

# Warren Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2012

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**“Australia's Wool & Cotton Capital”**





# Warren Shire Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2012

Contents	Page
<b>1. Statement by Councillors &amp; Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
- Income Statement of Water Supply Business Activity	3
- Income Statement of Sewerage Business Activity	4
- Income Statement of Other Business Activities	5
- Balance Sheet of Water Supply Business Activity	6
- Balance Sheet of Sewerage Business Activity	7
- Balance Sheet of Other Business Activities	8
<b>3. Notes to the Special Purpose Financial Statements</b>	9
<b>4. Auditor's Report</b>	18

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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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## Warren Shire Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2012

### 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 26 July 2012.**




Clr NRF Wilson OAM  
MAYOR



Clr P Serdity  
COUNCILLOR



Mr AP Wielinga  
GENERAL MANAGER



Mr DJ Arthur  
RESPONSIBLE ACCOUNTING OFFICER

## Warren Shire Council

## Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
<b>Income from continuing operations</b>			
Access charges	290	263	239
User charges	221	222	233
Fees	2	1	-
Interest	32	28	16
Grants and contributions provided for non capital purposes	9	10	12
Profit from the sale of assets	-	-	25
Other income	11	15	-
<b>Total income from continuing operations</b>	<b>565</b>	<b>539</b>	<b>525</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	196	184	197
Borrowing costs	1	1	2
Materials and contracts	283	187	213
Depreciation and impairment	162	157	162
Water purchase charges	16	15	15
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	-	14	-
<b>Total expenses from continuing operations</b>	<b>658</b>	<b>558</b>	<b>589</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(93)</b>	<b>(19)</b>	<b>(64)</b>
Grants and contributions provided for capital purposes	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(93)</b>	<b>(19)</b>	<b>(64)</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(93)</b>	<b>(19)</b>	<b>(64)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(93)</b>	<b>(19)</b>	<b>(64)</b>
plus Opening Retained Profits	4,586	4,605	4,669
plus/less: Prior Period Adjustments	-	-	-
plus/less: Other Adjustments ( <a href="#">details here...</a> )	-	-	-
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>4,493</b>	<b>4,586</b>	<b>4,605</b>
<b>Return on Capital %</b>	<b>-1.4%</b>	<b>-0.3%</b>	<b>0.0%</b>
<b>Subsidy from Council</b>	<b>434</b>	<b>323</b>	<b>358</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	(93)	(19)	(64)
less: Capital grants and contributions (excluding developer contributions)	-	-	-
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Potential Dividend calculated from surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Warren Shire Council

## Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
<b>Income from continuing operations</b>			
Access charges	393	391	393
User charges	62	56	57
Liquid Trade Waste charges	-	-	-
Fees	1	1	1
Interest	134	125	99
Grants and contributions provided for non capital purposes	8	9	9
Profit from the sale of assets	-	-	-
Other income	-	-	-
<b>Total income from continuing operations</b>	<b>598</b>	<b>582</b>	<b>559</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	209	193	171
Borrowing costs	-	-	-
Materials and contracts	293	166	196
Depreciation and impairment	139	204	196
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	-	-	-
<b>Total expenses from continuing operations</b>	<b>641</b>	<b>563</b>	<b>563</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(43)</b>	<b>19</b>	<b>(4)</b>
Grants and contributions provided for capital purposes	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(43)</b>	<b>19</b>	<b>(4)</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(43)</b>	<b>19</b>	<b>(4)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(6)	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(43)</b>	<b>13</b>	<b>(4)</b>
plus Opening Retained Profits	4,615	4,596	4,600
plus/less: Prior Period Adjustments	-	-	-
plus/less: Other Adjustments ( <a href="#">details here...</a> )	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	-	6	-
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
<b>Closing Retained Profits</b>	<b>4,572</b>	<b>4,615</b>	<b>4,596</b>
<b>Return on Capital %</b>	<b>-0.9%</b>	<b>0.6%</b>	<b>-0.1%</b>
<b>Subsidy from Council</b>	<b>280</b>	<b>161</b>	<b>184</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	(43)	13	(4)
less: Capital grants and contributions (excluding developer contributions)	-	-	-
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>13</b>	<b>-</b>
<b>Potential Dividend calculated from surplus</b>	<b>-</b>	<b>7</b>	<b>-</b>

## Warren Shire Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

Mt Foster Quarry

Category 2

\$ '000	Actual 2012	Actual 2011
<b>Income from continuing operations</b>		
Access charges	-	-
User charges	130	16
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	85	-
Profit from the sale of assets	-	50
Other income	-	-
<b>Total income from continuing operations</b>	<b>215</b>	<b>66</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	5	13
Borrowing costs	-	-
Materials and contracts	38	1
Depreciation and impairment	6	9
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
<b>Total expenses from continuing operations</b>	<b>49</b>	<b>23</b>
<b>Surplus (deficit) from Continuing Operations before capital amount</b>	<b>166</b>	<b>43</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>166</b>	<b>43</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>166</b>	<b>43</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(50)	(13)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>116</b>	<b>30</b>
plus Opening Retained Profits	504	461
plus/less: Prior Period Adjustments		-
plus/less: Other Adjustments ( <a href="#">details here...</a> )		-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	50	13
add:		
- Subsidy Paid/Contribution To Operations		-
less:		
- TER dividend paid		-
- Dividend paid		-
<b>Closing Retained Profits</b>	<b>670</b>	<b>504</b>
Return on Capital %	448.6%	100.0%
Subsidy from Council	-	-

