

# Warrumbungle Shire Council

GENERAL PURPOSE FINANCIAL REPORT  
for the year ended 30 June 2008

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***“a great place to live, work, play and visit.”***



# Warrumbungle Shire Council

## General Purpose Financial Report for the financial year ended 30 June 2008

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### Overview

- (i) This Financial Report covers the consolidated operations for Warrumbungle Shire Council.
- (ii) Warrumbungle Shire Council is a body corporate of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is specified in Section 8 of the LGA and includes;

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

A description of nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in this Financial Report represent Australian Currency.
- (iv) This Financial Report was authorised for issue by the Council on 22/9/09 .  
Council has the power to amend and reissue the financial report.
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## Warrumbungle Shire Council

### General Purpose Financial Report for the financial year ended 30 June 2008

### Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

**The attached General Purpose Financial Report has been prepared in accordance with:**

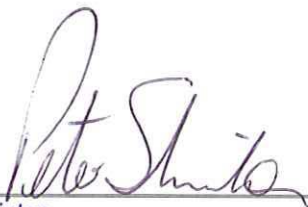
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

**To the best of our knowledge and belief, this Report:**

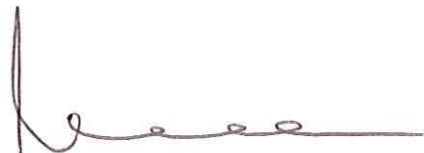
- presents fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

**We are not aware of any matter that would render this Report false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 17 September 2009.**



P Shinton  
MAYOR



M Powell  
COUNCILLOR



R J Geraghty  
GENERAL MANAGER



R J Geraghty  
RESPONSIBLE ACCOUNTING OFFICER

# Warrumbungle Shire Council

## Income Statement

for the financial year ended 30 June 2008

Budget <sup>(1)</sup>		Notes	Actual	Actual
2008	\$ '000		2008	2007
			\$ ' 000	\$ ' 000
<b>Income from Continuing Operations</b>				
<b>Revenue:</b>				
8,643	Rates & Annual Charges	3a	7,919	7,653
7,722	User Charges & Fees	3b	3,659	3,730
769	Interest & Investment Revenue	3c	-	1,190
422	Other Revenues	3d	1,111	841
9,696	Grants & Contributions provided for Operating Purposes	3e,f	9,783	8,504
5,305	Grants & Contributions provided for Capital Purposes	3e,f	3,800	2,339
<b>Other Income:</b>				
375	Net gains from the disposal of assets	5	426	152
50	Share of interests in Joint Ventures & Associated Entities using the Equity Method	19	52	50
<b>32,982</b>	<b>Total Income from Continuing Operations</b>		<b>26,750</b>	<b>24,459</b>
<b>Expenses from Continuing Operations</b>				
11,176	Employee Benefits & On-Costs	4a	10,962	8,425
123	Borrowing Costs	4b	117	103
13,167	Materials & Contracts	4c	6,796	7,347
7,000	Depreciation & Amortisation	4d	6,933	6,250
2,062	Other Expenses	4e	2,088	2,619
-	Interest & Investment Losses	3c	1,319	-
<b>33,528</b>	<b>Total Expenses from Continuing Operations</b>		<b>28,215</b>	<b>24,744</b>
<b>(546)</b>	<b>Net Operating Result for the Year</b>		<b>(1,465)</b>	<b>(285)</b>
<b>(546)</b>	<b>Net Operating Result attributable to Council</b>		<b>(1,465)</b>	<b>(285)</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>				
<b>(5,851)</b>			<b>(5,265)</b>	<b>(2,624)</b>

(1) Original Budget as approved by Council - refer Note 16

# Warrumbungle Shire Council

## Balance Sheet

as at 30 June 2008

\$ '000	Notes	Actual 2008 \$ ' 000	Actual 2007 \$ ' 000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	1,962	2,877
Investments	6b	500	500
Receivables	7	1,522	2,201
Inventories	8	1,069	735
Other	8	252	243
Non-current assets classified as "held for sale"	22	-	-
<b>Total Current Assets</b>		<b>5,305</b>	<b>6,556</b>
<b>Non-Current Assets</b>			
Investments	6b	12,788	14,000
Receivables	7	375	294
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	260,394	248,651
Investments Accounted for using the equity method	19	342	290
<b>Total Non-Current Assets</b>		<b>273,899</b>	<b>263,235</b>
<b>TOTAL ASSETS</b>		<b>279,204</b>	<b>269,791</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	721	1,286
Borrowings	10	112	78
Provisions	10	2,518	2,317
<b>Total Current Liabilities</b>		<b>3,351</b>	<b>3,681</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Interest Bearing Liabilities	10	1,586	1,539
Provisions	10	1,138	144
<b>Total Non-Current Liabilities</b>		<b>2,724</b>	<b>1,683</b>
<b>TOTAL LIABILITIES</b>		<b>6,075</b>	<b>5,364</b>
<b>Net Assets</b>		<b>273,129</b>	<b>264,427</b>
<b>EQUITY</b>			
Retained Earnings	20	257,354	258,819
Revaluation Reserves	20	15,775	5,608
Council Equity Interest		273,129	264,427
Minority Equity Interest		-	-
<b>Total Equity</b>		<b>273,129</b>	<b>264,427</b>

