



SPENCER STEER
CHARTERED ACCOUNTANTS

14 January 2008

The Mayor
Warrumbungle Shire Council
PO Box 191
COONABARABRAN NSW 2357

Mayor,

Audit Report - Year Ended 30 June 2007

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2007. We have signed and attached our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Reports.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Reports of the Council. We have ensured that the accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;



1. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a deficit of \$128,000 as compared with a surplus of \$2,872 million in the previous year. The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	2007 \$000	% of Total	2006 \$000	% of Total	Increase (Decrease) \$000
Revenues before capital items					
Rates & annual charges	7,653	34%	7,665	34%	(12)
User charges, fees & other revenues	4,773	21%	4,049	18%	724
Grants & contributions provided for operating purposes	8,504	38%	9,911	43%	(1,407)
Interest & investment revenue	1,347	6%	1,192	5%	155
	22,277	100%	22,817	100%	(540)
Expenses					
Employee benefits & costs	8,425	34%	7,975	35%	450
Materials, contracts & other expenses	9,966	40%	7,539	34%	2,427
Depreciation, amortisation & impairment	6,250	25%	6,837	30%	(587)
Borrowing costs	103	0%	137	1%	(34)
	24,744	100%	22,488	100%	2,256
Surplus(Deficit) before capital items	\$ (2,467)		\$ 329		\$ (2,796)
Grants & contributions provided for capital purposes	2,339		2,543		(204)
Net Surplus(Deficit) for the year	\$ (128)		\$ 2,872		\$ (3,000)

1.2 Funding Result

The operating result does not take into account all revenues and all expenditures and in reviewing the overall financial performance of Council it is useful to take into account the total source of revenues and where they were spent during the year, which is illustrated in the table below.



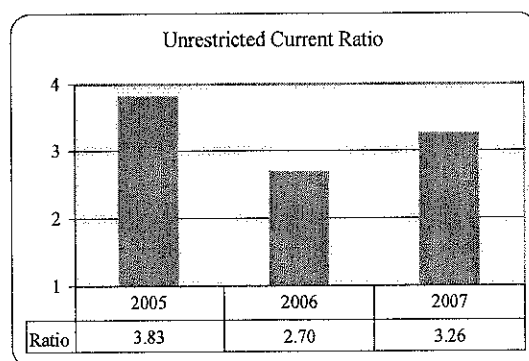
	2007	2006
Funds were provided by:-	\$000	\$000
Operating Result (as above)	(128)	2,872
Add back non funding items:-		
- Depreciation, amortisation & impairment	6,250	6,837
- Book value of non current assets sold	851	600
- (Surplus)Deficit in joint ventures	(50)	(110)
	6,923	10,199
Transfers from externally restricted assets (net)	1,960	0
Transfers from internal reserves (net)	0	4,151
Repayments from deferred debtors	0	6
Net Changes in current/non current assets & liabilities	178	66
	9,061	14,422
Funds were applied to:-		
Purchase and construction of assets	(7,049)	(9,859)
Increase/Purchase in Non Current Investments	(1,500)	(5,000)
Principal repaid on loans	(269)	(78)
Transfers to externally restricted assets (net)	0	(590)
Transfers to internal reserves (net)	(644)	0
Advances to deferred debtors	(12)	0
	(9,474)	(15,527)
Increase(Decrease) in Available Working Capital	(413)	(1,105)

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$2.996 million representing a factor of 3.26 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$1.649 million as detailed below;

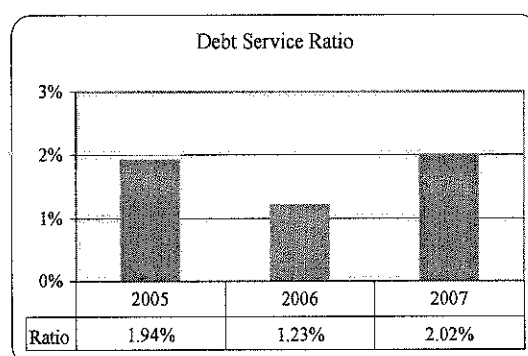


	2007	2006	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	3,032	4,724	(1,692)
<i>Add:</i> Payables, provisions & inventories not expected to be realised in the next 12 months included above	1,925	1,804	121
Adjusted Net Current Assets	4,957	6,528	(1,571)
<i>Add:</i> Budgeted & expected to pay & receive in the next 12 months			
- Borrowings	78	260	(182)
- Employees leave entitlements	251	337	(86)
- Deposits & retention moneys	112	0	112
- Deferred debtors	(3)	(1)	(2)
<i>Less:</i> Externally restricted assets	(1,961)	(3,921)	1,960
<i>Less:</i> Internally restricted assets	(1,785)	(1,141)	(644)
Available Working Capital as at 30 June	\$ 1,649	\$ 2,062	\$ (413)

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors and inventories and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside we are of the opinion that Available Working Capital as at 30 June 2007 was sound.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 2.02%.



