Sound water conservation and demand management implemented	<input type="text" value="YES"/>
(iv) Sound drought management implemented	<input type="text" value="YES"/>
(v) Complete performance reporting form (by 15 September each year)	<input type="text" value="YES"/>
(vi) a. Integrated water cycle management evaluation	<input type="text" value="YES"/>
b. Complete and implement integrated water cycle management strategy	<input type="text" value="NO"/>

## Warrumbungle 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	2,751
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)]	%	47.04%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	36,327
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,515
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	136
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)]	%	-2.39%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	370

- 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



# Warrumbungle Shire Council

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

### Note 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	<input type="text" value="–"/>
(ii)	Number of assessments multiplied by \$3/assessment	<input type="text" value="7,632"/>
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	<input type="text" value="–"/>
(iv)	Amounts actually paid for tax equivalents	<input type="text"/>

#### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="–"/>
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	<input type="text" value="76,320"/>
(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	<input type="text" value="(541,000)"/>

2017 Surplus	<input type="text" value="(367,000)"/>	2016 Surplus	<input type="text" value="(104,000)"/>	2015 Surplus	<input type="text" value="(70,000)"/>
		2016 Dividend	<input type="text" value="–"/>	2015 Dividend	<input type="text" value="–"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="n/a"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	<input type="text" value="–"/>
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	<input type="text" value="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)	<input type="text" value="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]	<input type="text" value="YES"/>
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(b) Non-residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(c) Trade waste [item 2 (d) in table 1]	<input type="text" value="YES"/>
	DSP with commercial developer charges [item 2 (e) in table 1]	<input type="text" value="NO"/>
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	<input type="text" value="YES"/>
(iii)	Complete performance reporting form (by 15 September each year)	<input type="text" value="YES"/>
(iv)	a. Integrated water cycle management evaluation	<input type="text" value="YES"/>
	b. Complete and implement integrated water cycle management strategy	<input type="text" value="NO"/>



## Warrumbungle 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	1,491
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	16,653
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,432
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	12
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)]	%	-2.71%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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	4,242
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.65%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	148
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)]	%	-2.49%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Warrumbungle 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)

<b>NWI F22</b>	Net debt to equity (water and sewerage)	%	-6.77%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
<b>NWI F23</b>	Interest cover (water and sewerage)		-
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		- 1,412
	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:		- 175
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
<b>NWI F24</b>	Net profit after tax (water and sewerage)	\$'000	(1,292)
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
<b>NWI F25</b>	Community service obligations (water and sewerage)	\$'000	70
	Grants for pensioner rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 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