



Tweed Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

"TOGETHER FORWARD"



TWEED
SHIRE COUNCIL

Tweed 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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Tweed 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 29 October 2015.

Katie Milne
MAYOR

Carolyn Byrne
COUNCILLOR

Troy Green
GENERAL MANAGER

Michael Chorlton
RESPONSIBLE ACCOUNTING OFFICER

Tweed Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	4,781	4,485
User charges	17,249	19,487
Fees	-	-
Interest	1,074	1,262
Grants and contributions provided for non capital purposes	378	377
Profit from the sale of assets	-	-
Other income	398	85
Total income from continuing operations	23,880	25,696
Expenses from continuing operations		
Employee benefits and on-costs	4,321	4,090
Borrowing costs	4,650	4,768
Materials and contracts	8,443	8,329
Depreciation and impairment	7,145	6,934
Water purchase charges	-	-
Loss on sale of assets	322	806
Calculated taxation equivalents	681	681
Debt guarantee fee (if applicable)	324	330
Other expenses	1,372	1,796
Total expenses from continuing operations	27,258	27,734
Surplus (deficit) from Continuing Operations before capital amounts	(3,378)	(2,038)
Grants and contributions provided for capital purposes	5,835	8,804
Surplus (deficit) from Continuing Operations after capital amounts	2,457	6,766
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	2,457	6,766
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	2,457	6,766
plus Opening Retained Profits	188,266	180,593
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	681	681
- Debt guarantee fees	324	330
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	(104)	(104)
- Surplus dividend paid	-	-
Closing Retained Profits	191,624	188,266
Return on Capital %	0.3%	0.6%
Subsidy from Council	-	-
Calculation of dividend payable:		
Surplus (deficit) after tax	2,457	6,766
less: Capital grants and contributions (excluding developer contributions)	(1,616)	(3,742)
Surplus for dividend calculation purposes	841	3,024
Potential Dividend calculated from surplus	421	1,512

Tweed Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	24,655	22,917
User charges	-	-
Liquid Trade Waste charges	2,521	2,207
Fees	519	599
Interest	2,202	1,995
Grants and contributions provided for non capital purposes	519	502
Profit from the sale of assets	-	-
Other income	22	75
Total income from continuing operations	30,438	28,295
Expenses from continuing operations		
Employee benefits and on-costs	7,079	6,189
Borrowing costs	2,978	3,160
Materials and contracts	7,508	7,194
Depreciation and impairment	10,436	10,102
Loss on sale of assets	1,861	613
Calculated taxation equivalents	861	861
Debt guarantee fee (if applicable)	169	182
Other expenses	2,319	2,632
Total expenses from continuing operations	33,211	30,933
Surplus (deficit) from Continuing Operations before capital amounts	(2,773)	(2,638)
Grants and contributions provided for capital purposes	5,216	9,657
Surplus (deficit) from Continuing Operations after capital amounts	2,443	7,019
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	2,443	7,019
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	2,443	7,019
plus Opening Retained Profits	228,666	220,703
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	861	861
- Debt guarantee fees	169	182
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	(101)	(99)
- Surplus dividend paid	-	-
Closing Retained Profits	232,038	228,666
Return on Capital %	0.0%	0.1%
Subsidy from Council	-	-
Calculation of dividend payable:		
Surplus (deficit) after tax	2,443	7,019
less: Capital grants and contributions (excluding developer contributions)	(3,011)	(7,092)
Surplus for dividend calculation purposes	-	-
Potential Dividend calculated from surplus	-	-

Tweed Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

\$ '000	Holiday Parks		Commercial Waste	
	Category 1		Category 1	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Income from continuing operations				
Access charges	-	-	2,520	2,374
User charges	-	-	2,598	2,706
Fees	8,546	7,653	-	-
Interest	580	594	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	497	263	8	6
Total income from continuing operations	9,623	8,510	5,126	5,086
Expenses from continuing operations				
Employee benefits and on-costs	803	698	470	466
Borrowing costs	65	21	1	(12)
Materials and contracts	1,951	1,738	2,973	2,846
Depreciation and impairment	394	856	55	77
Loss on sale of assets	42	-	288	-
Calculated taxation equivalents	1,575	1,576	42	50
Debt guarantee fee (if applicable)	6	6	-	-
Other expenses	3,075	2,966	256	724
Total expenses from continuing operations	7,911	7,861	4,085	4,151
Surplus (deficit) from Continuing Operations before capital amounts	1,712	649	1,041	935
Grants and contributions provided for capital purposes	-	-	945	-
Surplus (deficit) from Continuing Operations after capital amounts	1,712	649	1,986	935
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	1,712	649	1,986	935
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(514)	(195)	(312)	(281)
SURPLUS (DEFICIT) AFTER TAX	1,198	454	1,674	655
plus Opening Retained Profits	26,634	25,477	11,316	10,331
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	1,575	1,576	42	50
- Debt guarantee fees	6	6	-	-
- Corporate taxation equivalent	514	195	312	281
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(867)	(1,074)	-	-
Closing Retained Profits	29,060	26,634	13,344	11,316
Return on Capital %	1.9%	0.7%	28.1%	23.0%
Subsidy from Council	1,064	2,597	-	-

