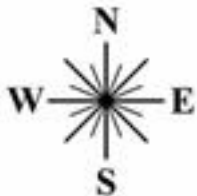


# Central Darling Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2024

---



# Central Darling Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2024

---

Contents	Page
<b>Statement by Councillors and Management</b>	<b>3</b>
<b>Special Purpose Financial Statements:</b>	
Income Statement of water supply business activity	4
Income Statement of sewerage business activity	5
Statement of Financial Position of water supply business activity	6
Statement of Financial Position of sewerage business activity	7
<b>Note – Material accounting policy information</b>	<b>8</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>11</b>

---

### 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).

# Central Darling Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2024

---

### 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:

- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- 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
- Sections 3 and 4 of the NSW Department of Climate Change, Energy, the Environment and Water's (DCCEE) *Regulatory and assurance framework for local water utilities, July 2022*

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year,
- accord with Council's accounting and other records; and
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 September 2024.

---

Robert Stewart  
**Administrator**  
23 September 2024

---

Gregory Hill  
**General Manager**  
23 September 2024

---

Kevin Smith  
**Acting Responsible Accounting Officer**  
23 September 2024

## Central Darling Shire Council

### Income Statement of water supply business activity

for the year ended 30 June 2024

\$ '000	2024	2023
<b>Income from continuing operations</b>		
Access charges	625	670
User charges	52	389
Fees	3	3
Interest and investment income	37	26
Other income	135	59
<b>Total income from continuing operations</b>	<b>852</b>	<b>1,147</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	16	18
Materials and services	899	777
Depreciation, amortisation and impairment	223	591
Other expenses	181	122
<b>Total expenses from continuing operations</b>	<b>1,319</b>	<b>1,508</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(467)</b>	<b>(361)</b>
Grants and contributions provided for capital purposes	8,603	1,199
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>8,136</b>	<b>838</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>8,136</b>	<b>838</b>
<b>Surplus (deficit) after tax</b>	<b>8,136</b>	<b>838</b>
<b>Plus accumulated surplus</b>	<b>11,360</b>	<b>10,522</b>
<b>Plus adjustments for amounts unpaid:</b>		
<b>Closing accumulated surplus</b>	<b>19,496</b>	<b>11,360</b>
<b>Return on capital %</b>	<b>(1.7)%</b>	<b>(1.6)%</b>
<b>Subsidy from Council</b>	<b>1,683</b>	<b>1,246</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	8,136	838
Less: capital grants and contributions (excluding developer contributions)	(8,603)	(1,199)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>-</b>
<b>Potential dividend calculated from surplus</b>	<b>-</b>	<b>-</b>

## Central Darling Shire Council

### Income Statement of sewerage business activity

for the year ended 30 June 2024

\$ '000	2024	2023
<b>Income from continuing operations</b>		
Access charges	253	278
User charges	–	5
Fees	3	2
Interest and investment income	8	6
Other income	105	58
<b>Total income from continuing operations</b>	<b>369</b>	<b>349</b>
<b>Expenses from continuing operations</b>		
Materials and services	228	124
Depreciation, amortisation and impairment	84	138
Other expenses	61	86
<b>Total expenses from continuing operations</b>	<b>373</b>	<b>348</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(4)</b>	<b>1</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(4)</b>	<b>1</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(4)</b>	<b>1</b>
<b>Surplus (deficit) after tax</b>	<b>(4)</b>	<b>1</b>
<b>Plus accumulated surplus</b>	<b>2,443</b>	<b>2,443</b>
<b>Plus adjustments for amounts unpaid:</b>		
<b>Closing accumulated surplus</b>	<b>2,439</b>	<b>2,444</b>
<b>Return on capital %</b>	<b>(0.1)%</b>	<b>0.0%</b>
<b>Subsidy from Council</b>	<b>231</b>	<b>227</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(4)	1
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>1</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>1</b>

## Central Darling Shire Council

### Statement of Financial Position of water supply business activity

as at 30 June 2024

\$ '000	2024	2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,639	–
Receivables	33	1,072
<b>Total current assets</b>	<b>2,672</b>	<b>1,072</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	28,273	22,005
<b>Total non-current assets</b>	<b>28,273</b>	<b>22,005</b>
<b>Total assets</b>	<b>30,945</b>	<b>23,077</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Contract liabilities	–	1,449
Bank overdraft	–	85
Payables	408	28
<b>Total current liabilities</b>	<b>408</b>	<b>1,562</b>
<b>Total liabilities</b>	<b>408</b>	<b>1,562</b>
<b>Net assets</b>	<b>30,537</b>	<b>21,515</b>
<b>EQUITY</b>		
Accumulated surplus	19,496	11,360
Revaluation reserves	11,041	10,155
<b>Total equity</b>	<b>30,537</b>	<b>21,515</b>

## Central Darling Shire Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2024

\$ '000	2024	2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,812	1,447
Receivables	32	52
<b>Total current assets</b>	<b>1,844</b>	<b>1,499</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	5,278	5,667
<b>Total non-current assets</b>	<b>5,278</b>	<b>5,667</b>
<b>Total assets</b>	<b>7,122</b>	<b>7,166</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	48	339
<b>Total current liabilities</b>	<b>48</b>	<b>339</b>
<b>Total liabilities</b>	<b>48</b>	<b>339</b>
<b>Net assets</b>	<b>7,074</b>	<b>6,827</b>
<b>EQUITY</b>		
Accumulated surplus	2,439	2,444
Revaluation reserves	4,635	4,383
<b>Total equity</b>	<b>7,074</b>	<b>6,827</b>

## Note – Material accounting policy information

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (Act)*, the *Local Government (General) Regulation 2022 (Regulation)* and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, fair value of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

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

### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, and returns 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)

Nil

#### Category 2

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

##### a. Combined Water Supply

The Central Darling Shire Water Supply comprises the operations and assets of Council's Water Supply System which services the towns of Wilcannia, Ivanhoe and White Cliffs.

##### b. Sewerage Services

The Central Darling Shire Sewerage Service comprises the whole of the operations and assets of Council's Sewerage Reticulation and Treatment System servicing the township of Wilcannia.

### Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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):



## Note – Material accounting policy information (continued)

### Notional rate applied (%)

#### Corporate income tax rate – 25% (22/23 25%)

Land tax – the first \$969,000 of combined land values attracts 0%. For the combined land values in excess of \$969,000 up to \$5,925,000 the rate is 100 + 1.6%. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$1,200,000.

In accordance with the DCCEEW's regulatory and assurance framework, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the regulatory and assurance framework as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to sections 3 and 4 of DCCEEW's regulatory and assurance framework 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 the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (22/23 25%).

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

### Local government rates and charges

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

### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

#### (i) 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. The overall effect of subsidies is contained within the Income Statements of business activities.

#### (ii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

The rate of return is calculated as follows:

## Note – Material accounting policy information (continued)

---

### 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 4.30% at 30/6/24.

#### (iii) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the DPE – Water's regulatory and assurance framework and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2024 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPE – Water's regulatory and assurance framework a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPE – Water.

## Central Darling Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2024

---