

NARRANDERA SHIRE COUNCIL

Special Purpose Financial Reports

for the year ended 30th June 2007

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NARRANDERA SHIRE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE 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 Statements have been drawn up in accordance with the Local Government Code of Accounting Practice and Financial Reporting and the

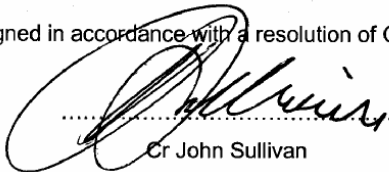
- NSW Government Policy Statement "*Application of National Competition Policy to Local Government*"
- Department of Local Government guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*".
- The Department of Energy, Utilities and Sustainability "*Best Practice Management of Water Supply and Sewerage*" guidelines.

To the best of our knowledge and belief, these reports

- Present fairly the financial position and operating result for each of Council's declared Business Units for the year, and
- Accord with Council's accounting and other records

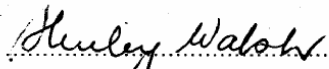
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 16th October 2007



Cr John Sullivan

MAYOR



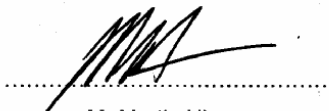
Cr Shirley Walsh

COUNCILLOR



Mr Mark Amirtharajah

GENERAL MANAGER



Mr Martin Hiscox

RESPONSIBLE ACCOUNTING OFFICER

NARRANDERA SHIRE COUNCIL

INCOME STATEMENT
WATER SUPPLY BUSINESS ACTIVITY
for the year ended 30th June 2007

	Notes	2007 '000	2006 '000	2005 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges	A4	511	491	515
User Charges	A4	766	696	616
Fees	A4	-	-	7
Interest Received	A4	332	310	241
Grants & Contributions - Operating	A4	29	25	50
TOTAL		1,638	1,523	1,428
EXPENSES FROM CONTINUING OPERATIONS				
Employee Benefits and On-costs	A3	420	408	273
Materials & Contracts	A3	84	69	85
Borrowing Costs	A3	-	-	-
Depreciation & Impairment	A3	153	129	127
Water Purchase Charges		7	11	-
Loss on Disposal of Assets	A5	-	-	11
NCP Tax Equivalents	1	-	-	232
Other Operating Expenses	A3	277	246	-
TOTAL		941	863	728
SURPLUS (DEFICIT) FROM CONTINUING OPERATIONS BEFORE CAPITAL AMOUNTS				
		697	660	700
Grants & Contributions - Capital	A4	-	-	-
RESULT FROM ORDINARY ACTIVITIES		697	660	700
Discontinued Operations		-	-	-
SURPLUS (DEFICIT) BEFORE TAX		697	660	700
Corporate Taxation Equivalent	1	209	198	210
SURPLUS (DEFICIT) FOR YEAR		488	462	490
Add: Accumulated Profits brought forward		12,004	11,345	10,645
Less: Previous periods adjustments to equity		(938)		
Balance at the beginning of the reporting period		11,066	11,345	10,645
Add: NCP Tax Equivalents retained	1	-	-	-
Debt Guarantee Fee retained	1	-	-	-
Corporate Tax Equivalent retained	1	209	198	210
Less: Dividends Paid	1	-	-	-
ACCUMULATED SURPLUS		11,762	12,005	11,345
<i>RATE OF RETURN ON CAPITAL</i>	1	9.30%	9.56%	11.41%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>	1	N/A	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		488	462	490
Less: Capital grants & contribs from LWUs		0	0	0
Surplus for dividend calculation purposes		488	462	490
Dividend calculated from surplus		211	231	245

This Statement is to be read in conjunction with the attached Notes.

