

Warrumbungle Shire Council

SPECIAL PURPOSE FINANCIAL REPORTS
for the year ended 30 June 2008

“a great place to live, work, play and visit.”



Warrumbungle Shire Council

Special Purpose Financial Reports

for the financial year ended 30 June 2008

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Background

(i) These Special Purpose Financial Reports have been prepared for the use by both Council and the Department 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 reports 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).

Warrumbungle Shire Council

Special Purpose Financial Reports

for the financial year ended 30 June 2008

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Reports have been prepared in accordance with:

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- The Department 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 Department of Water and Energy Best-Practice Management of Water and Sewerage Guidelines.

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

- 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 reports false or misleading in any way.

Signed in accordance with a resolution of Council made on dd month 2008.

Cr Peter Shinton
MAYOR

Cr Murray Coe
COUNCILLOR

Robert J Geraghty
GENERAL MANAGER

Robert J Geraghty
RESPONSIBLE ACCOUNTING OFFICER

Warrumbungle Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2008

\$ '000	Actual 2008	Actual 2007	Actual 2006
Income from continuing operations			
Access charges	762	644	1,108
User charges	583	696	377
Fees	70	11	5
Interest	96	176	223
Grants and contributions provided for non capital purposes	39	97	102
Profit from the sale of assets	-	-	-
Other income	-	-	-
Total income from continuing operations	1,550	1,624	1,815
Expenses from continuing operations			
Employee benefits and on-costs	683	575	567
Borrowing costs	-	-	-
Materials and contracts	791	905	909
Depreciation and impairment	615	612	618
Water purchase charges	-	-	-
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	16	22	78
Total expenses from continuing operations	2,105	2,114	2,172
Surplus (deficit) from Continuing Operations before capital amounts	(555)	(490)	(357)
Grants and contributions provided for capital purposes	-	6	-
Surplus (deficit) from ALL Operations before tax	(555)	(484)	(357)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(555)	(484)	(357)
plus Opening Retained Profits	19,411	19,895	20,252
plus/less: Prior Period Adjustments	25	-	-
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	18,881	19,411	19,895
Return on Capital %	-3.1%	-2.9%	-2.2%
Subsidy from Council	1,678	1,532	-
Calculation of dividend payable:			
Surplus (deficit) after tax	(555)	(484)	(357)
less: Capital grants and contributions (excluding developer contributions)	-	-	-
Surplus for dividend calculation purposes	-	-	-
Potential Dividend calculated from surplus	-	-	-

Warrumbungle Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2008

\$ '000	Actual 2008	Actual 2007	Actual 2006
Income from continuing operations			
Access charges	1,036	1,010	1,009
User charges	-	-	-
Liquid Trade Waste Charges	-	-	-
Fees	-	-	-
Interest	91	173	161
Grants and contributions provided for non capital purposes	29	30	35
Profit from the sale of assets	-	-	-
Other income	1	14	30
Total income from continuing operations	1,157	1,227	1,235
Expenses from continuing operations			
Employee benefits and on-costs	322	266	246
Borrowing costs	13	10	38
Materials and contracts	346	393	160
Depreciation and impairment	277	439	420
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	12
Other expenses	26	30	24
Total expenses from continuing operations	984	1,138	900
Surplus (deficit) from Continuing Operations before capital amounts	173	89	335
Grants and contributions provided for capital purposes	-	3	-
Surplus (deficit) from Continuing Operations after capital amounts	173	92	335
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	173	92	335
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(52)	(27)	(101)
SURPLUS (DEFICIT) AFTER TAX	121	65	235
plus Opening Retained Profits	12,571	12,479	12,144
plus/less: Prior Period Adjustments	30	-	-
adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	52	27	101
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	12,774	12,571	12,479
Return on Capital %	1.2%	0.7%	3.8%
Subsidy from Council	762	806	-
Calculation of dividend payable:			
Surplus (deficit) after tax	121	65	235
less: Capital grants and contributions (excluding developer contributions)	-	-	-
Surplus for dividend calculation purposes	121	65	235
Potential Dividend calculated from surplus	61	33	117

Warrumbungle Shire Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2008

\$ '000	Actual 2008	Actual 2007
ASSETS		
Current Assets		
Cash and cash equivalents	109	150
Investments	-	-
Receivables	970	831
Inventories	70	70
Other	-	-
Total Current Assets	1,149	1,051
Non-Current Assets		
Investments	2,480	2,342
Receivables	-	66
Inventories	-	-
Infrastructure, property, plant and equipment	17,973	16,674
Other	-	-
Total non-Current Assets	20,453	19,082
TOTAL ASSETS	21,602	20,133
LIABILITIES		
Current Liabilities		
Payables	21	21
Interest bearing liabilities	-	-
Provisions	196	211
Total Current Liabilities	217	232
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	52	14
Total Non-Current Liabilities	52	14
TOTAL LIABILITIES	269	246
NET ASSETS	21,333	19,887
EQUITY		
Retained earnings	18,881	19,411
Revaluation reserves	2,452	476
Council equity interest	21,333	19,887
Minority equity interest	-	-
TOTAL EQUITY	21,333	19,887

Warrumbungle Shire Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2008

\$ '000	Actual 2008	Actual 2007
ASSETS		
Current Assets		
Cash and cash equivalents	1,005	548
Investments	-	-
Receivables	325	306
Inventories	4	4
Other	-	-
Total Current Assets	1,334	858
Non-Current Assets		
Investments	2,565	2,564
Receivables	-	34
Inventories	-	-
Infrastructure, property, plant and equipment	15,169	14,481
Other	-	-
Total non-Current Assets	17,734	17,079
TOTAL ASSETS	19,068	17,937
LIABILITIES		
Current Liabilities		
Payables	1	1
Interest bearing liabilities	15	14
Provisions	42	45
Total Current Liabilities	58	60
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	158	173
Provisions	4	1
Total Non-Current Liabilities	162	174
TOTAL LIABILITIES	220	234
NET ASSETS	18,848	17,703
EQUITY		
Retained earnings	12,774	12,571
Revaluation reserves	6,074	5,132
Council equity interest	18,848	17,703
Minority equity interest	-	-
TOTAL EQUITY	18,848	17,703

Warrumbungle Shire Council

Special Purpose Financial Reports

for the financial year ended 30 June 2008

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Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2008

Note 1. Significant Accounting Policies

These financial statements are Special Purpose Financial Reports (SPFR's) prepared for use by the Council, the Department of Local Government and the Department of Water & Energy.

