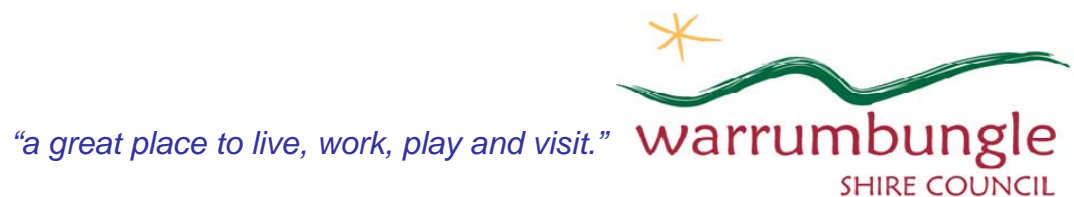


Warrumbungle Shire Council

SPECIAL PURPOSE FINANCIAL REPORTS
for the year ended 30 June 2009



Warrumbungle Shire Council

Special Purpose Financial Reports

for the financial year ended 30 June 2009

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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 2009

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:

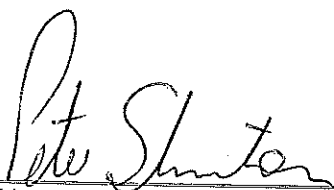
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- The Department of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality"
- The Local Government Code of Accounting Practice and Financial Reporting.
- The Department of Water and Energy Best-Practice Management of Water and Sewerage Guidelines.

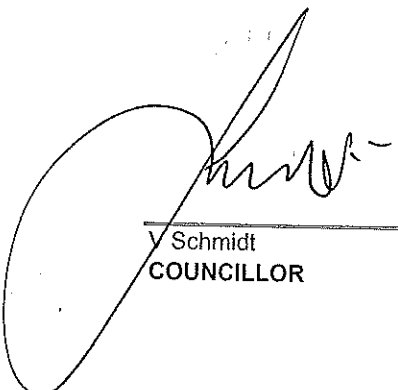
To the best of our knowledge and belief, these Reports:


- 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.

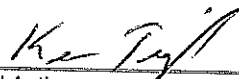
We are not aware of any matter that would render these reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 19 November 2009.


P Shinton
MAYOR


V Schmidt
COUNCILLOR


Kevin Tighe
ACTING GENERAL MANAGER


Kevin Tighe/ Acting
RESPONSIBLE ACCOUNTING OFFICER

Warrumbungle Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2009

\$ '000	Actual 2009	Actual 2008	Actual 2007
Income from continuing operations			
Access charges	768	762	644
User charges	862	583	696
Fees	-	-	-
Interest	44	96	176
Grants and contributions provided for non capital purposes	42	39	97
Profit from the sale of assets	-	-	-
Other income	76	70	11
Total income from continuing operations	1,792	1,550	1,624
Expenses from continuing operations			
Employee benefits and on-costs	609	683	575
Borrowing costs	10	-	-
Materials and contracts	916	791	905
Depreciation and impairment	665	615	612
Water purchase charges	-	-	-
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	209	16	22
Total expenses from continuing operations	2,409	2,105	2,114
Surplus (deficit) from Continuing Operations before capital amounts	(617)	(555)	(490)
Grants and contributions provided for capital purposes	1,246	-	6
Surplus (deficit) from Continuing Operations after capital amounts	629	(555)	(484)
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	629	(555)	(484)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	629	(555)	(484)
plus Opening Retained Profits	18,881	19,411	19,895
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	19,510	18,881	19,411
Return on Capital %	-3.0%	-3.1%	-2.9%
Subsidy from Council	1,737	1,678	1,532
Calculation of dividend payable:			
Surplus (deficit) after tax	629	(555)	(484)
less: Capital grants and contributions (excluding developer contributions)	(1,246)	-	-
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 2009