NARRANDERA SHIRE COUNCIL

INCOME STATEMENT
SEWERAGE BUSINESS ACTIVITY
for the year ended 30th June 2007

	Notes	2007 '000	2006 '000	2005 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges	A4	896	856	830
User Charges	A4	-	-	6
Liquid Trade Waste Charges	A4	-	-	-
Fees	A4	-	-	-
Interest Received	A4	185	212	193
Grants & Contributions - Operating	A4	22	23	45
Gain on Disposal of Assets	A5	-	-	4
Other Operating Revenues	A4	3	2	-
TOTAL		1,106	1,093	1,078
EXPENSES FROM CONTINUING OPERATIONS				
Employee Benefits and On-costs	A3	381	483	264
Materials & Contracts	A3	288	320	263
Borrowing Costs	A3	-	-	-
Depreciation & Impairment	A3	117	104	149
Loss on Disposal of Assets	A5	-	-	-
NCP Tax Equivalents	1	-	-	42
Debt Guarantee Fee		-	-	-
Other Operating Expenses	A3	2,786	41	-
TOTAL		3,572	948	718
SURPLUS (DEFICIT) FROM CONTINUING OPERATIONS BEFORE CAPITAL AMOUNTS		(2,466)	145	360
Grants & Contributions - Capital	A4	-	-	-
RESULT FROM ORDINARY ACTIVITIES		(2,466)	145	360
Discontinued Operations		-	-	-
SURPLUS (DEFICIT) BEFORE TAX		(2,466)	145	360
Corporate Taxation Equivalent	1	-	43	108
SURPLUS (DEFICIT) FOR YEAR		(2,466)	102	252
Add: Accumulated Profits brought forward		6,949	6,804	6,444
Previous periods adjustments to equity		4,075	-	-
Balance at the beginning of the reporting period		11,024	6,804	6,444
NCP Tax Equivalents retained	1	-	-	-
Debt Guarantee Fee retained		-	-	-
Corporate Tax Equivalent retained		-	43	108
Less: Dividends Paid	1	-	-	-
ACCUMULATED SURPLUS		8,557	6,949	6,804
<i>RATE OF RETURN ON CAPITAL</i>	1	0.00%	3.52%	12.38%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>	1	N/A	N/A	0
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		-2,466	102	252
Less: Capital grants & contribs from LWUs		0	0	0
Surplus for dividend calculation purposes		0	102	252
Dividend calculated from surplus		0	51	126

This Statement is to be read in conjunction with the attached Notes.

NARRANDERA SHIRE COUNCIL

INCOME STATEMENT OF TELOCA HOUSE
for the year ended 30th June 2007

		\$'000	
		2007	2006
INCOME FROM CONTINUING OPERATIONS			
	Notes		
	A4	-	-
User Charges & Fees	A4	534	523
Interest Received	A4	171	187
Grants & Contributions - Operating	A4	956	751
Profit on Disposal of Assets	A5	-	-
Other Operating Revenues	A4	24	16
TOTAL		1,685	1,477
EXPENSES FROM CONTINUING OPERATIONS			
Employee Benefits and On-costs	A3	1,092	906
Materials & Contracts	A3	70	71
Borrowing Costs	A3	-	-
Depreciation & Impairment	A3	105	199
Loss on Disposal of Assets	A5	3	6
NCP Imputation Payments	2	-	-
Other Operating Expenses	A3	331	252
TOTAL		1,601	1,434
SURPLUS (DEFICIT) FROM CONTINUING OPERATIONS BEFORE CAPITAL AMOUNTS		84	43
Grants & Contributions - Capital		-	144
RESULT FROM ORDINARY ACTIVITIES		84	187
Correction of Fundamental Error		-	-
SURPLUS (DEFICIT) BEFORE TAX		84	187
Corporate Taxation Equivalent	2	25	13
SURPLUS (DEFICIT) FOR YEAR		59	174
Add: Accumulated Profits brought forward		4,133	3,946
Previous periods adjustments to equity		107	-
		4,240	3,946
NCP Imputation Payments retained	1	25	13
Less: Dividends Paid	2	-	-
ACCUMULATED SURPLUS		4,324	4,133
RATE OF RETURN ON CAPITAL	2	2.90%	1.48%
NOTIONAL SUBSIDY FROM COUNCIL	2	N/A	N/A

This Statement is to be read in conjunction with the attached Notes.

