



The former Snowy River Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

“a CARING COMMUNITY
in a UNIQUE ENVIRONMENT
with a PROSPEROUS FUTURE”

The former Snowy River Shire Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	7
Statement of Financial Position – Sewerage Business Activity	8
Statement of Financial Position – Other Business Activities	9
3. Notes to the Special Purpose Financial Statements	11
4. Auditor’s Report	20

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).
-

The former Snowy River Shire Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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 period, 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 Snowy Monaro Regional Council made on 30 November 2016.



Dean Lynch
Administrator



Joseph G Vescio
Interim General Manager



Jo-Anne Mackay
Responsible Accounting Officer

The former Snowy River Shire Council

Income Statement of Council's Water Supply Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations		
Access charges	1,340	1,464
User charges	1,546	1,299
Fees	23	19
Interest	63	87
Grants and contributions provided for non-capital purposes	12	11
Profit from the sale of assets	12	7
Other income	204	180
Total income from continuing operations	3,200	3,067
Expenses from continuing operations		
Employee benefits and on-costs	483	621
Borrowing costs	31	40
Materials and contracts	309	374
Depreciation and impairment	803	1,070
Water purchase charges	–	–
Loss on sale of assets	–	5
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	625	784
Total expenses from continuing operations	2,251	2,894
Surplus (deficit) from continuing operations before capital amounts	949	173
Grants and contributions provided for capital purposes	149	164
Surplus (deficit) from continuing operations after capital amounts	1,098	337
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	1,098	337
Less: corporate taxation equivalent (30%) [based on result before capital]	(285)	(52)
SURPLUS (DEFICIT) AFTER TAX	813	285
Plus opening retained profits	19,893	19,556
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	285	52
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	20,991	19,893
Return on capital %	3.9%	0.8%
Subsidy from Council	–	555
Calculation of dividend payable:		
Surplus (deficit) after tax	813	285
Less: capital grants and contributions (excluding developer contributions)	–	(21)
Surplus for dividend calculation purposes	813	264
Potential dividend calculated from surplus	407	132

The former Snowy River Shire Council

Income Statement of Council's Sewerage Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations		
Access charges	3,068	3,293
User charges	343	375
Liquid trade waste charges	–	–
Fees	32	40
Interest	82	105
Grants and contributions provided for non-capital purposes	11	12
Profit from the sale of assets	(22)	16
Other income	88	184
Total income from continuing operations	3,602	4,025
Expenses from continuing operations		
Employee benefits and on-costs	561	674
Borrowing costs	118	152
Materials and contracts	625	501
Depreciation and impairment	1,101	1,277
Loss on sale of assets	–	7
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	663	744
Total expenses from continuing operations	3,068	3,355
Surplus (deficit) from continuing operations before capital amounts	534	670
Grants and contributions provided for capital purposes	137	173
Surplus (deficit) from continuing operations after capital amounts	671	843
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	671	843
Less: corporate taxation equivalent (30%) [based on result before capital]	(160)	(201)
SURPLUS (DEFICIT) AFTER TAX	511	642
Plus opening retained profits	23,611	22,768
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	160	201
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	24,282	23,611
Return on capital %	1.9%	2.4%
Subsidy from Council	128	198
Calculation of dividend payable:		
Surplus (deficit) after tax	511	642
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	511	642
Potential dividend calculated from surplus	255	321

The former Snowy River Shire Council

Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

	Waste Management		Jindabyne Holiday Park	
	Category 1		Category 2	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000				
Income from continuing operations				
Access charges	1,713	1,695	–	–
User charges	251	253	–	–
Fees	519	682	–	633
Interest	8	44	–	–
Grants and contributions provided for non-capital purposes	18	19	–	–
Profit from the sale of assets	–	–	–	–
Other income	651	2,046	213	210
Total income from continuing operations	3,160	4,739	213	843
Expenses from continuing operations				
Employee benefits and on-costs	709	868	1	13
Borrowing costs	223	253	–	–
Materials and contracts	375	373	35	353
Depreciation and impairment	469	524	–	131
Loss on sale of assets	(12)	294	–	–
Calculated taxation equivalents	–	–	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	805	1,247	83	165
Total expenses from continuing operations	2,569	3,559	119	662
Surplus (deficit) from continuing operations before capital amounts	591	1,180	94	181
Grants and contributions provided for capital purposes	254	28	–	–
Surplus (deficit) from continuing operations after capital amounts	845	1,208	94	181
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	845	1,208	94	181
Less: corporate taxation equivalent (30%) [based on result before capital]	(177)	(354)	(28)	(54)
SURPLUS (DEFICIT) AFTER TAX	668	854	66	127
Plus opening retained profits	3,582	2,374	3,731	3,550
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	–	–	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	177	354	28	54
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	–	–	–
Closing retained profits	4,427	3,582	3,825	3,731
Return on capital %	15.8%	27.7%	2.9%	5.3%
Subsidy from Council	–	–	–	–