\$ '000	Actual 2009	Actual 2008	Actual 2007
Income from continuing operations			
Access charges	997	1,036	1,010
User charges	-	-	-
Liquid Trade Waste Charges	-	-	-
Fees	-	-	-
Interest	47	91	173
Grants and contributions provided for non capital purposes	30	29	30
Profit from the sale of assets	-	-	-
Other income	11	1	14
Total income from continuing operations	1,085	1,157	1,227
Expenses from continuing operations			
Employee benefits and on-costs	384	322	266
Borrowing costs	12	13	10
Materials and contracts	364	346	393
Depreciation and impairment	294	277	439
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	6	26	30
Total expenses from continuing operations	1,060	984	1,138
Surplus (deficit) from Continuing Operations before capital amounts	25	173	89
Grants and contributions provided for capital purposes	(1)	-	3
Surplus (deficit) from Continuing Operations after capital amounts	24	173	92
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	24	173	92
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(8)	(52)	(27)
SURPLUS (DEFICIT) AFTER TAX	17	121	65
plus Opening Retained Profits	12,774	12,571	12,479
plus/less: Prior Period Adjustments	-	30	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	8	52	27
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	12,798	12,774	12,571
Return on Capital %	0.2%	1.2%	0.7%
Subsidy from Council	817	762	806
Calculation of dividend payable:			
Surplus (deficit) after tax	17	121	65
less: Capital grants and contributions (excluding developer contributions)	1	-	-
Surplus for dividend calculation purposes	18	121	65
Potential Dividend calculated from surplus	9	61	33

Warrumbungle Shire Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2009

\$ '000	Actual 2009	Actual 2008
ASSETS		
Current Assets		
Cash and cash equivalents	-	109
Investments	-	-
Receivables	1,021	970
Inventories	70	70
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	1,091	1,149
Non-Current Assets		
Investments	2,355	2,480
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	20,389	17,973
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	22,744	20,453
TOTAL ASSETS	23,835	21,602
LIABILITIES		
Current Liabilities		
Payables	150	21
Interest bearing liabilities	25	-
Provisions	190	196
Total Current Liabilities	365	217
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	977	-
Provisions	52	52
Total Non-Current Liabilities	1,029	52
TOTAL LIABILITIES	1,394	269
NET ASSETS	22,441	21,333
EQUITY		
Retained earnings	19,510	18,881
Revaluation reserves	2,931	2,452
Council equity interest	22,441	21,333
Minority equity interest	-	-
TOTAL EQUITY	22,441	21,333

Warrumbungle Shire Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2009

\$ '000	Actual 2009	Actual 2008
ASSETS		
Current Assets		
Cash and cash equivalents	1,301	1,005
Investments	-	-
Receivables	247	325
Inventories	4	4
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	1,552	1,334
Non-Current Assets		
Investments	2,564	2,565
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	15,407	15,169
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	17,971	17,734
TOTAL ASSETS	19,523	19,068
LIABILITIES		
Current Liabilities		
Payables	-	1
Interest bearing liabilities	20	15
Provisions	42	42
Total Current Liabilities	62	58
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	141	158
Provisions	2	4
Total Non-Current Liabilities	143	162
TOTAL LIABILITIES	205	220
NET ASSETS	19,318	18,848
EQUITY		
Retained earnings	12,798	12,774
Revaluation reserves	6,520	6,074
Council equity interest	19,318	18,848
Minority equity interest	-	-
TOTAL EQUITY	19,318	18,848

Warrumbungle Shire Council

Special Purpose Financial Reports

for the financial year ended 30 June 2009

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	8
2	Water Supply Business Best Practice Management disclosure requirements	11
3	Sewerage Business Best Practice Management disclosure requirements	13

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2009

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and the Department of Local Government.

For the purposes of these statements, the council's business activities (reported herein) are not reporting entities.

The figures presented in this special purpose financial report have been prepared in accordance with the recognition criteria of applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Local Government Assets Accounting Manual. The disclosures in this special purpose financial Report have been prepared in accordance with the Local Government Act and Regulations and the Local Government Code of Practice and Financial Reporting. .

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the 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.

(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.

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2009

Note 1. Significant Accounting Policies (continued)

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 – The first **\$368,000** of combined land values attracts **0%**. From \$368,001 to \$2,250,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,250,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.875%** on the value of taxable salaries and wages in excess of \$623,000.

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 payable on all Category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

(ii) Subsidies

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

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2009

Note 1. Significant Accounting Policies (continued)

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.