NARRANDERA SHIRE COUNCIL

BALANCE SHEET WATER SUPPLY BUSINESS ACTIVITY

for the year ended 30th June 2007

	Notes	2007 '000	2006 '000
CURRENT ASSETS			
Cash & cash equivalents	A6	4,935	4,503
Investments	A6	-	-
Receivables	A7	186	163
TOTAL CURRENT ASSETS		5,121	4,666
NON-CURRENT ASSETS			
Investments	A6	-	-
Receivables	A7	359	435
Inventories	A8	-	-
Infrastructure, Property, Plant & Equipment	A9	7,483	5,979
Investment Property			
Other	A8	25	-
TOTAL NON-CURRENT ASSETS		7,867	6,414
TOTAL ASSETS		12,988	11,080
CURRENT LIABILITIES			
Payables	A10	18	14
Interest bearing liabilities	A10	-	-
Provisions	A10	-	-
TOTAL CURRENT LIABILITIES		18	14
NON-CURRENT LIABILITIES			
Payables	A10	-	-
Interest bearing liabilities	A10	-	-
Provisions	A10	-	-
TOTAL NON CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		18	14
NET ASSETS		\$ 12,970	11,066
EQUITY			
Retained Earnings		11,762	11,066
Asset Revaluation Reserve		1,208	-
TOTAL EQUITY		\$ 12,970	11,066

This Statement is to be read in conjunction with the attached Notes

NARRANDERA SHIRE COUNCIL

BALANCE SHEET SEWERAGE BUSINESS ACTIVITY for the year ended 30th June 2007

	Notes	CENTS '000	2006 '000
CURRENT ASSETS			
Cash & equivalent assets	A6	2,763	2,815
Investments	A6	-	-
Receivables	A7	55	45
TOTAL CURRENT ASSETS		<u>2,818</u>	<u>2,860</u>
NON-CURRENT ASSETS			
Investments	A6	-	-
Receivables	A7	-	-
Inventories	A8	-	-
Infrastructure, Property, Plant & Equipment	A9	5,783	8,194
Investment Property			
Other	A8	-	-
TOTAL NON-CURRENT ASSETS		<u>5,783</u>	<u>8,194</u>
TOTAL ASSETS		<u>8,601</u>	<u>11,054</u>
CURRENT LIABILITIES			
Payables	A10	30	26
Interest bearing liabilities	A10	14	-
Provisions	A10	-	5
TOTAL CURRENT LIABILITIES		<u>44</u>	<u>31</u>
NON-CURRENT LIABILITIES			
Payables	A10	-	-
Interest bearing liabilities	A10	-	-
Provisions	A10	-	-
TOTAL NON CURRENT LIABILITIES		<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>44</u>	<u>31</u>
NET ASSETS		<u>\$ 8,557</u>	<u>11,023</u>
EQUITY			
Retained Earnings		8,557	11,023
Asset Revaluation Reserve		-	-
TOTAL EQUITY		<u>\$ 8,557</u>	<u>11,023</u>

This Statement is to be read in conjunction with the attached Notes

NARRANDERA SHIRE COUNCIL

BALANCE SHEET OF TELOCA HOUSE
for the year ended 30th June 2007

		0 \$'000	
	Notes	2007	2006
CURRENT ASSETS			
Cash & equivalent assets	A6	2,891	3,172
Investments	A6	-	-
Receivables	A7	25	22
Inventories	A8	-	-
Other	A8	-	-
TOTAL CURRENT ASSETS		2,916	3,194
NON-CURRENT ASSETS			
Investments	A6	-	-
Receivables	A7	-	-
Inventories	A8	-	-
Property, Plant & Equipment	A9	2,899	2,898
Other	A8	-	-
TOTAL NON-CURRENT ASSETS		2,899	2,898
TOTAL ASSETS		5,815	6,092
CURRENT LIABILITIES			
Payables	A10	1,346	1,721
Interest Bearing Liabilities	A10	-	-
Provisions	A10	111	96
TOTAL CURRENT LIABILITIES		1,457	1,817
NON-CURRENT LIABILITIES			
Payables	A10	-	-
Interest Bearing Liabilities	A10	-	-
Provisions	A10	34	35
TOTAL NON CURRENT LIABILITIES		34	35
TOTAL LIABILITIES		1,491	1,852
NET ASSETS		\$ 4,324	4,240
EQUITY			
Retained Earnings		4,324	4,240
Asset Revaluation Reserve		-	-
TOTAL EQUITY		\$ 4,324	4,240

This Statement is to be read in conjunction with the attached Notes

NARRANDERA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS for the year ended 30 June 2007

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

1. The Special Purpose Financial Reports

These financial statements are a Special Purpose Financial Report prepared for use by the Council, the Department of Local Government, and the Department of Energy, Utilities and Sustainability. They have been prepared to report the results of business units determined by Council in accordance with the requirements of National Competition Policy guidelines, and the specific requirements relating to Best Practice Management of water and sewer business units.