The former Snowy River Shire Council

Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

	Snowy River Health Centre		Quarry	
	Category 2		Category 2	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000				
Income from continuing operations				
Access charges	–	–	–	–
User charges	84	94	–	–
Fees	–	–	–	–
Interest	1	–	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Other income	15	18	238	106
Total income from continuing operations	100	112	238	106
Expenses from continuing operations				
Employee benefits and on-costs	74	84	31	26
Borrowing costs	–	–	–	–
Materials and contracts	21	21	205	168
Depreciation and impairment	101	114	2	3
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	–	–	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	44	55	36	20
Total expenses from continuing operations	240	274	274	217
Surplus (deficit) from continuing operations before capital amounts	(140)	(162)	(36)	(111)
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	(140)	(162)	(36)	(111)
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	(140)	(162)	(36)	(111)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	–	–
SURPLUS (DEFICIT) AFTER TAX	(140)	(162)	(36)	(111)
Plus opening retained profits	(162)	–	270	381
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	–	–	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	–	–	–	–
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	–	–	–
Closing retained profits	(302)	(162)	234	270
Return on capital %	-3.1%	-3.5%	-11.1%	-34.0%
Subsidy from Council	246	303	43	121

The former Snowy River Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	4,399	3,766
Investments	–	–
Receivables	1,735	989
Inventories	–	–
Other	14	–
Non-current assets classified as held for sale	–	–
Total current assets	6,148	4,755
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	25,060	25,429
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	25,060	25,429
TOTAL ASSETS	31,208	30,184
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	69	79
Borrowings	92	70
Provisions	–	12
Total current liabilities	161	161
Non-current liabilities		
Payables	–	–
Borrowings	428	502
Provisions	–	–
Total non-current liabilities	428	502
TOTAL LIABILITIES	589	663
NET ASSETS	30,619	29,521
EQUITY		
Retained earnings	20,991	19,893
Revaluation reserves	9,628	9,628
Council equity interest	30,619	29,521
Non-controlling equity interest	–	–
TOTAL EQUITY	30,619	29,521

The former Snowy River Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	5,402	4,744
Investments	–	–
Receivables	1,995	1,324
Inventories	–	–
Other	13	–
Non-current assets classified as held for sale	–	–
Total Current Assets	7,410	6,068
Non-current assets		
Investments	–	–
Receivables	153	167
Inventories	–	–
Infrastructure, property, plant and equipment	33,747	33,762
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	33,900	33,929
TOTAL ASSETS	41,310	39,997
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	68	56
Borrowings	355	268
Provisions	–	6
Total current liabilities	423	330
Non-current liabilities		
Payables	–	–
Borrowings	1,732	2,018
Provisions	–	–
Total non-current liabilities	1,732	2,018
TOTAL LIABILITIES	2,155	2,348
NET ASSETS	39,155	37,649
EQUITY		
Retained earnings	24,282	23,611
Revaluation reserves	14,873	14,038
Council equity interest	39,155	37,649
Non-controlling equity interest	–	–
TOTAL EQUITY	39,155	37,649

The former Snowy River Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

\$ '000	Waste Management		Jindabyne Holiday Park	
	Category 1		Category 2	
	Actual 12/5/16	Actual 30/6/15	Actual 12/5/16	Actual 30/6/15
ASSETS				
Current assets				
Cash and cash equivalents	2,576	2,108	2,371	2,164
Investments	–	–	–	–
Receivables	352	162	–	–
Inventories	–	–	–	–
Other	20	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	2,948	2,270	2,371	2,164
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	5,160	5,167	3,274	3,387
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
Other	–	–	–	–
Total non-current assets	5,160	5,167	3,274	3,387
TOTAL ASSETS	8,108	7,437	5,645	5,551
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	19	61	–	–
Borrowings	349	299	–	–
Provisions	–	9	–	–
Total current liabilities	368	369	–	–
Non-current liabilities				
Payables	–	–	–	–
Borrowings	1,354	1,642	–	–
Provisions	2,416	2,301	–	–
Total non-current liabilities	3,770	3,943	–	–
TOTAL LIABILITIES	4,138	4,312	–	–
NET ASSETS	3,970	3,125	5,645	5,551
EQUITY				
Retained earnings	4,427	3,582	3,825	3,731
Revaluation reserves	(457)	(457)	1,820	1,820
Council equity interest	3,970	3,125	5,645	5,551
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	3,970	3,125	5,645	5,551

