Warrumbungle Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

"excellence in local government"

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SHIRE COUNCIL

Warrumbungle Shire Council

Special Purpose Financial Statements
for the financial year ended 30 June 2013

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Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division 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 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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

Warrumbungle Shire Council

Special Purpose Financial Statements
for the financial year ended 30 June 2013

Statement by Councillors and Management
made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

To the best of our knowledge and belief, these Financial Statements:

- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 15 August 2013.

Peter Shinton
MAYOR

Murray Coe
COUNCILLOR

Steve Loane
GENERAL MANAGER

Stefan Murru
RESPONSIBLE ACCOUNTING OFFICER

Warrumbungle Shire Council

Income Statement of Council's Water Supply Business Activity
for the financial year ended 30 June 2013

$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	1,212	1,193
User charges	1,337	884
Fees	61	-
Interest	65	55
Grants and contributions provided for non capital purposes	45	40
Profit from the sale of assets	-	-
Other income	8	57
Total income from continuing operations	**2,728**	**2,229**
Expenses from continuing operations		
Employee benefits and on-costs	779	659
Borrowing costs	46	48
Materials and contracts	925	776
Depreciation and impairment	778	751
Water purchase charges	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	241	388
Total expenses from continuing operations	**2,769**	**2,622**
Surplus (deficit) from Continuing Operations before capital amounts	**(41)**	**(393)**
Grants and contributions provided for capital purposes	247	-
Surplus (deficit) from Continuing Operations after capital amounts	**206**	**(393)**
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	**206**	**(393)**
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	**206**	**(393)**
plus Opening Retained Profits	20,447	19,197
plus/less: Prior Period Adjustments	(85)	1,643
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	**20,568**	**20,447**
Return on Capital %	**0.0%**	**-1.2%**
Subsidy from Council	**1,111**	**1,238**
Calculation of dividend payable:		
Surplus (deficit) after tax	206	(393)
less: Capital grants and contributions (excluding developer contributions)	(247)	-
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 2013

$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	1,007	1,015
User charges	128	108
Liquid Trade Waste charges	-	-
Fees	-	-
Interest	147	55
Grants and contributions provided for non capital purposes	41	29
Profit from the sale of assets	-	-
Other income	16	24
Total income from continuing operations	**1,339**	**1,231**
Expenses from continuing operations		
Employee benefits and on-costs	396	441
Borrowing costs	-	-
Materials and contracts	374	345
Depreciation and impairment	402	412
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	90	79
Total expenses from continuing operations	**1,262**	**1,277**
Surplus (deficit) from Continuing Operations before capital amounts	**77**	**(46)**
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	**77**	**(46)**
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	**77**	**(46)**
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(23)	-
SURPLUS (DEFICIT) AFTER TAX	**54**	**(46)**
plus Opening Retained Profits	12,075	9,805
plus/less: Prior Period Adjustments	85	2,316
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	23	-
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	**12,237**	**12,075**
Return on Capital %	**0.4%**	**-0.2%**
Subsidy from Council	**736**	**698**
Calculation of dividend payable:		
Surplus (deficit) after tax	54	(46)
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	**54**	**-**
Potential Dividend calculated from surplus	**27**	**-**

Warrumbungle Shire Council

Statement of Financial Position - Council's Water Supply Business Activity
as at 30 June 2013

$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	970	132
Investments	-	465
Receivables	878	655
Inventories	37	37
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	**1,885**	**1,289**
Non-Current Assets		
Investments	388	354
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	29,602	29,481
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	**29,990**	**29,835**
TOTAL ASSETS	**31,875**	**31,124**
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	111	82
Interest bearing liabilities	38	36
Provisions	189	202
Total Current Liabilities	**338**	**320**
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	823	860
Provisions	4	5
Total Non-Current Liabilities	**827**	**865**
TOTAL LIABILITIES	**1,165**	**1,185**
NET ASSETS	30,710	29,939
EQUITY		
Retained earnings	20,568	20,447
Revaluation reserves	10,142	9,492
Council equity interest	30,710	29,939
Non-controlling interest	-	-
TOTAL EQUITY	30,710	29,939

Warrumbungle Shire Council

Statement of Financial Position - Council's Sewerage Business Activity
as at 30 June 2013

$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	1,085	780
Investments	-	1,281
Receivables	682	482
Inventories	4	4
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	**1,771**	**2,547**
Non-Current Assets		
Investments	1,067	974
Receivables	1,266	-
Inventories	-	-
Infrastructure, property, plant and equipment	21,556	21,512
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	**23,889**	**22,486**
TOTAL ASSETS	**25,660**	**25,033**
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	25	48
Interest bearing liabilities	-	-
Provisions	49	70
Total Current Liabilities	**74**	**118**
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	1	1
Total Non-Current Liabilities	**1**	**1**
TOTAL LIABILITIES	**75**	**119**
NET ASSETS	25,585	24,914
EQUITY		
Retained earnings	12,237	12,075
Revaluation reserves	13,348	12,839
Council equity interest	25,585	24,914
Non-controlling equity interest	-	-
TOTAL EQUITY	25,585	24,914

Warrumbungle Shire Council

Special Purpose Financial Statements
for the financial year ended 30 June 2013

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Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division of Local Government.