For the purposes of these statements, the council's activities (listed herein) are based upon them not being reporting entities.

This special purpose financial report, unless otherwise stated, has been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Consensus Views,
- the Local Government Act and Regulations,
- the Local Government Code of Accounting Practice and Financial Reporting, and
- the Local Government Asset Accounting Manual.

The statements are also 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, current values of non-current assets.

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 Department 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 1

(where gross operating turnover is over \$2 million)

Nil

Category 2

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

a. Warrumbungle Shire Council Sewerage Service

Comprising the whole of the Operations and Net Assets of the Sewerage Treatment & Reticulation Systems servicing the towns of Baradine, Coonabarabran, Coolah & Dunedoo

b. Warrumbungle Shire Council Combined Water Supply

Comprising the whole of the Operations and Net Assets of the individual Water Supply Systems servicing the towns of Baradine, Binnaway, Coonabarabran, Coolah, Dunedoo & Mendooran.

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 Department of Water & Energy, some amounts shown in Notes 2 and Note 3 are shown in whole dollars.

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2008

Note 1. Significant Accounting Policies (continued)

(i) 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 (General Purpose Financial Report) 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 the SPFR.

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 – **1.6% + \$100** on combined land values above \$359,000

Payroll Tax – **6%** on Salaries and Wages in excess of \$600,000

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 the business. Whilst income tax is not a specific cost for the purpose of pricing a good or

service, it needs to be taken into account 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 the 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 the GPFR.

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 for all Category 1 businesses have been applied to all assets owned or exclusively used by the business activity.

Loan & Debt Guarantee Fees

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

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed.

Subsidies occur where council provides services on a less than cost recovery basis. This option is

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

Note 1. Significant Accounting Policies (continued)

exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of Business Activities.

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 Department of Water & Energy prior to making the dividend and only after the Department has approved its payment.

(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 is disclosed for each of Councils business activities on the Income Statement.

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 6.45% at 30/6/08.

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 50% of this surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2008 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2008

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	9,696
(iii)	Amounts payable for tax-equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	96,960
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2008, less the cumulative dividends paid for the 2 years to 30 June 2007	-

2008 Surplus	-	2007 Surplus	-	2006 Surplus	-
		2007 Dividend	-	2006 Dividend	-

(iv)	Maximum Dividend from Surplus [least of (i), (ii) and (iii) above]	-
(v)	Dividend paid from Surplus [refer below for required pre-dividend payment Criteria]	

3. Required outcomes for 7 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	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	Integrated Water Cycle Management Evaluation	YES
(vii)	Complete and implement Integrated Water Cycle Management Strategy	YES

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

Note 2. Water Supply Business Best Practice Management disclosure requirements (continued)

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

2008

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Revenue (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	1,454
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)]	%	43.33%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	17,951
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,490
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	449
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Total Cost (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	-3.62%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Reporting.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2008

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	8,010
(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]	60,550
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	80,100
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2008, less the cumulative dividends paid for the 2 years to 30 June 2007	420,900

2008 Surplus	121,100	2007 Surplus	65,300	2006 Surplus	234,500
		2007 Dividend	-	2006 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	60,550
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	

3. Required outcomes for 5 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 & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	Integrated Water Cycle Management Evaluation	YES
(v)	Complete and implement Integrated Water Cycle Management Strategy	YES

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

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

2008

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	1,066
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	15,103
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	708
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	171
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)]	%	0.54%
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	2,520
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	2.70%
NWI F13	Operating Cost (OMA) (Water & Sewerage) Operating Cost (Water & Sewerage) (NWI F11 + NWI F12)	\$'000	2,198
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	620
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)]	%	-1.72%
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)	\$'000	-

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

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

2008

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

NWI F22	Net Debt to Equity (Water & Sewerage)	%	-14.90%
	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):		- 569
	Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15)		
	Net Interest:		- 187
	Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		
NWI F24	Net Profit After Tax (Water & Sewerage)	\$'000	(382)
	Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))		
NWI F25	Community Service Obligations (Water & Sewerage)	\$'000	68
	Grants for Pensioner Rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Reporting.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

INDEPENDENT AUDIT REPORT
Report on the special purpose financial reports



To Warrumbungle Shire Council

SCOPE

We have audited the **special purpose financial reports** of Warrumbungle Shire Council for the year ended 30 June 2008, comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and accompanying Notes to the Accounts. The financial statements include the accounts of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year.

Councils' responsibility for the financial report

The Council is responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the Department of Local Government and Council. The Councils' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council or the Department of Local Government. 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial report 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 report.

The special purpose financial reports have been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy 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 or the Department of Local Government or for any purpose other than for which the report was prepared.

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.



AUDIT OPINION

In our opinion, the Special Purpose Financial Reports of the Warrumbungle Shire Council for the year ended 30 June 2008 are presented fairly, in all material respects, 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.

Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul R Cornall

Principal

22 September 2009

111 Faulkner Street Armidale

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)"