The former Snowy River Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

\$ '000	Snowy River Health Centre		Quarry	
	Category 2		Category 2	
	Actual 12/5/16	Actual 30/6/15	Actual 12/5/16	Actual 30/6/15
ASSETS				
Current assets				
Cash and cash equivalents	(138)	(81)	89	118
Investments	–	–	–	–
Receivables	1	–	–	–
Inventories	–	–	–	–
Other	2	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	(135)	(81)	89	118
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	4,583	4,671	324	326
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
Other	–	–	–	–
Total non-current assets	4,583	4,671	324	326
TOTAL ASSETS	4,448	4,590	413	444
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	25	27	–	(5)
Borrowings	–	–	–	–
Provisions	–	–	–	–
Total current liabilities	25	27	–	(5)
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Total non-current liabilities	–	–	–	–
TOTAL LIABILITIES	25	27	–	(5)
NET ASSETS	4,423	4,563	413	449
EQUITY				
Retained earnings	4,422	4,562	234	270
Revaluation reserves	1	1	179	179
Council equity interest	4,423	4,563	413	449
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	4,423	4,563	413	449

The former Snowy River Shire Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	12
2	Water Supply Business Best-Practice Management disclosure requirements	15
3	Sewerage Business Best-Practice Management disclosure requirements	17

The former Snowy River Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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.

These financial statements have been prepared for the period 1 July 2015 – 12 May 2016, comparatives are for the year ended 30 June 2015.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS 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 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, *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 standards for disclosure. 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. **Combined Water**
The supply of water within the shire
- b. **Sewerage Service**
Sewerage reticulation & treatment
- c. **Waste Management**
Collection and Disposal of garbage

Category 2

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

- a. **Jindabyne Holiday Park**
Caravan Park operations.
- b. **Snowy River Health Centre**
Primary health care facility
- c. **Quarry**
Extraction & selling of gravel

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest 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).

The former Snowy River Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties 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 \$482,000 of combined land values attracts 0%. For that valued from \$482,001 to \$2,947,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,947,000, 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 Best-Practice Management of Water Supply and Sewerage Guidelines, 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 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 against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

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.

The former Snowy River Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

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 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 12 May

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.31% at 12/5/16.

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 of Water Supply and Sewerage 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 12 May 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, 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.

The former Snowy River Shire Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 2. Water supply business best-practice management disclosure requirements

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

12/5/16

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)	Number of assessments multiplied by \$3/assessment	11,286
(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]	406,650
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	112,860
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	1,308,800

2016 Surplus	813,300	2015 Surplus	264,100	2014 Surplus	231,400
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	112,860
(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]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	NO
(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

The former Snowy River Shire Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 2. Water supply business best-practice management disclosure requirements (continued)

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

12/5/16

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	3,273
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	47.27%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	24,028
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,416
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	109
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)]	%	4.21%
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

The former Snowy River Shire Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 3. Sewerage business best-practice management disclosure requirements

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

12/5/16

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)	Number of assessments multiplied by \$3/assessment	9,867
(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]	255,400
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	98,670
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	1,401,100

2016 Surplus	510,800	2015 Surplus	642,000	2014 Surplus	248,300
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	98,670
(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	YES

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	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)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	NO

The former Snowy River Shire Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 3. Sewerage business best-practice management disclosure requirements (continued)

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

12/5/16

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	3,679
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	32,504
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,849
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	634
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.16%
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	6,942
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.33%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	743
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)]	%	3.03%
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%

The former Snowy River Shire Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 3. Sewerage business best-practice management disclosure requirements (continued)

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

12/5/16

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)]	%	-10.31%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		-
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	1,769
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	23

- 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

INDEPENDENT AUDITORS' REPORT TO THE FORMER SNOWY RIVER SHIRE COUNCIL REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements, being special purpose financial statements, of the former Snowy River Shire Council (the Council), which comprises the statements of financial position by business activity as at 12 May 2016, and the income statements by business activity for the period ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors' and management of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the basis of preparation described in Note 1 to the financial statements, are appropriate to meet the requirements of the NSW Government Policy Statement "Application of National Competition Policy to Local Government", 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 and The Department of Water and Energy Practice Management of Water Supply and Sewerage Guidelines and are appropriate to meet the needs of the Council and the Division of Local Government.

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. Those 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 controls relevant to the entity's preparation of the financial statements that gives a true and fair view 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 entity's internal controls. An audit also includes evaluating the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

OPINION

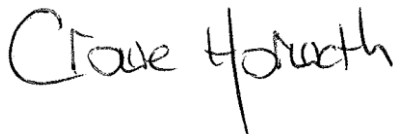
In our opinion the financial statements of the former Snowy River Shire Council are in accordance with the Local Government Code of Accounting Practice and Financial Reporting, including:

- (i) Presenting fairly a view of the Council's financial position as at 12 May 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described 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 report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Councils' financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose.

The financial statements have been prepared for distribution to Council for the purpose of fulfilling the Council's financial reporting obligations under the Local Government Code of Accounting Practice and Financial Reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council and the Division of Local Government, or for any purpose other than that for which it was prepared.



CROWE HORWATH AUSWILD



BRADLEY D. BOHUN
Audit Partner

Dated at Dubbo this 8th day of December 2016.