

Warren Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

“Australia's Wool & Cotton Capital”



Warren 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).

Warren 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:

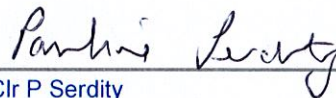
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

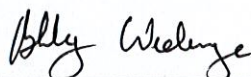
Signed in accordance with a resolution of Council made on 23 July 2015.



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 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	314	302
User charges	348	327
Fees	3	1
Interest	17	19
Grants and contributions provided for non capital purposes	9	17
Profit from the sale of assets	2	-
Other income	-	3
Total income from continuing operations	693	669
Expenses from continuing operations		
Employee benefits and on-costs	246	241
Borrowing costs	-	-
Materials and contracts	208	225
Depreciation and impairment	193	248
Water purchase charges	22	24
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	5	12
Total expenses from continuing operations	674	750
Surplus (deficit) from Continuing Operations before capital amounts	19	(81)
Grants and contributions provided for capital purposes	102	-
Surplus (deficit) from Continuing Operations after capital amounts	121	(81)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	121	(81)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(6)	-
SURPLUS (DEFICIT) AFTER TAX	115	(81)
plus Opening Retained Profits	4,287	4,368
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments (details here...)	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	6	-
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	4,408	4,287
Return on Capital %	0.3%	-1.2%
Subsidy from Council	186	319
Calculation of dividend payable:		
Surplus (deficit) after tax	115	(81)
less: Capital grants and contributions (excluding developer contributions)	(102)	-
Surplus for dividend calculation purposes	13	-
Potential Dividend calculated from surplus	7	-

Warren 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	410	407
User charges	65	64
Liquid Trade Waste charges	-	-
Fees	-	1
Interest	78	92
Grants and contributions provided for non capital purposes	9	9
Profit from the sale of assets	-	-
Other income	-	7
Total income from continuing operations	562	580
Expenses from continuing operations		
Employee benefits and on-costs	212	214
Borrowing costs	-	-
Materials and contracts	193	229
Depreciation and impairment	245	229
Loss on sale of assets	-	3
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	4	-
Total expenses from continuing operations	654	675
Surplus (deficit) from Continuing Operations before capital amounts	(92)	(95)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(92)	(95)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(92)	(95)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(92)	(95)
plus Opening Retained Profits	4,395	4,490
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments (details here...)	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	4,303	4,395
Return on Capital %	-2.0%	-2.0%
Subsidy from Council	234	260
Calculation of dividend payable:		
Surplus (deficit) after tax	(92)	(95)
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	-	-
Potential Dividend calculated from surplus	-	-

Warren Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

Mt Foster Quarry

Category 2

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	-	-
User charges	21	38
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	18
Profit from the sale of assets	-	2
Other income	-	-
Total income from continuing operations	21	58
Expenses from continuing operations		
Employee benefits and on-costs	8	11
Borrowing costs	-	-
Materials and contracts	3	24
Depreciation and impairment	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
Total expenses from continuing operations	11	35
Surplus (deficit) from Continuing Operations before capital amounts	10	23
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	10	23
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	10	23
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(3)	(7)
SURPLUS (DEFICIT) AFTER TAX	7	16
plus Opening Retained Profits	781	758
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments (details here...)	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	3	7
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	791	781
Return on Capital %	50.0%	115.0%
Subsidy from Council	-	-

Warren 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	524	461
Investments	-	-
Receivables	143	76
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	667	537
Non-Current Assets		
Investments	-	-
Receivables	7	4
Inventories	-	-
Infrastructure, property, plant and equipment	6,777	6,685
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total non-Current Assets	6,784	6,689
TOTAL ASSETS	7,451	7,226
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	7	7
Interest bearing liabilities	-	2
Provisions	16	9
Total Current Liabilities	23	18
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	10	5
Total Non-Current Liabilities	10	5
TOTAL LIABILITIES	33	23
NET ASSETS	7,418	7,203
EQUITY		
Retained earnings	4,408	4,287
Revaluation reserves	3,010	2,916
Council equity interest	7,418	7,203
Non-controlling equity interest	-	-
TOTAL EQUITY	7,418	7,203

Warren 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	2,240	2,324
Investments	-	-
Receivables	27	17
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	2,267	2,341
Non-Current Assets		
Investments	-	-
Receivables	10	10
Inventories	-	-
Infrastructure, property, plant and equipment	4,688	4,640
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total non-Current Assets	4,698	4,650
TOTAL ASSETS	6,965	6,991
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	19	17
Total Current Liabilities	19	17
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	19	17
NET ASSETS	6,946	6,974
EQUITY		
Retained earnings	4,303	4,395
Revaluation reserves	2,643	2,579
Council equity interest	6,946	6,974
Non-controlling equity interest	-	-
TOTAL EQUITY	6,946	6,974

Warren Shire Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

\$ '000	Mt Foster Quarry Category 2	
	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	488	457
Investments	-	-
Receivables	1	18
Inventories	291	295
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	780	770
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	20	20
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total Non-Current Assets	20	20
TOTAL ASSETS	800	790
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	-	-
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	-	-
NET ASSETS	800	790
EQUITY		
Retained earnings	791	781
Revaluation reserves	9	9
Council equity interest	800	790
Non-controlling equity interest	-	-
TOTAL EQUITY	800	790

Warren Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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Warren 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) &
- Australian Accounting Interpretations.

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 & 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 & 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 rock 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 Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

Warren Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

(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 & 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.

Warren Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

(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&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.

Warren Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 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	-
(ii)	No of assessments multiplied by \$3/assessment	3,114
(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]	6,650
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	31,140
(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	(67,700)

2015 Surplus	13,300	2014 Surplus	(81,000)	2013 Surplus	-
		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]	NO
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	YES
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

Warren Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 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	675
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)]	%	51.94%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	6,530
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	465
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	202
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)]	%	0.25%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	102

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 2015

Note 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	-
(ii)	No of assessments multiplied by \$3/assessment	2,673
(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)	26,730
(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	(187,000)

2015 Surplus	(92,000)	2014 Surplus	(95,000)	2013 Surplus	-
		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]	NO
	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	YES

Warren 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	486
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	4,345
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	400
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	231
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)]	%	-3.41%
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	1,163
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.55%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	433
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)]	%	-1.25%
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%

Warren Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 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)	%	-19.24%
	Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]		
NWI F23	Interest Cover (Water & Sewerage)		-
	Earnings before Interest & Tax (EBIT) divided by Net Interest		
	Earnings before Interest & Tax (EBIT):		- 143
	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:		- 92
	Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		
NWI F24	Net Profit After Tax (Water & Sewerage)	\$'000	(73)
	Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))		
NWI F25	Community Service Obligations (Water & Sewerage)	\$'000	18
	Grants for Pensioner Rebates (w11b + s12b)		

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.

WARREN SHIRE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying special purpose financial statements of Warren Shire Council, which comprises the Statement of Financial Position as at 30 June 2015, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Division of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and, accordingly, no opinion is expressed on these disclosures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

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Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

HILL ROGERS SPENCER STEER



BRETT HANGER

Partner

Dated at Sydney this 14th day of August 2015