2.4 Summary

Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

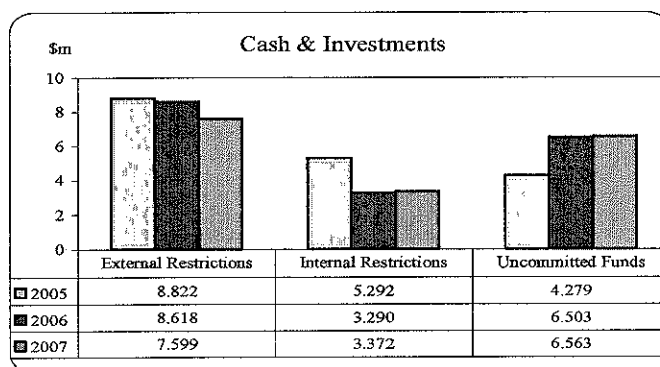


3. CASH ASSETS

3.1 Cash & Investments

Cash and investments at year end amounted to \$17.534 million as compared with \$18.411 million in 2006 and \$18.393 million in 2005 of the former councils.

The chart alongside summarises the purposes for which cash and investments were held.



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended specific purpose grants and contributions - \$1.743 million, domestic waste management charges - \$74,000, developer contributions - \$276,000 and water and sewerage funds - \$5.506 million.

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$3.372 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments not specifically earmarked for future works and services amounted to \$6.563 million.

3.2 Cash Flows

The Cash Flow Statement illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that funds decreased by \$2.377 million to \$3.034 million at the close of the year.

In addition to operating activities which contributed net cash of \$5.395 million were the proceeds from the sale of assets - \$1.003 million. Cash outflows other than operating activities were used to repay loans - \$269,000, make advances to deferred debtors - \$12,000 purchase investments securities - \$1.500 million and to purchase and construct assets - \$6.994 million.



4. RECEIVABLES

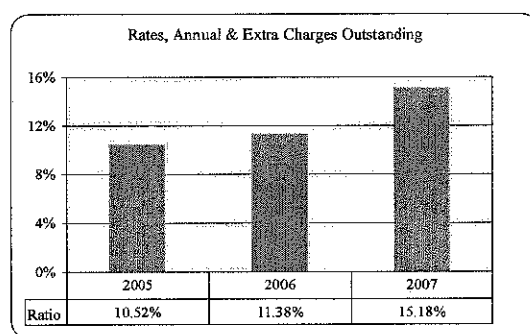
4.1 Rates & Annual Charges

Net rates and annual charges levied during the year totalled \$7.653 million and represented 31.09% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$8.456 million of which \$7.306 million (86.4%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$1.323 million at the end of the year (2006 - \$968,000) and represented 15.18% of those receivables.



4.3 Other Receivables

After providing for doubtful debts of \$5,000, receivables (other than rates, annual & extra charges) which consisted mainly of amount due from government departments (\$714,000) and accrued interest on investments (\$288,000) amounted to \$1.172 million.

5. PAYABLES

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$2.461 million. A cash reserve of \$767,000 was held at year end representing 31.17% of this liability and was, in our opinion, sufficient to enable Council to meet unbudgeted and unanticipated terminations.

6. REVALUATION OF ASSETS

The current year saw the revaluation of water and sewerage assets to fair value. Previously, these assets were carried at cost and depreciated over their useful lives. The revaluation process resulted in a net increase of \$5.608 million and was credited directly to Equity.

Fair value revaluations of property, buildings, plant and equipment are required to be carried out during the next financial year and to infrastructure assets such as roads, footpaths, drains and bridges during the 2008/2009 financial year.



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7. PREPARATION OF FINANCIAL REPORTS

Section 416(1) requires the financial reports be prepared and audited within 4 months after the end of the year. This requirement could not be met and extensions under Section 416(2) were granted to 30 November 2007.

8. CONCLUSION

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,

SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner