



Tweed Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018



Tweed Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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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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Tweed Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 October 2018.

Katie Milne
Mayor

Chris Cherry
Councillor

Troy Green
General manager

Michael Chorlton
Responsible accounting officer

Tweed Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	5,820	5,547
User charges	23,582	23,173
Interest	1,629	2,007
Grants and contributions provided for non-capital purposes	371	379
Other income	370	349
Total income from continuing operations	31,772	31,455
Expenses from continuing operations		
Employee benefits and on-costs	5,058	4,764
Borrowing costs	4,355	4,446
Materials and contracts	9,509	9,409
Depreciation, amortisation and impairment	7,432	7,338
Loss on sale of assets	1,754	1,221
Calculated taxation equivalents	937	804
Debt guarantee fee (if applicable)	304	311
Other expenses	1,461	1,017
Total expenses from continuing operations	30,810	29,310
Surplus (deficit) from continuing operations before capital amounts	962	2,145
Grants and contributions provided for capital purposes	5,200	5,892
Surplus (deficit) from continuing operations after capital amounts	6,162	8,037
Surplus (deficit) from all operations before tax	6,162	8,037
Less: corporate taxation equivalent (30%) [based on result before capital]	(289)	(644)
SURPLUS (DEFICIT) AFTER TAX	5,873	7,394
Plus opening retained profits	205,400	196,355
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	937	804
– Debt guarantee fees	304	311
– Corporate taxation equivalent	289	644
Less:		
– Tax equivalent dividend paid	(108)	(107)
Closing retained profits	212,695	205,400
Return on capital %	0.9%	1.2%
Calculation of dividend payable:		
Surplus (deficit) after tax	5,873	7,394
Less: capital grants and contributions (excluding developer contributions)	(980)	(445)
Surplus for dividend calculation purposes	4,893	6,949
Potential dividend calculated from surplus	2,447	3,474

Tweed Shire Council

Income Statement of Council's Sewerage Business Activity
for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	28,717	27,759
Liquid trade waste charges	3,057	3,296
Fees	573	521
Interest	2,379	2,203
Grants and contributions provided for non-capital purposes	555	586
Other income	93	22
Total income from continuing operations	35,374	34,387
Expenses from continuing operations		
Employee benefits and on-costs	7,125	7,326
Borrowing costs	2,457	2,640
Materials and contracts	8,483	8,335
Depreciation, amortisation and impairment	11,516	11,299
Loss on sale of assets	438	812
Calculated taxation equivalents	1,102	999
Debt guarantee fee (if applicable)	137	151
Other expenses	2,423	1,929
Total expenses from continuing operations	33,681	33,491
Surplus (deficit) from continuing operations before capital amounts	1,693	896
Grants and contributions provided for capital purposes	4,787	4,327
Surplus (deficit) from continuing operations after capital amounts	6,480	5,223
Surplus (deficit) from all operations before tax	6,480	5,223
Less: corporate taxation equivalent (30%) [based on result before capital]	(508)	(269)
SURPLUS (DEFICIT) AFTER TAX	5,972	4,954
Plus opening retained profits	242,560	236,290
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,102	999
– Debt guarantee fees	137	151
– Corporate taxation equivalent	508	269
Less:		
– Tax equivalent dividend paid	(103)	(103)
Closing retained profits	250,176	242,560
Return on capital %	0.7%	0.6%
Calculation of dividend payable:		
Surplus (deficit) after tax	5,972	4,954
Less: capital grants and contributions (excluding developer contributions)	(2,539)	(1,446)
Surplus for dividend calculation purposes	3,433	3,508
Potential dividend calculated from surplus	1,717	1,754

Tweed Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Holiday Parks		Commercial Waste	
	Category 1		Category 1	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
Access charges	–	–	2,772	2,785
User charges	–	–	3,933	3,748
Fees	8,171	8,508	–	–
Interest	385	456	–	–
Other income	121	285	8	9
Total income from continuing operations	8,677	9,249	6,713	6,542
Expenses from continuing operations				
Employee benefits and on-costs	481	550	248	237
Borrowing costs	–	7	82	6
Materials and contracts	2,413	2,863	2,679	3,471
Depreciation, amortisation and impairment	703	671	145	165
Loss on sale of assets	117	28	–	54
Calculated taxation equivalents	2,004	1,876	61	52
Other expenses	3,424	3,289	296	558
Total expenses from continuing operations	9,142	9,284	3,511	4,543
Surplus (deficit) from continuing operations before capital amounts	(465)	(35)	3,202	1,999
Grants and contributions provided for capital purposes	–	–	–	20
Surplus (deficit) from continuing operations after capital amounts	(465)	(35)	3,202	2,019
Surplus (deficit) from all operations before tax	(465)	(35)	3,202	2,019
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(961)	(600)
SURPLUS (DEFICIT) AFTER TAX	(465)	(35)	2,241	1,419
Plus opening retained profits	31,878	31,231	16,221	14,150
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	2,004	1,876	61	52
– Corporate taxation equivalent	–	–	961	600
Less:				
– Dividend paid	(2,466)	(1,194)	–	–
Closing retained profits	30,951	31,878	19,484	16,221
Return on capital %	-0.4%	0.0%	58.5%	39.2%
Subsidy from Council	3,711	2,713	–	–