In preparing these reports, each business unit has been viewed as a separate unit, and accordingly transactions between different business units, and between business units and other Council operations, have not been eliminated.

2. Basis of Accounting

2.1 Compliance

The financial reports comply with the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual, and with the principles of the June 1996 NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*, the Department of Local Government's July 1997 guidelines *"Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality"* and the Department of Energy, Utilities and Sustainability's May 2004 guidelines *"Best-Practice Management of Water Supply and Sewerage"*.

Except where directed to the contrary by the above documents, the financial report also complies with all applicable Australian Accounting Standards and professional pronouncements, and is based on information consistent with that forming the basis of Council's general purpose Annual Financial Statements for the year.

2.2 Basis

The financial report has been prepared on the accrual basis of accounting and, except where specifically indicated in these Notes or in the Notes to the general purpose Annual Financial Statements, in accordance with the historical cost convention.

3. National Competition Policy

In accordance with the framework set out in the June 1996 NSW Government Policy Statement *"Application of National Competition Policy to Local Government"* and other guidelines and documentation in relation to this matter, Council has declared that the following are to be considered as Business Units:

Narrandera Council Water Supply

Comprising the whole of the operations and assets of the water supply system servicing the town of Narrandera and which is established as a separate Special Rate Fund (see item 4 below). As the total annual operating do not exceed \$2,000,000, it is defined as a "Category 2" Business Unit.

Narrandera Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the town of Narrandera, which is established as a Special Rate Fund (see item 4 below). As the total annual operating revenues do not exceed \$2,000,000, it is defined as a "Category 2" Business Unit.

Teloca House Hostel

Comprising the whole of the operations and assets of the aged care hostel located in Narrandera. As the total annual operating revenues do not exceed \$2,000,000, it is defined as a "Category 2" Business Unit.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2007

Note 1 - Significant Accounting Policies (cont)

The Department of Local Government's July 1997 guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*" 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, rate of return on investments in business units and dividends paid. The Department of Energy, Utilities and Sustainability's May 2004 guidelines "*Best-Practice Management of Water Supply and Sewerage*" include specific requirements relating to the calculation and payment of "dividends" by water supply and sewerage business units.

3.1 Taxation Equivalent Payments

Council does not pay certain taxes and duties that are paid by equivalent private sector operations, but is liable for others. The Special Purpose Financial Reports disclose the effect of imputing these taxes to the declared business units at the several rates that would have applied to equivalent private sector operations. From 30 June 2004 the Department of Energy, Utilities and Sustainability's May 2004 guidelines "*Best-Practice Management of Water Supply and Sewerage*" require that imputed amounts be paid into the general funds of the Council where it may be applied for any permitted purpose of the Local Government Act 1993 (as amended).

Details of the rates of each tax or duty applicable to each different business unit are set out in the table forming item 7 of this Note. The narration "applies" indicates that the tax or duty has in fact been paid to the taxing authority by the Business Unit, and that these costs have been included in actual Operating Expenses, and the narration "various" indicates that Council has based the calculation of imputed tax on the differing rates of tax or duty applicable to different purchases.

3.2 Council Rates, Charges & Fees

Council rates have been *imputed* in relation to all non-rateable land, and *applied* in relation to all rateable land, owned or exclusively used by all business units. Annual and User Charges, and Regulatory and Other Fees, have been *applied* in relation to all services supplied to business units by Council or other business units.

3.3 Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that Council's business units face equivalent commercial borrowing costs to private sector competitors. In order to calculate the debt guarantee fees, Council has determined the average differential between actual and commercial borrowing rates for each business unit.

3.4 Corporate Taxation Equivalent

In accordance with the Code of Local Government Accounting Practice and Financial Reporting, income taxation has been calculated on the Operating Result before Capital Amounts disclosed in the Statements of Financial Performance of the Special Purpose Financial Reports. No allowance has been made for non-deductible items, timing differences or carried forward losses. Australian Accounting Standard AASB 112 "Income Taxes" has not been applied.

3.5 Dividends Paid

In accordance with National Competition Policy guidelines, it is expected that business units will pay dividends to its owner, Council, equivalent to those paid by private sector competitors. In accordance with the Code of Local Government Accounting Practice and Financial Reporting, the rate of dividend paid has been expressed as a percentage of the Change in Net Assets Resulting from Operations after Taxation.