Tweed Shire Council

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

as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	595	410
Investments	23,000	15,000
Receivables	3,063	10,942
Inventories	-	-
Other	27	30
Non-current assets classified as held for sale	-	-
Total Current Assets	26,685	26,382
Non-Current Assets		
Investments	12,000	6,000
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	495,034	491,921
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total non-Current Assets	507,034	497,921
TOTAL ASSETS	533,719	524,303
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	498	288
Interest bearing liabilities	1,258	1,186
Provisions	-	-
Total Current Liabilities	1,756	1,474
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	63,545	64,803
Provisions	-	-
Total Non-Current Liabilities	63,545	64,803
TOTAL LIABILITIES	65,301	66,277
NET ASSETS	468,418	458,026
EQUITY		
Retained earnings	191,624	188,266
Revaluation reserves	276,794	269,760
Council equity interest	468,418	458,026
Non-controlling equity interest	-	-
TOTAL EQUITY	468,418	458,026

Tweed Shire Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	499	974
Investments	31,000	30,000
Receivables	2,437	2,808
Inventories	-	-
Other	26	26
Non-current assets classified as held for sale	-	-
Total Current Assets	33,962	33,808
Non-Current Assets		
Investments	30,000	25,000
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	604,290	600,000
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	2
Total non-Current Assets	634,290	625,002
TOTAL ASSETS	668,252	658,810
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	581	641
Interest bearing liabilities	2,086	2,447
Provisions	-	-
Total Current Liabilities	2,667	3,088
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	31,800	33,886
Provisions	-	-
Total Non-Current Liabilities	31,800	33,886
TOTAL LIABILITIES	34,467	36,974
NET ASSETS	633,785	621,836
EQUITY		
Retained earnings	232,038	228,666
Revaluation reserves	401,747	393,170
Council equity interest	633,785	621,836
Non-controlling equity interest	-	-
TOTAL EQUITY	633,785	621,836

Tweed Shire Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

\$ '000	Holiday Parks		Commercial Waste	
	Category 1		Category 1	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
ASSETS				
Current Assets				
Cash and cash equivalents	300	192	1,627	940
Investments	17,984	18,146	9,763	8,079
Receivables	200	194	-	-
Inventories	-	-	-	-
Other	154	126	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	18,638	18,658	11,390	9,019
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	94,073	91,756	3,708	4,019
Investment property	-	-	-	-
Intangible Assets	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	94,073	91,756	3,708	4,019
TOTAL ASSETS	112,711	110,414	15,098	13,038
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	2,313	2,148	98	182
Interest bearing liabilities	129	129	-	-
Provisions	294	263	-	10
Total Current Liabilities	2,736	2,540	98	192
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	1,032	1,161	-	-
Provisions	93	89	319	307
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	1,125	1,250	319	307
TOTAL LIABILITIES	3,861	3,790	417	499
NET ASSETS	108,850	106,624	14,681	12,539
EQUITY				
Retained earnings	29,060	26,634	13,344	11,316
Revaluation reserves	79,790	79,990	1,337	1,223
Council equity interest	108,850	106,624	14,681	12,539
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	108,850	106,624	14,681	12,539

Tweed 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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Tweed 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) and
- Australian Accounting Interpretations and
- Significant Accounting Policies as outlined in Note 1 of the General Purpose Financial Statements

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 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 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 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. **Tweed Water**
Supply of water
- b. **Tweed Sewerage**
Sewerage Services
- c. **Tweed Coast Holiday Parks**
Holiday/Caravan parks
- d. **Commercial Waste**
Non-domestic waste collection and disposal

Category 2

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

Nil

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).

Tweed 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 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.

Tweed 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 and 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.

Tweed 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	1,005,000
(ii)	No of assessments multiplied by \$3/assessment	106,275
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	106,275
(iv)	Amounts actually paid for Tax Equivalents	104,976

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	420,500
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	956,475
(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	(409,000)

2015 Surplus	841,000	2014 Surplus	3,024,000	2013 Surplus	(4,274,000)
		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]	NO
(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

Tweed 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)

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

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	28,750
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)]	%	73.34%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	494,987
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	13,521
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,955
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 & Equipment (w33b)]	%	1.63%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	4

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

Tweed 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	1,030,000
(ii)	No of assessments multiplied by \$3/assessment	101,415
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	101,415
(iv)	Amounts actually paid for Tax Equivalents	100,122

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	912,735
(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	(2,352,000)

2015 Surplus	(568,000)	2014 Surplus	(73,000)	2013 Surplus	(1,711,000)
		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 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)	NO
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

Tweed 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)

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

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	33,466
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	603,979
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	16,112
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	5,042
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 (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	1.14%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

NWI F3	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	60,033
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.24%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	6,997
NWI F19	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)]	%	1.36%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Tweed 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)

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

2015

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)]	%	0.14%
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)		3
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	6,521
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	745

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 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 & Definitions.