(iii) Return on Investments (Rate of Return)

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

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.54% at 30/6/09.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either (i) 50% of this surplus in any one year, or (ii) the number of water supply or sewerage assessments at 30 June 2009 multiplied by \$30 (less

the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Water & Energy prior to making the dividend and only after the Department has approved its payment.

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2009

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2009

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	<input type="text" value="-"/>
(ii)	No of assessments multiplied by \$3/assessment	<input type="text" value="-"/>
(iii)	Amounts payable for tax-equivalents [lesser of (i) and (ii)]	<input type="text" value="-"/>
(iv)	Amounts actually paid for Tax Equivalents	<input type="text"/>

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="-"/>
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	<input type="text" value="-"/>
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2009, less the cumulative dividends paid for the 2 years to 30 June 2008	<input type="text" value="-"/>

2009 Surplus	<input type="text" value="-"/>	2008 Surplus	<input type="text" value="-"/>	2007 Surplus	<input type="text" value="-"/>
		2008 Dividend	<input type="text" value="-"/>	2007 Dividend	<input type="text" value="-"/>

(iv)	Maximum Dividend from Surplus [least of (i), (ii) and (iii) above]	<input type="text" value="-"/>
(v)	Dividend paid from Surplus [refer below for required pre-dividend payment Criteria]	<input type="text"/>

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)	<input type="text" value="YES"/>
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	<input type="text" value="YES"/>
	- Complying charges [Item 2(b) in Table 1]	<input type="text" value="YES"/>
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	<input type="text" value="YES"/>
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	<input type="text" value="YES"/>
(iii)	Sound Water Conservation and Demand Management implemented	<input type="text" value="YES"/>
(iv)	Sound Drought Management implemented	<input type="text" value="YES"/>
(v)	Complete Performance Reporting Form (by 15 September each year)	<input type="text" value="YES"/>
(vi)	a. Integrated Water Cycle Management Evaluation	<input type="text" value="YES"/>
	b. Complete and implement Integrated Water Cycle Management Strategy	<input type="text" value="YES"/>

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2009

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

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

2009

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)	\$'000	2,098
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)]	%	49.39%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	20,371
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,536
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	2,378
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	-0.50%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	890

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 - 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 2009

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2009

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	<input type="text" value="-"/>
(ii)	No of assessments multiplied by \$3/assessment	<input type="text" value="-"/>
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	<input type="text" value="-"/>
(iv)	Amounts actually paid for Tax Equivalents	<input type="text"/>

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="8,750"/>
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	<input type="text" value="-"/>
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2009, less the cumulative dividends paid for the 2 years to 30 June 2008	<input type="text" value="203,900"/>

2009 Surplus	<input type="text" value="17,500"/>	2008 Surplus	<input type="text" value="121,100"/>	2007 Surplus	<input type="text" value="65,300"/>
		2008 Dividend	<input type="text" value="-"/>	2007 Dividend	<input type="text" value="-"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="-"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	<input type="text"/>

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)	<input type="text" value="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]	<input type="text" value="YES"/>
	Complying charges (a) Residential [Item 2(c) in Table 1]	<input type="text" value="YES"/>
	(b) Non Residential [Item 2(c) in Table 1]	<input type="text" value="YES"/>
	(c) Trade Waste [Item 2(d) in Table 1]	<input type="text" value="YES"/>
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	<input type="text" value="YES"/>
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	<input type="text" value="YES"/>
(iii)	Complete Performance Reporting Form (by 15 September each year)	<input type="text" value="YES"/>
(iv)	a. Integrated Water Cycle Management Evaluation	<input type="text" value="YES"/>
	b. Complete and implement Integrated Water Cycle Management Strategy	<input type="text" value="YES"/>

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2009

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

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

2009

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	1,092
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	15,361
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	746
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	94
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)]	%	0.32%
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	3,190
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	2.26%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	2,472
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)]	%	-0.15%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Warrumbungle Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2009

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

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

2009

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-11.75%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & 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 & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	(237)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	72

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

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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 30th June 2009 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and Note 1 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.

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

ARMIDALE | COONABARABRAN | GUNNEDAH | TAMWORTH

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 30th June 2009 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 cornall

Principal

7 December 2009

92 Rusden Street Armidale