Council is permitted, but not required, to pay a dividend to the general funds of the Council from surpluses generated by water supply and sewerage operations. The maximum amount of such dividend permitted under the "*Best-Practice Management of Water Supply and Sewerage*" guidelines is set out at the foot of the relevant Statements of Financial Performance. Actual payment of the dividend is subject to compliance with the procedures set out in the guidelines.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2007

Note 1 - Significant Accounting Policies (cont)

3.6 Return on Investment (Rate of Return)

The Policy statement states that Category 1 businesses "would be expected to generate a rate of return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field." In accordance with the Code of Accounting Practice, the rate of return on monopoly businesses such as water and sewerage services has been set at an amount sufficient to cover costs and replace assets needed to maintain services. For competitive markets, the rate of return has been set equal to or better than the return on Commonwealth 10 year bonds.

In accordance with the Code of Accounting Practice, the rate of return has been calculated as the Operating Result before Capital Amounts plus Interest Expense expressed as a percentage of the carrying value of Property, Plant & Equipment at the reporting date.

3.7 Notional Subsidy from Council

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, or accepts a lower rate of return on its investment in the business unit than would be acceptable to a private sector competitor.

In accordance with the Code of Accounting Practice, this amount has been calculated as the dollar difference between the required and actual rates of return.

4. Special Rate Funds

The Local Government Act 1993 (as amended) requires that moneys raised by way of Special Rates (or for Domestic Waste Management) be used only for those purposes, except for "dividends" payable in accordance with the "*Best-Practice Management of Water Supply and Sewerage*" guidelines, which also impose limits on the amounts payable. Accordingly, *imputed* amounts in excess of the permitted limits have been retained in those funds, and added back to Accumulated Surplus.

For Business Units not involving Special Rate Funds, *imputed* amounts have been transferred to Council's General Fund and are available to Council for utilisation for other purposes.

5. Other Accounting Policies and Notes

Other accounting policies relating to the determination of revenues and expenses, and assets and liabilities, not specifically referred to above are reported in Note 1 to the Council's Annual Financial Statements, and should be read in conjunction with this Note. Note references in the Statements of Financial Performance of Business Activities and the Statement of Financial Position of Business Activities that are prefixed "A" refer to the Notes to the Annual Financial Statements.

6. Rounding

In accordance with the Code of Accounting Practice all amounts shown in these statements are in Australian currency and, other than Notes 2 & 3, have been rounded to the nearest thousand dollars; amounts in Notes 2 & 3 are shown in whole dollars to meet the requirements of the Department of Energy, Utilities and Sustainability.

7. National Competition Policy Notional Payments

The table forming part of this Note immediately follows.

NARRANDERA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS

**NOTE 1 Table - NATIONAL COMPETITION POLICY NOTIONAL PAYMENTS
for the year ended 30th June 2007**

BUSINESS ACTIVITIES						
Water		Sewer		Teloca House		
2007	2006	2007	2006	2007	2006	
<i>Category</i>	0	0	0	0	0	0
TAXATION EQUIVALENT PAYMENTS	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>
Land Tax	0%	0%	0%	0%	0%	0%
Stamp Duty	0%	0%	0%	0%	0%	0%
Payroll Tax	Applies	Applies	Applies	Applies	0%	0%
Fringe Benefits Tax	Applies	Applies	Applies	Applies	Applies	Applies
COUNCIL RATES, CHARGES & FEES	See Note 1, Item 3.2					
LOAN & DEBT GUARANTEE FEES	3.00%	3.00%	3.00%	3.00%	0.00%	0.00%
CORPORATE TAXATION EQUIVALENT	30%	30%	30%	30%	30%	30%
DIVIDENDS PAID	0.00%	0.00%	N/A	0.00%	0.00%	0.00%
RATE OF RETURN ON CAPITAL						
Required Rate of Return	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Actual Rate of Return	9.30%	0.00%	0.00%	3.52%	2.91%	1.48%