Tweed Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	3	870
Investments	19,000	27,000
Receivables	3,283	3,712
Other	34	32
Total current assets	22,320	31,614
Non-current assets		
Investments	41,000	25,000
Infrastructure, property, plant and equipment	562,632	546,615
Intangible assets	23	32
Total non-current assets	603,655	571,647
TOTAL ASSETS	625,975	603,261
LIABILITIES		
Current liabilities		
Bank overdraft	667	–
Payables	691	479
Borrowings	1,552	1,447
Total current liabilities	2,910	1,926
Non-current liabilities		
Borrowings	59,197	60,749
Total non-current liabilities	59,197	60,749
TOTAL LIABILITIES	62,107	62,675
NET ASSETS	563,868	540,586
EQUITY		
Accumulated surplus	212,695	205,400
Revaluation reserves	351,173	335,186
Council equity interest	563,868	540,586
TOTAL EQUITY	563,868	540,586

Tweed Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	–	785
Investments	31,000	48,000
Receivables	2,348	2,387
Other	46	30
Total current Assets	33,394	51,202
Non-current assets		
Investments	60,000	32,000
Infrastructure, property, plant and equipment	605,976	593,181
Total non-current assets	665,976	625,181
TOTAL ASSETS	699,370	676,383
LIABILITIES		
Current liabilities		
Bank overdraft	278	–
Payables	327	372
Borrowings	2,533	2,439
Total current liabilities	3,138	2,811
Non-current liabilities		
Borrowings	24,572	27,105
Total non-current liabilities	24,572	27,105
TOTAL LIABILITIES	27,710	29,916
NET ASSETS	671,660	646,467
EQUITY		
Accumulated surplus	250,176	242,560
Revaluation reserves	421,484	403,907
Council equity interest	671,660	646,467
TOTAL EQUITY	671,660	646,467

Tweed Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Holiday Parks		Commercial Waste	
	Category 1		Category 1	
\$ '000	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	2,319	3,911	1,718	2,730
Investments	10,621	13,420	15,843	11,635
Receivables	150	116	–	–
Inventories	182	–	–	–
Other	179	146	–	–
Total Current Assets	13,451	17,593	17,561	14,365
Non-current assets				
Infrastructure, property, plant and equipment	123,419	112,796	5,615	5,111
Total non-current assets	123,419	112,796	5,615	5,111
TOTAL ASSETS	136,870	130,389	23,176	19,476
LIABILITIES				
Current liabilities				
Payables	3,051	2,163	133	419
Provisions	368	382	–	–
Total current liabilities	3,419	2,545	133	419
Non-current liabilities				
Provisions	8	7	1,169	1,087
Total non-current liabilities	8	7	1,169	1,087
TOTAL LIABILITIES	3,427	2,552	1,302	1,506
NET ASSETS	133,443	127,837	21,874	17,970
EQUITY				
Accumulated surplus	30,951	31,878	19,484	16,221
Revaluation reserves	102,492	95,959	2,390	1,749
Council equity interest	133,443	127,837	21,874	17,970
TOTAL EQUITY	133,443	127,837	21,874	17,970

Tweed Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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Tweed Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

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.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

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. **Tweed Water**
Supply of water
- b. **Tweed Sewerage**
Sewerage Services

Tweed Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

c. Tweed Coast Holiday Parks

Holiday/Caravan parks

d. Commercial Waste

Non-domestic solid 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 thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), 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 – Income 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 \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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 Crown Lands and Water (CLAW), 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.

Tweed Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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.

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'.

Tweed Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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 2.63% at 30/6/18.

(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 2018 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.

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Tweed Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	1,241,000
(ii)	Number of assessments multiplied by \$3/assessment	108,951
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	108,951
(iv)	Amounts actually paid for tax equivalents	108,069

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	2,446,700
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	980,559
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	15,203,900

2018 Surplus	4,893,400	2017 Surplus	6,948,500	2016 Surplus	3,362,000
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	980,559
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	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 year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2018

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	35,460
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)]	%	76.09%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	562,524
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	15,152
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,644
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)]	%	2.29%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- 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.
 - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Tweed Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	1,239,000
(ii)	Number of assessments multiplied by \$3/assessment	104,076
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	104,076
(iv)	Amounts actually paid for tax equivalents	103,206

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,716,550
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	936,684
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	7,036,300

2018 Surplus	3,433,100	2017 Surplus	3,508,200	2016 Surplus	95,000
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	936,684
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	<input type="checkbox"/>

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)	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 year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

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	37,810
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	605,652
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	16,903
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	4,663
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)]	%	1.55%
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	71,078
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.03%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	8,307
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.90%
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%

Tweed Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

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)]	%	<input type="text" value="-5.03%"/>
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): <input type="text" value="22,258"/> 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: <input type="text" value="2,974"/> Interest expense (w4a + s4a) – interest income (w9 + s10)		<input type="text" value="7"/>
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	<input type="text" value="14,700"/>
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<input type="text" value="729"/>

- 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.
 - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007