

Mid-Western Regional Council

SPECIAL PURPOSE FINANCIAL REPORTS
for the year ended 30 June 2007

a prosperous and progressive community
that we proudly call home



Mid-Western Regional Council

Special Purpose Financial Reports for the financial year ended 30 June 2007

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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 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 \$2Million that Council has formally declared as a Business Activity (defined as Category 1 activities).

- (iv) In preparing these financial reports for Councils 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).
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Mid-Western Regional Council

Special Purpose Financial Reports

for the financial year ended 30 June 2007

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:

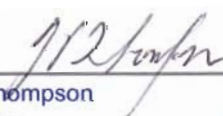
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- The Department of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality"
- The Local Government Code of Accounting Practice and Financial Reporting.
- 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 19/09/2007.



 J P Thompson
 MAYOR



 W L Bennett
 GENERAL MANAGER



 M F Williams
 COUNCILLOR - CHAIRPERSON
 CORPORATE SERVICES COMMITTEE



 C E Ptelan
 RESPONSIBLE ACCOUNTING OFFICER

Mid-Western Regional Council

Income Statement of Councils Water Supply Business Activity

for the financial year ended 30 June 2007

\$ '000	Actual 2007	Actual 2006	Actual 2005
Income from continuing operations			
Access charges	1,962	1,864	1,875
User charges	2,191	1,774	1,910
Fees	185	163	-
Interest	287	207	217
Grants and contributions provided for non capital purposes	74	66	75
Other income	6	-	5
Total income from continuing operations	4,705	4,074	4,082
Expenses from continuing operations			
Employee benefits and on-costs	948	884	1,167
Borrowing costs	388	335	372
Materials and contracts	990	835	693
Depreciation and impairment	1,273	1,082	753
Water purchase charges	-	20	-
Calculated taxation equivalents	12	-	-
Other expenses	911	867	772
Total expenses from continuing operations	4,522	4,023	3,757
Surplus (deficit) from Continuing Operations before capital amounts	183	51	325
Grants and contributions provided for capital purposes	740	622	2,011
Surplus (deficit) from Continuing Operations after capital amounts	923	673	2,336
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	923	673	2,336
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(55)	(15)	(98)
SURPLUS (DEFICIT) AFTER TAX	868	658	2,239
plus Opening Retained Profits	45,150	44,477	42,141
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	12	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	55	15	98
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	46,085	45,150	44,477
Return on Capital %	1.0%	0.8%	2.1%
Subsidy from Council	2,989		
Calculation of dividend payable:			
Surplus (deficit) after tax	868	658	2,239
less: Capital grants and contributions (excluding developer contributions)	(299)	(289)	(1,589)
Surplus for dividend calculation purposes	569	369	650
Potential Dividend calculated from surplus	285	184	325

Mid-Western Regional Council

Income Statement of Councils Sewerage Business Activity for the financial year ended 30 June 2007

\$ '000	Actual 2007	Actual 2006	Actual 2005
Income from continuing operations			
Access charges	2,803	2,627	2,465
User charges	134	124	116
Interest	287	273	215
Grants and contributions provided for non capital purposes	62	62	64
Other income	2	-	-
Total income from continuing operations	3,288	3,086	2,860
Expenses from continuing operations			
Employee benefits and on-costs	849	763	781
Borrowing costs	60	29	73
Materials and contracts	441	835	397
Depreciation and impairment	739	717	698
Calculated taxation equivalents	12	-	-
Other expenses	560	292	559
Total expenses from continuing operations	2,661	2,636	2,508
Surplus (deficit) from Continuing Operations before capital amounts	627	450	352
Grants and contributions provided for capital purposes	317	283	372
Surplus (deficit) from Continuing Operations after capital amounts	944	733	724
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	944	733	724
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(188)	(135)	(106)
SURPLUS (DEFICIT) AFTER TAX	756	598	618
plus Opening Retained Profits	23,301	22,568	21,844
adjustments for amounts unpaid:			
- Taxation equivalent payments	12	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	188	135	106
less:			
- Tax Equivalent Dividend paid			
- Surplus dividend paid			
Closing Retained Profits	24,257	23,301	22,568
Return on Capital %	2.4%	2.6%	
Subsidy from Council	1,123		
Calculation of dividend payable:			
Surplus (deficit) after tax	756	598	618
less: Capital grants and contributions (excluding developer contributions)	(2)	(70)	(96)
Surplus for dividend calculation purposes	754	528	522
Potential Dividend calculated from surplus	377	264	261