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

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

All individual Sewerage Services are now combined into one entity known as Warrumbungle Sewerage Fund. This entity incorporates the previous individual Operations and Net Assets of the Sewerage Treatment and Reticulation Systems of the towns Baradine, Coonabarabran, Coolah and Dunedoo.

b. Warrumbungle Shire Council Combined Water Supply

All individual Water Funds are now combined into one entity known as Warrumbungle Water Fund. This entity incorporates the previous individual Operations and Net Assets of the Water Supply Systems of the towns of Baradine, Binnaway, Coonabarabran, Coolah, Dunedoo and 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).

Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

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

(i) Taxation Equivalent Charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

Notional Rate Applied %

Corporate Income Tax Rate – **30%**

Land Tax – The first **$406,000** of combined land values attracts **0%**. From $406,001 to $2,482,000 the rate is **1.6% + $100.** For the remaining combined land value that exceeds $2,482,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of $689,000.

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 each reported Business Activity.

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 this 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 Council's General Purpose Financial Statements.

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.

Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

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.

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 each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

$$\frac{\textbf{Operating Result before Capital Income + Interest Expense}}{\textbf{Written Down Value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.77% at 30/6/13.

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 2013 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 NSW Office of Water prior to making the dividend and only after it has approved the payment.

Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013

Note 2. Water Supply Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)	2013

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	10,059
(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	100,590
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	(971,000)

2013 Surplus	(41,000)	**2012 Surplus**	(393,000)	**2011 Surplus**	(537,000)
		2012 Dividend	-	**2011 Dividend**	-

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

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)	No
(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]**	No
	- If Dual Water Supplies, Complying Charges **[Item 2(g) in Table 1]**	No
(iii)	Sound Water Conservation and Demand Management implemented	No
(iv)	Sound Drought Management implemented	No
(v)	Complete Performance Reporting Form **(by 15 September each year)**	Yes
(vi)	a. Integrated Water Cycle Management Evaluation	Yes
	b. Complete and implement Integrated Water Cycle Management Strategy	No

Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)			2013
National Water Initiative (NWI) Financial Performance Indicators			
NWI F1	Total Revenue (Water) **Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)**	$'000	2,663
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)]**	%	51.26%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) **Written down current cost of system assets (w47)**	$'000	27,548
NWI F11	Operating Cost (OMA) (Water) **Management Expenses (w1) + Operational & Maintenance Expenses (w2)**	$'000	1,449
NWI F14	Capital Expenditure (Water) **Acquisition of fixed assets (w16)**	$'000	396
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)]**	%	1.47%
NWI F26	Capital Works Grants (Water) **Grants for the Acquisition of Assets (w11a)**	$'000	247

Notes:
1. References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
2. 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 Statements
for the financial year ended 30 June 2013

Note 3. Sewerage Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)	2013

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	7,983
(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]**	26,950
(ii)	No. of assessments x ($30 less tax equivalent charges per assessment)	79,830
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	225,900

2013 Surplus	53,900	**2012 Surplus**	(46,000)	**2011 Surplus**	218,000
		2012 Dividend	-	**2011 Dividend**	-

(iv)	Maximum dividend from surplus **[least of (i), (ii) and (iii) above]**	26,950
(v)	Dividend actually paid from surplus **[refer below for required pre-dividend payment Criteria]**	-

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)	No
(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]**	No
	DSP with Commercial Developer Charges **[Item 2(e) in Table 1]**	No
	Liquid Trade Waste Approvals & Policy **[Item 2(f) in Table 1]**	No
(iii)	Complete Performance Reporting Form **(by 15 September each year)**	Yes
(iv)	a. Integrated Water Cycle Management Evaluation	Yes
	b. Complete and implement Integrated Water Cycle Management Strategy	No

Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)			2013
National Water Initiative (NWI) Financial Performance Indicators			
NWI F2	Total Revenue (Sewerage) **Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)**	$'000	1,192
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) **Written down current cost of system assets (s48)**	$'000	20,868
NWI F12	Operating Cost (Sewerage) **Management Expenses (s1) + Operational & Maintenance Expenses (s2)**	$'000	860
NWI F15	Capital Expenditure (Sewerage) **Acquisition of Fixed Assets (s17)**	$'000	19
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	3,855
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) **Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)**	%	2.23%
NWI F16	Capital Expenditure (Water & Sewerage) **Acquisition of Fixed Assets (w16 + s17)**	$'000	415
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)]**	%	0.71%
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 Statements
for the financial year ended 30 June 2013

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)	2013

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)]**	%	1.53%
NWI F23	Interest Cover (Water & Sewerage) **Earnings before Interest & Tax (EBIT) divided by Net Interest**		> 100
	Earnings before Interest & Tax (EBIT): 133 **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: - 166 **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	36
NWI F25	Community Service Obligations (Water & Sewerage) **Grants for Pensioner Rebates (w11b + s12b)**	$'000	86

Notes:

1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.

2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Forsyths
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Forsyths Business Services Pty Ltd
ABN 66 182 781 401

INDEPENDENT AUDIT REPORT
Report on the special purpose financial statements

To Warrumbungle Shire Council

SCOPE

We have audited the special purpose financial statements of Warrumbungle Shire Council for the year ended 30th June 2013 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Statement of Financial Position by Business Activities, and Note 1 to the financial statements. 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 statements
The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the requirements of the Division 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 statements 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 statements 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 Division 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 statements are free from material misstatement.

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

The special purpose financial statements have been prepared for distribution to the Council and the Division 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 statements of the Warrumbungle Shire Council for the year ended 30th June 2013 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.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul Cornall
Principal

24th September 2013

92 Rusden Street Armidale