## Warren Shire Council

## Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	502	551
Investments	-	-
Receivables	63	66
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>565</b>	<b>617</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	6,563	5,846
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>6,563</b>	<b>5,846</b>
<b>TOTAL ASSETS</b>	<b>7,128</b>	<b>6,463</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	11	9
Interest bearing liabilities	3	3
Provisions	41	11
<b>Total Current Liabilities</b>	<b>55</b>	<b>23</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	6	9
Provisions	-	32
<b>Total Non-Current Liabilities</b>	<b>6</b>	<b>41</b>
<b>TOTAL LIABILITIES</b>	<b>61</b>	<b>64</b>
<b>NET ASSETS</b>	<b>7,067</b>	<b>6,399</b>
<b>EQUITY</b>		
Retained earnings	4,493	4,586
Revaluation reserves	2,574	1,813
Council equity interest	7,067	6,399
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>7,067</b>	<b>6,399</b>



## Warren Shire Council

## Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	2,365	2,280
Investments	-	-
Receivables	14	20
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>2,379</b>	<b>2,300</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	4,542	3,450
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>4,542</b>	<b>3,450</b>
<b>TOTAL ASSETS</b>	<b>6,921</b>	<b>5,750</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	15	8
<b>Total Current Liabilities</b>	<b>15</b>	<b>8</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	5
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>5</b>
<b>TOTAL LIABILITIES</b>	<b>15</b>	<b>13</b>
<b>NET ASSETS</b>	<b>6,906</b>	<b>5,737</b>
<b>EQUITY</b>		
Retained earnings	4,572	4,615
Revaluation reserves	2,334	1,122
Council equity interest	6,906	5,737
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>6,906</b>	<b>5,737</b>

## Warren Shire Council

## Balance Sheet of Council's Other Business Activities

as at 30 June 2012

Mt Foster Quarry

Category 2

\$ '000	Actual 2012	Actual 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	299	112
Investments	-	-
Receivables	23	3
Inventories	341	376
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>663</b>	<b>491</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	37	43
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total Non-Current Assets</b>	<b>37</b>	<b>43</b>
<b>TOTAL ASSETS</b>	<b>700</b>	<b>534</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
<b>Total Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>	<b>700</b>	<b>534</b>
<b>EQUITY</b>		
Retained earnings	670	504
Revaluation reserves	30	30
Council equity interest	700	534
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>700</b>	<b>534</b>

## Warren Shire Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2012

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

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2	Water Supply Business Best Practice Management disclosure requirements	13
3	Sewerage Business Best Practice Management disclosure requirements	15

## Warren Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division of Local Government.

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- 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. They are based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

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

#### National Competition Policy

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

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

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing

and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

#### Declared Business Activities

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

#### Category 2

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

##### a. Warren Shire Council Water Supply

Comprising the whole of the operations and assets of the water supply systems servicing the towns of Warren, Nevertire and Collie which is established as a Special Rate Fund.

##### b. Warren Shire Council Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems servicing the towns of Warren and Nevertire which is established as a Special Rate Fund.

##### c. Mt Foster Quarry

Crushing of quarry materials for road making material.

#### 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).

As required by the NSW Office of Water (Department of Environment, Climate Change and Water) some 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

## Warren Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Significant Accounting Policies (continued)

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 **\$396,000** of combined land values attracts **0%**. From \$396,001 to \$2,421,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$678,000.

#### Income Tax

An income tax equivalent has been applied on the profits of the business.

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 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 GPFS.

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

#### Local Government Rates & Charges

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

#### Loan & Debt Guarantee Fees

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

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 Business Activities.

#### (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

## Warren Shire Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

#### Note 1. Significant Accounting Policies (continued)

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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**

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**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 5.21% at 30/6/12.

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.

## Warren Shire Council

## Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

## Note 2. Water Supply Business

## Best Practice Management disclosure requirements

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

2012

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

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

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	3,105
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	-

**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 multiplied by \$30/assessment, less tax equivalent charges/assessment	31,050
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	(176,000)

2012 Surplus	(93,000)	2011 Surplus	(19,000)	2010 Surplus	(64,000)
		2011 Dividend	-	2010 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]	
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	YES
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

## Warren Shire Council

## Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

## Note 2. Water Supply Business

## Best Practice Management disclosure requirements (continued)

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

2012

## National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F1</b>	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	534
<b>NWI F4</b>	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	41.39%
<b>NWI F9</b>	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	6,291
<b>NWI F11</b>	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	427
<b>NWI F14</b>	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	118
<b>NWI F17</b>	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	-0.84%
<b>NWI F26</b>	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

Notes: 1. References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 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.



# Warren Shire Council

## Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

### Note 3. Sewerage Business

#### Best Practice Management disclosure requirements

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

2012

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

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

(i) Calculated Tax Equivalents	-
(ii) No of assessments multiplied by \$3/assessment	2,634
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv) Amounts actually paid for Tax Equivalents	

#### 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)	26,340
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	(33,700)

2012 Surplus	(43,000)	2011 Surplus	13,300	2010 Surplus	(4,000)
		2011 Dividend	-	2010 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]	
Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii) Complete Performance Reporting Form (by 15 September each year)	YES
(iv) a. Integrated Water Cycle Management Evaluation	YES
b. Complete and implement Integrated Water Cycle Management Strategy	NO

## Warren Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2012Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

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

2012

## National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	466
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	4,368
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	446
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	20
<b>NWI F18</b>	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	-2.62%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

<b>NWI F3</b>	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	1,000
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.70%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	138
<b>NWI F19</b>	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	-1.57%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

## Warren Shire Council

## Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

## Note 3. Sewerage Business

## Best Practice Management disclosure requirements (continued)

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

2012

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

<b>NWI F22</b>	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)]	%	-20.45%
<b>NWI F23</b>	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest  Earnings before Interest & Tax (EBIT): - 174 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: - 162 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		-
<b>NWI F24</b>	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	(136)
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	17

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.