Mid-Western Regional Council

Income Statement of Councils Other Business Activities

for the financial year ended 30 June 2007

\$ '000	Private Works		Saleyards	
	Actual 2007	Actual 2006	Actual 2007	Actual 2006
Income from continuing operations				
User charges	442	161	305	283
Interest	(2)	(4)	-	-
Total income from continuing operations	440	157	305	283
Expenses from continuing operations				
Employee benefits and on-costs	105	25	77	81
Borrowing costs	-	-	6	3
Materials and contracts	257	150	74	68
Depreciation and impairment	-	-	68	68
Other expenses	24	21	85	86
Total expenses from continuing operations	386	196	310	306
Surplus (deficit) from Continuing Operations before capital amounts	54	(39)	(5)	(23)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	54	(39)	(5)	(23)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	54	(39)	(5)	(23)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(16)	-	-	-
SURPLUS (DEFICIT) AFTER TAX	38	(39)	(5)	(23)
plus Opening Retained Profits	(128)	(89)	440	463
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	16	-	-	-
add:				
- Subsidy Paid/Contribution To Operations				
less:				
- TER dividend paid				
- Dividend paid				
Closing Retained Profits	(74)	(128)	435	440
Return on Capital %	n/a	n/a	0.1%	-1.0%
Subsidy from Council	-	-	124	-

Mid-Western Regional Council

Income Statement of Councils Other Business Activities

for the financial year ended 30 June 2007

\$ '000	Childcare Centre	
	Actual 2007	Actual 2006
Income from continuing operations		
User charges	379	361
Interest	1	3
Grants and contributions provided for non capital purposes	220	314
Total income from continuing operations	600	678
Expenses from continuing operations		
Employee benefits and on-costs	533	529
Materials and contracts	65	63
Other expenses	12	14
Total expenses from continuing operations	610	606
Surplus (deficit) from Continuing Operations before capital amounts	(10)	72
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(10)	72
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(10)	72
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(22)
SURPLUS (DEFICIT) AFTER TAX	(10)	50
plus Opening Retained Profits	29	(43)
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	22
add:		
- Subsidy Paid/Contribution To Operations		
less:		
- TER dividend paid		
- Dividend paid		
Closing Retained Profits	19	29
Return on Capital %	n/a	n/a
Subsidy from Council	10	

Mid-Western Regional Council

Balance Sheet of Councils Water Supply Business Activity

as at 30 June 2007

\$ '000	Actual 2007	Actual 2006
ASSETS		
Current Assets		
Cash and cash equivalents	4,983	4,326
Receivables	763	757
Inventories	184	117
Total Current Assets	5,930	5,200
Non-Current Assets		
Infrastructure, property, plant and equipment	56,963	46,498
Total non-Current Assets	56,963	46,498
TOTAL ASSETS	62,893	51,698
LIABILITIES		
Current Liabilities		
Payables	183	104
Interest bearing liabilities	236	231
Provisions	-	333
Total Current Liabilities	419	668
Non-Current Liabilities		
Interest bearing liabilities	5,640	5,876
Provisions	-	4
Total Non-Current Liabilities	5,640	5,880
TOTAL LIABILITIES	6,059	6,548
NET ASSETS	56,834	45,150
EQUITY		
Retained earnings	46,085	45,150
Revaluation reserves	10,749	-
Council equity interest	56,834	45,150
Minority equity interest	-	-
TOTAL EQUITY	56,834	45,150

Mid-Western Regional Council

Balance Sheet of Councils Sewerage Business Activity

as at 30 June 2007

\$ '000	Actual 2007	Actual 2006
ASSETS		
Current Assets		
Cash and cash equivalents	6,592	5,934
Receivables	86	83
Inventories	27	17
Total Current Assets	6,705	6,034
Non-Current Assets		
Infrastructure, property, plant and equipment	28,958	18,330
Total non-Current Assets	28,958	18,330
TOTAL ASSETS	35,663	24,364
LIABILITIES		
Current Liabilities		
Payables	96	13
Interest bearing liabilities	51	53
Provisions	-	101
Total Current Liabilities	147	167
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	841	892
Provisions	-	4
Total Non-Current Liabilities	841	896
TOTAL LIABILITIES	988	1,063
NET ASSETS	34,675	23,301
EQUITY		
Retained earnings	24,257	23,301
Revaluation reserves	10,418	-
Council equity interest	34,675	23,301
Minority equity interest	-	-
TOTAL EQUITY	34,675	23,301

Mid-Western Regional Council

Balance Sheet of Councils Other Business Activities

as at 30 June 2007

\$ '000	Private Works		Saleyards	
	Cat. 2	Cat. 2	Cat. 2	Cat. 2
	Actual 2007	Actual 2006	Actual 2007	Actual 2006
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	-	-	-	-
Non-Current Assets				
Infrastructure, property, plant and equipment	-	-	2,000	2,068
Other	-	-	-	-
Total Non-Current Assets	-	-	2,000	2,068
TOTAL ASSETS	-	-	2,000	2,068
LIABILITIES				
Current Liabilities				
Bank Overdraft	74	128	1,459	1,524
Payables	-	-	16	8
Interest bearing liabilities	-	-	5	5
Total Current Liabilities	74	128	1,480	1,537
Non-Current Liabilities				
Interest bearing liabilities	-	-	85	91
Total Non-Current Liabilities	-	-	85	91
TOTAL LIABILITIES	74	128	1,565	1,628
NET ASSETS	(74)	(128)	435	440
EQUITY				
Retained earnings	(74)	(128)	435	440
Revaluation reserves	-	-	-	-
Council equity interest	(74)	(128)	435	440
Minority equity interest	-	-	-	-
TOTAL EQUITY	(74)	(128)	435	440

Mid-Western Regional Council

Balance Sheet of Councils Other Business Activities

as at 30 June 2007

\$ '000	Childcare Centre	
	Cat. 2	Cat. 2
	Actual 2007	Actual 2006
ASSETS		
Current Assets		
Cash and cash equivalents	40	100
Receivables	4	3
Total Current Assets	44	103
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	-	-
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	-	-
TOTAL ASSETS	44	103
LIABILITIES		
Current Liabilities		
Payables	25	3
Provisions	-	64
Total Current Liabilities	25	67
Non-Current Liabilities		
Payables	-	7
Total Non-Current Liabilities	-	7
TOTAL LIABILITIES	25	74
NET ASSETS	19	29
EQUITY		
Retained earnings	19	29
Revaluation reserves	-	-
Council equity interest	19	29
Minority equity interest	-	-
TOTAL EQUITY	19	29

Mid-Western Regional Council

Special Purpose Financial Reports

for the financial year ended 30 June 2007

Contents of the Notes accompanying the Financial Statements

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Mid-Western Regional Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2007

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)

a. Mid-Western Regional Council Water Supply

Comprising the whole of the operations and net assets of the water supply operations servicing the towns of Mudgee, Gulgong, Rylstone, and Kandos.

b. Mid-Western Regional Council Waste Water Supply

Comprising the whole of the operations and net assets of the sewerage reticulation and treatment operations servicing the towns of Mudgee, Gulgong, Rylstone, and Kandos.

Mid-Western Regional Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2007

Note 1. Significant Accounting Policies (continued)

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

a. Mid-Western Regional Council Private Works

Comprising the whole of the operations and net assets utilised in providing Private Works to the public and other agencies.

b. Mid-Western Regional Council Saleyards

Comprising the whole of the operations and net assets utilised in providing a facility for the conduct of livestock sales.

c. Mid-Western Regional Council Child Care Centre

Comprising the whole of the operations and net assets utilised in providing a facility for the conduct of long day child care.

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of Note 2 (Water Supply Best Practice Management Disclosures - A513) and Note 3 (Sewerage Best Practice Management Disclosures – A514).

As required by the Department of Water & Energy, the 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.

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 – **1.7% + \$100** on combined land values above \$352,000

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.

Mid-Western Regional Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2007

Note 1. Significant Accounting Policies (continued)

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 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.

Mid-Western Regional Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2007

Note 1. Significant Accounting Policies (continued)

(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.

(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 2007 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.

Mid-Western Regional Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2007

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	12,000
(ii)	No of assessments multiplied by \$3/assessment	20,001
(iii)	Amounts payable for tax-equivalents [lesser of (i) and (ii)]	12,000
(iv)	Amounts paid for Tax Equivalents	

Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	284,550
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	188,010
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2007, less the cumulative dividends paid for the 2 years to 30 June 2006	1,587,300

2007 Surplus	569,100	2006 Surplus	368,700	2005 Surplus	649,500
		2006 Dividend	-	2005 Dividend	-

(iv)	Maximum Dividend from Surplus [least of (i), (ii) and (iii) above]	188,010
(v)	Dividend paid from Surplus [refer below for required pre-dividend payment Criteria]	

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]	NO
	- Complying charges [Item 2(b) in Table 1]	NO
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	NO
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 31 October each year)	YES
(vi)	Integrated Water Cycle Management Evaluation (by June 2007)	NO

Mid-Western Regional Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2007

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

National Water Initiative (NWI) Financial Performance Indicators

NWI F4	Calculated Tax Equivalents Revenue from Residential Usage Charges (w6b) x 100 divided by the sum of [Residential Usage Charges (w6a) + Residential Access Charges (w6b) + Environmental Levies for Water Supply]	%	48.13%
NWI F1	Total Revenue (Water) Total Revenue (w13) + Gains/Loss on Disposal of Assets (w14) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	4,859
NWI F20	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	299
NWI F13	Economic Real Rate of Return (Water) [Total Revenue (w13) - Interest Income (w9) - Grants for Assets (w11a) - Total Cost (NWI F9)] x 100 divided by Written Down Replacement Cost of Operational Assets (w47)	%	1.33%
NWI F6	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	2,848
NWI F9	Total Cost (Water) Operating Cost (NWI F6) + Current Cost Depreciation (w3a + w3b)	\$'000	4,121

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

Mid-Western Regional Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2007

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	12,000
(ii)	No of assessments multiplied by \$3/assessment	18,600
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	12,000
(iv)	Amounts paid for Tax Equivalents	

Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	376,950
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	174,000
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2007, less the cumulative dividends paid for the 2 years to 30 June 2006	1,804,300

2007 Surplus	753,900	2006 Surplus	528,000	2005 Surplus	522,400
		2006 Dividend	-	2005 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	174,000
(v)	Dividend paid from surplus [refer below for required pre-dividend payment Criteria]	

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]	NO
	Complying charges (a) Residential [Item 2(c) in Table 1]	NO
	(b) Non Residential [Item 2(c) in Table 1]	NO
	(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)	Integrated Water Cycle Management Evaluation (by June 2006)	NO

Mid-Western Regional Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2007

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Revenues (s14) + Gains/Losses on Disposal of Assets (s15) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	3,316
NWI F21	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	2
NWI F11	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	1,894
NWI F14	Economic Real Rate of Return (Sewerage) [Total Revenue (s14) - Interest Income (s10) - Grants for Assets (s12a) - Total Cost (NWI F10)] x 100 divided by Written Down Replacement Cost (ie. WDRC) of Operational Assets (s48)	%	2.57%
NWI F12	Economic Real Rate of Return (Water & Sewerage) [Total Revenue (w13 + s14) - Interest Income (w9 + s10) - Grants for Assets (w11a + s12a) minus Total Cost (NWI F9 + NWI F10)] x 100 divided by WDRC of Operational Assets (w47 + s48)	%	1.75%
NWI F16	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)]	%	-5.25%
NWI F17	Interest Cover (Water & Sewerage) Earnings before Interest & Tax x 100 divided by Net Interest (ie. Interest Expense - Interest Income) [Operating Result (w15a + s16a) - Interest (w9 - w4a + s10 - s4a) - Gain/Loss on Sale of Assets (w14 + s15)] x 100 divided by [Interest Expense 9w4a + s4a) - Interest Income (w9 + s10)]	%	-1161.90%
NWI F18	Net Profit After Tax (Water & Sewerage) [Surplus before Dividends less Tax Paid]. Refer Notes 2 & 3 previously.	\$'000	1,624
NWI F19	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	128
NWI F5	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F19) x 100 divided by Total Revenue (NWI F1 + NWI F2)	%	1.57%
NWI F7	Operating Cost (OMA) (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	1,850
NWI F10	Total Cost (Sewerage) Operating Cost (NWI F7) + Current Cost Depreciation (s3a + s3b)	\$'000	2,589

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

**INDEPENDENT AUDITOR'S REPORT
ON THE SPECIAL PURPOSE FINANCIAL REPORT OF
MID-WESTERN REGIONAL COUNCIL**

Report on the Financial Report

We have audited the special purpose financial report of Mid-Western Regional Council for the year ended 30 June 2007, comprising the Statement by Council, Income Statement by Business Activities, Balance Sheet by Business Activities, and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

Councils' Responsibility for the Financial Report

The Council are 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 financial reporting requirements of the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. The Council's responsibility also includes establishing and maintaining internal controls 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. 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 judgement, 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 entity'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 entity'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 report has 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 report 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.

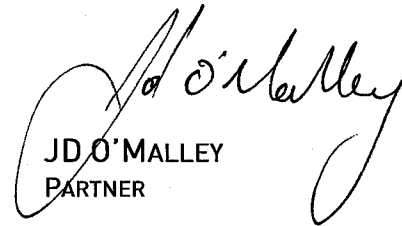
Audit Opinion

In our opinion, the special purpose financial report of Mid-Western Regional Council is presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the Local Government Act 1993 and the Local Government Code of Accounting Practice and Financial Reporting.



MORSE GROUP

237 Lords Place
Orange
Dated: 4 October 2007



JD O'MALLEY
PARTNER