NARRANDERA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2007

Note 2 - BEST PRACTICE MANAGEMENT DISCLOSURES - WATER SUPPLY

		2007
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>		\$
Calculation and Payment of Tax-Equivalents		
(i) Calculated Tax Equivalents		0
(ii) No of assessments multiplied by \$3/assessment		6,660
(iii) Amounts payable for Tax Equivalents (lesser of (i) and (ii))		0
(iv) Amounts paid for Tax Equivalents		0
Dividend from Surplus		
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>		211,789
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment		66,600
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2007, less cumulative dividends paid for 2 years to 30 June 2006		1,374,950
(iv) Maximum Dividend from Surplus (least of (i), (ii) and (iii))		66,600
(v) Dividend paid from Surplus		0
Required Outcomes for 6 Criteria		
(i) Completion of Strategic Business Plan (including Financial Plan)		Yes
(ii) Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of 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 & Demand Management Implemented		Yes
(iv) Sound Drought Management implemented (by June 2006)		Yes
(v) Complete Performance Reporting Form by 15 September each year		Yes
(vi) Integrated Water Cycle Management Strategy (by June 2006)		Yes
National Water Initiative (NWI) Financial Performance Indicators		
NWI F4 Residential Revenue from Usage Charges (Water)	%	57.63
NWI F1 Total Revenue (Water)	\$'000	1,313
NWI F20 Capital Works Grants (Water)	\$'000	
NWI F13 Economic Real Rate of Return (Water)	%	5.55
NWI F6 Operating Cost (OMA) (Water)	\$'000	745
NWI F9 Total Operating Cost (Water)	\$'000	898

NARRANDERA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2007

Note 3 - BEST PRACTICE MANAGEMENT DISCLOSURES - SEWERAGE

		2007 \$
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>		
Calculation and Payment of Tax-Equivalents		
(i) Calculated Tax Equivalents		0
(ii) No of assessments multiplied by \$3/assessment		5,484
(iii) Amounts payable for Tax Equivalents (lesser of (i) and (ii))		0
(iv) Amounts paid for Tax Equivalents		0
Dividend from Surplus		
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>		0
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment		54,840
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2007, less cumulative dividends paid for 2 years to 30 June 2006		0
(iv) Maximum Dividend from Surplus (least of (i), (ii) and (iii))		0
(v) Dividend paid from Surplus		0
Required Outcomes for 4 Criteria		
(i) Completion of Strategic Business Plan (including Financial Plan)		Yes
(ii) Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of 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(e) in Table 1)		No
(iii) Complete Performance Reporting Form by 15 September each year		Yes
(iv) Integrated Water Cycle Management Evaluation (by June 2007)		No
National Water Initiative (NWI) Financial Performance Indicators		
NWI F2 Total Revenue (Sewerage)	\$'000	926
NWI F21 Capital Works Grants (Sewer)	\$'000	0
NWI F11 Capital Expenditure (Water & Sewerage)	\$'000	925
NWI F14 Economic Real Rate of Return (Sewerage)	%	2.45
NWI F12 Economic Real Rate of Return (Water & Sewerage)	%	4.20
NWI F16 Net Debt to Equity (Water & Sewerage)	%	-35.69
NWI F17 Interest Cover (Water & Sewerage)	times	450.50
NWI F18 Net Profit after Tax (Water & Sewerage)	\$'000	-1,978
NWI F19 Community Service Obligations (Water & Sewerage)	\$'000	45
NWI F5 Revenue from Community Service Obligations (Water & Sewerage)	%	2.01
NWI F7 Operating Cost (OMA) (Sewerage)	\$'000	669
NWI F10 Total Cost (Sewerage)	\$'000	786



NARRANDERA SHIRE COUNCIL
SPECIAL PURPOSE FINANCIAL REPORTS
INDEPENDENT AUDITORS' REPORT

To Councillors of the Narrandera Shire Council and the Director-General of the Department of Local Government

Scope

We have audited the special purpose financial reports of the Narrandera Shire Council for the year ended 30th June, 2007 comprising the Statement by Councillors and Management, Income Statements of Business Activities, Balance Sheets of Business Activities, and accompanying Notes to the Special Purpose Financial Reports. 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. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to Council.

The special purpose financial reports have been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Department of Local Government or for any purpose other than for which the report was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatements. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards adopted and the Local Government Code of Accounting Practice and Financial Reporting so as to present a view which is consistent with our understanding of the business activities of the Council and their financial position and the results of its operations.

"Committed to Local Government"

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the Special Purpose Financial Reports of the Narrandera Shire Council are presented fairly 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.

AUSWILD & CO.

A handwritten signature in black ink, appearing to read 'G.J. Bradley', written in a cursive style.

G.J. BRADLEY
PRINCIPAL

CANBERRA

16th November, 2007