

Mid-Western Regional Council

SPECIAL PURPOSE FINANCIAL REPORTS
for the year ended 30 June 2008

*"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 2008

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Background

- (i) These Special Purpose Financial Reports have been prepared for the use by both Council and the Department of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.
- Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.
- These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).
- (iv) In preparing these financial reports for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
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Mid-Western Regional Council

Special Purpose Financial Reports

for the financial year ended 30 June 2008

Statement by Councillors and Management

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

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

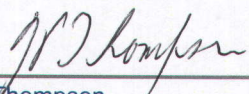
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- The Department of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality"
- The Local Government Code of Accounting Practice and Financial Reporting.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

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

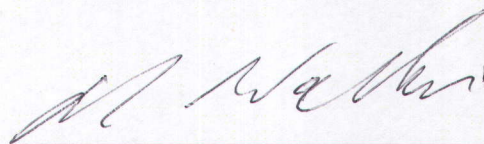
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 20 August 2008.



J P Thompson
MAYOR



M B Walker
DEPUTY MAYOR



W L Bennett
GENERAL MANAGER



C E Phelan
RESPONSIBLE ACCOUNTING OFFICER

Mid-Western Regional Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2008

\$ '000	Actual 2008	Actual 2007	Actual 2006
Income from continuing operations			
Access charges	2,026	1,962	1,864
User charges	2,046	2,191	1,774
Fees	94	185	163
Interest	310	287	207
Grants and contributions provided for non capital purposes	66	74	66
Other income	16	6	-
Total income from continuing operations	4,558	4,705	4,074
Expenses from continuing operations			
Employee benefits and on-costs	903	948	884
Borrowing costs	374	388	335
Materials and contracts	981	990	835
Depreciation and impairment	1,207	1,273	1,082
Water purchase charges	-	-	20
Loss on sale of assets	360	-	-
Calculated taxation equivalents	12	12	-
Other expenses	959	911	867
Total expenses from continuing operations	4,796	4,522	4,023
Surplus (deficit) from Continuing Operations before capital amounts	(238)	183	51
Grants and contributions provided for capital purposes	257	740	622
Surplus (deficit) from Continuing Operations after capital amounts	19	923	673
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	19	923	673
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(55)	(15)
SURPLUS (DEFICIT) AFTER TAX	19	868	658
plus Opening Retained Profits	46,085	45,150	44,477
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	12	12	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	-	55	15
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	46,116	46,085	45,150
Return on Capital %	0.2%	1.0%	0.8%
Subsidy from Council	3,680	2,999	-
Calculation of dividend payable:			
Surplus (deficit) after tax	19	868	658
less: Capital grants and contributions (excluding developer contributions)	-	(299)	(289)
Surplus for dividend calculation purposes	19	569	369
Potential Dividend calculated from surplus	10	285	184

Mid-Western Regional Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2008

\$ '000	Actual 2008	Actual 2007	Actual 2006
Income from continuing operations			
Access charges	2,970	2,803	2,627
User charges	-	134	124
Fees	94	-	-
Interest	394	287	273
Grants and contributions provided for non capital purposes	62	62	62
Other income	13	2	-
Total income from continuing operations	3,533	3,288	3,086
Expenses from continuing operations			
Employee benefits and on-costs	797	849	763
Borrowing costs	57	60	29
Materials and contracts	509	441	835
Depreciation and impairment	1,144	739	717
Loss on sale of assets	268	-	-
Calculated taxation equivalents	11	12	-
Other expenses	696	560	292
Total expenses from continuing operations	3,482	2,661	2,636
Surplus (deficit) from Continuing Operations before capital amounts	51	627	450
Grants and contributions provided for capital purposes	198	317	283
Surplus (deficit) from Continuing Operations after capital amounts	249	944	733
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	249	944	733
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(15)	(188)	(135)
SURPLUS (DEFICIT) AFTER TAX	234	756	598
plus Opening Retained Profits	24,257	23,301	22,568
plus/less: Prior Period Adjustments	-	-	-
adjustments for amounts unpaid:			
- Taxation equivalent payments	11	12	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	15	188	135
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	24,517	24,257	23,301
Return on Capital %	0.4%	2.4%	2.6%
Subsidy from Council	1,779	1,123	-
Calculation of dividend payable:			
Surplus (deficit) after tax	234	756	598
less: Capital grants and contributions (excluding developer contributions)	-	(2)	(70)
Surplus for dividend calculation purposes	234	754	528
Potential Dividend calculated from surplus	117	377	264

Mid-Western Regional Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2008

\$ '000	Private Works		Saleyards	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
Income from continuing operations				
User charges	236	442	268	305
Interest	-	(2)	-	-
Other income	-	-	22	-
Total income from continuing operations	236	440	290	305
Expenses from continuing operations				
Employee benefits and on-costs	69	105	79	77
Borrowing costs	3	-	6	6
Materials and contracts	132	257	54	74
Depreciation and impairment	-	-	60	68
Other expenses	16	24	89	85
Total expenses from continuing operations	220	386	288	310
Surplus (deficit) from Continuing Operations before capital amounts	16	54	2	(5)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	16	54	2	(5)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	16	54	2	(5)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(5)	(16)	(1)	-
SURPLUS (DEFICIT) AFTER TAX	11	38	1	(5)
plus Opening Retained Profits	(74)	(128)	435	440
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	5	16	1	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	(58)	(74)	437	435
Return on Capital %	n/a	n/a	0.1%	0.1%
Subsidy from Council	-	-	391	124

Mid-Western Regional Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2008

\$ '000	Childcare Centre	
	Actual 2008	Actual 2007
Income from continuing operations		
User charges	334	379
Interest	1	1
Grants and contributions provided for non capital purposes	297	220
Other income	2	-
Total income from continuing operations	634	600
Expenses from continuing operations		
Employee benefits and on-costs	604	533
Materials and contracts	67	65
Other expenses	5	12
Total expenses from continuing operations	676	610
Surplus (deficit) from Continuing Operations before capital amounts	(42)	(10)
Grants and contributions provided for capital purposes		-
Surplus (deficit) from Continuing Operations after capital amounts	(42)	(10)
Surplus (deficit) from discontinued operations		-
Surplus (deficit) from ALL Operations before tax	(42)	(10)
less: Corporate Taxation Equivalentent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(42)	(10)
plus Opening Retained Profits	19	29
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalentent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalentent	-	-
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	(23)	19
Return on Capital %	n/a	n/a
Subsidy from Council	42	10

Mid-Western Regional Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2008

\$ '000	Actual 2008	Actual 2007
ASSETS		
Current Assets		
Cash and cash equivalents	4,811	4,983
Investments	-	-
Receivables	850	763
Inventories	138	184
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	5,799	5,930
Non-Current Assets		
Investments	-	-
Receivables	44	-
Inventories	-	-
Infrastructure, property, plant and equipment	61,059	56,963
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	61,103	56,963
TOTAL ASSETS	66,902	62,893
LIABILITIES		
Current Liabilities		
Payables	231	183
Borrowings	252	236
Provisions	-	-
Total Current Liabilities	483	419
Non-Current Liabilities		
Payables	-	-
Borrowings	5,388	5,640
Provisions	-	-
Total Non-Current Liabilities	5,388	5,640
TOTAL LIABILITIES	5,871	6,059
NET ASSETS	61,031	56,834
EQUITY		
Retained earnings	46,116	46,085
Revaluation reserves	14,915	10,749
TOTAL EQUITY	61,031	56,834

Mid-Western Regional Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2008

\$ '000	Actual 2008	Actual 2007
ASSETS		
Current Assets		
Cash and cash equivalents	7,505	6,592
Investments	-	-
Receivables	84	86
Inventories	26	27
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	7,615	6,705
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	30,189	28,958
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	30,189	28,958
TOTAL ASSETS	37,804	35,663
LIABILITIES		
Current Liabilities		
Payables	171	96
Borrowings	54	51
Provisions	-	-
Total Current Liabilities	225	147
Non-Current Liabilities		
Payables	-	-
Borrowings	786	841
Provisions	-	-
Total Non-Current Liabilities	786	841
TOTAL LIABILITIES	1,011	988
NET ASSETS	36,793	34,675
EQUITY		
Retained earnings	24,517	24,257
Revaluation reserves	12,276	10,418
TOTAL EQUITY	36,793	34,675

Mid-Western Regional Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2008

\$ '000	Private Works		Saleyards	
	Category 2		Category 2	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
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				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	-	-	6,385	2,000
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	-	-	6,385	2,000
TOTAL ASSETS	-	-	6,385	2,000
LIABILITIES				
Current Liabilities				
Payables	-	-	-	-
Bank Overdraft	58	74	576	1,459
Borrowings	-	-	6	16
Provisions	-	-	-	5
Total Current Liabilities	58	74	582	1,480
Non-Current Liabilities				
Payables	-	-	-	-
Borrowings	-	-	80	85
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	80	85
TOTAL LIABILITIES	58	74	662	1,565
NET ASSETS	(58)	(74)	5,723	435
EQUITY				
Retained earnings	(58)	(74)	437	435
Revaluation reserves	-	-	5,286	-
TOTAL EQUITY	(58)	(74)	5,723	435

Mid-Western Regional Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2008

\$ '000	Childcare Centre	
	Category 2	
	Actual 2008	Actual 2007
ASSETS		
Current Assets		
Cash and cash equivalents	-	40
Investments	-	-
Receivables	2	4
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	2	44
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	2	44
LIABILITIES		
Current Liabilities		
Payables	-	25
Bank Overdraft	25	-
Borrowings	-	-
Provisions	-	-
Total Current Liabilities	25	25
Non-Current Liabilities		
Payables	-	-
Borrowings	-	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	25	25
NET ASSETS	(23)	19
EQUITY		
Retained earnings	(23)	19
Revaluation reserves	-	-
TOTAL EQUITY	(23)	19

Mid-Western Regional Council

Special Purpose Financial Reports

for the financial year ended 30 June 2008

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 2008

Note 1. Significant Accounting Policies

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

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

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

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

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets.

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

National Competition Policy

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

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government". The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Department of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or

financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, council has declared that the following are to be considered as business activities:

Category 1

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

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.

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.

Mid-Western Regional Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2008

Note 1. Significant Accounting Policies (continued)

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.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all council nominated business activities and are reflected in the SPFR.

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

Notional Rate Applied %

Corporate Income Tax Rate – **30%**

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

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

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation

equivalent", may be applied for any purpose allowed under the Local Government Act 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income Tax

An income tax equivalent has been applied on the profits of the business. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in the GPFR.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

A calculation of the equivalent rates and charges for all Category 1 businesses have been applied to all assets owned or exclusively used by the business activity.

Mid-Western Regional Council

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

Note 1. Significant Accounting Policies (continued)

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.

(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 2008 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 2008

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2008

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	12,000
(ii)	No of assessments multiplied by \$3/assessment	20,496
(iii)	Amounts payable for tax-equivalents [lesser of (i) and (ii)]	12,000
(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]	9,500
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	192,960
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2008, less the cumulative dividends paid for the 2 years to 30 June 2007	956,800

2008 Surplus	19,000	2007 Surplus	569,100	2006 Surplus	368,700
		2007 Dividend	-	2006 Dividend	-

(iv)	Maximum Dividend from Surplus [least of (i), (ii) and (iii) above]	9,500
(v)	Dividend paid from Surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 7 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	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]	NO
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	Integrated Water Cycle Management Evaluation	NO
(vii)	Complete and implement Integrated Water Cycle Management Strategy	NO

Mid-Western Regional Council

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

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2008

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Revenue (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	4,505
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)]	%	45.42%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	58,018
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	2,842
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,598
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Total Cost (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	0.75%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
1. References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Reporting.
 2. 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 2008

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2008

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	11,000
(ii)	No of assessments multiplied by \$3/assessment	19,050
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	11,000
(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]	116,850
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	179,500
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2008, less the cumulative dividends paid for the 2 years to 30 June 2007	1,515,600

2008 Surplus	233,700	2007 Surplus	753,900	2006 Surplus	528,000
		2007 Dividend	-	2006 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	116,850
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 5 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	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	NO
(v)	Complete and implement Integrated Water Cycle Management Strategy	NO

Mid-Western Regional Council

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

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2008

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	3,336
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	29,064
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	2,001
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	803
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)]	%	0.63%
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	7,213
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.77%
NWI F13	Operating Cost (OMA) (Water & Sewerage) Operating Cost (Water & Sewerage) (NWI F11 + NWI F12)	\$'000	4,843
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	2,401
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)	\$'000	-

Mid-Western Regional Council

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

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2008

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-5.97%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 646 Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) Net Interest: - 273 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		> 100
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	291
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	128

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Reporting.
 2. 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 2008, 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.

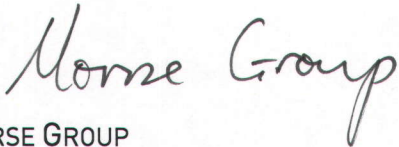


Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

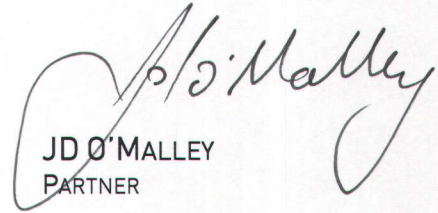
Audit Opinion

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: 7 October 2008



JD O'MALLEY
PARTNER