# Warrumbungle Shire Council

## Statement of Changes in Equity for the financial year ended 30 June 2008

\$ '000	Notes	Retained Earnings \$ ' 000	Reserves (Refer 20b) \$ ' 000	Council Equity Interest \$ ' 000	Minority Interest \$ ' 000	Total Equity \$ ' 000
<b>2008</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		258,819	5,608	<b>264,427</b>	-	<b>264,427</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/07)</b>		<b>258,819</b>	<b>5,608</b>	<b>264,427</b>	-	<b>264,427</b>
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	10,167	<b>10,167</b>	-	<b>10,167</b>
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-	-
- Other Adjustments	20b (ii)	-	-	-	-	-
<b>Net Income Recognised Directly in Equity</b>		<b>-</b>	<b>10,167</b>	<b>10,167</b>	-	<b>10,167</b>
d. Net Operating Result for the Year		(1,465)	-	(1,465)	-	(1,465)
<b>Total Recognised Income &amp; Expenses (c&amp;d)</b>		<b>(1,465)</b>	<b>10,167</b>	<b>8,702</b>	-	<b>8,702</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>257,354</b>	<b>15,775</b>	<b>273,129</b>	-	<b>273,129</b>

\$ '000	Notes	Retained Earnings \$ ' 000	Reserves (Refer 20b) \$ ' 000	Council Equity Interest \$ ' 000	Minority Interest \$ ' 000	Total Equity \$ ' 000
<b>2007</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		259,104	-	<b>259,104</b>	-	<b>259,104</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/06)</b>		<b>259,104</b>	<b>-</b>	<b>259,104</b>	-	<b>259,104</b>
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	5,608	<b>5,608</b>	-	<b>5,608</b>
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-	-
- Other Adjustments	20b (ii)	-	-	-	-	-
<b>Net Income Recognised Directly in Equity</b>		<b>-</b>	<b>5,608</b>	<b>5,608</b>	-	<b>5,608</b>
d. Net Operating Result for the Year		(285)	-	(285)	-	(285)
<b>Total Recognised Income &amp; Expenses (c&amp;d)</b>		<b>(285)</b>	<b>5,608</b>	<b>5,323</b>	-	<b>5,323</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>258,819</b>	<b>5,608</b>	<b>264,427</b>	-	<b>264,427</b>

# Warrumbungle Shire Council

## Cash Flow Statement

for the financial year ended 30 June 2008

Budget 2008	\$ '000	Notes	Actual 2008	Actual 2007
			\$ ' 000	\$ ' 000
<b>Cash Flows from Operating Activities</b>				
<b><u>Receipts:</u></b>				
8,643	Rates & Annual Charges		7,878	7,306
7,722	User Charges & Fees		3,957	3,955
769	Interest & Investment Revenue Received		1,201	1,028
11,624	Grants & Contributions		13,564	11,368
422	Other		2,091	1,490
<b><u>Payments:</u></b>				
(11,176)	Employee Benefits & On-Costs		(10,467)	(8,367)
(11,374)	Materials & Contracts		(8,779)	(8,675)
(123)	Borrowing Costs		(118)	(101)
(62)	Other		(1,893)	(2,766)
<b>6,445</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>7,434</b>	<b>5,238</b>
<b>Cash Flows from Investing Activities</b>				
<b><u>Receipts:</u></b>				
-	Sale of Infrastructure, Property, Plant & Equipment		1,311	1,003
<b><u>Payments:</u></b>				
-	Purchase of Investment Securities		(1,000)	(1,500)
(8,438)	Purchase of Infrastructure, Property, Plant & Equipment		(8,330)	(6,994)
-	Purchase of Real Estate Assets		(189)	-
-	Deferred Debtors & Advances Made		(27)	(12)
<b>(8,438)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(8,235)</b>	<b>(7,503)</b>
<b>Cash Flows from Financing Activities</b>				
<b><u>Receipts:</u></b>				
Nil				
<b><u>Payments:</u></b>				
(120)	Repayment of Borrowings & Advances		(101)	(269)
-	Repayment of Finance Lease Liabilities		(13)	-
<b>(120)</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(114)</b>	<b>(269)</b>
<b>(2,113)</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(915)</b>	<b>(2,534)</b>
1,476	plus: Cash & Cash Equivalents - beginning of year	11a	2,877	5,411
<b>(637)</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>1,962</b>	<b>2,877</b>

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

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n/a - Not Applicable



# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of this financial report are set out below in order to assist in its general understanding.

Under Australian Equivalents to International Financial Reporting Standards (AIFRS), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial reports.

#### (a) Basis of preparation

##### (i) Background

This financial report is a general purpose financial report which has been prepared in accordance with;

- applicable Australian equivalents to International Financial Reporting Standards (AIFRSs),
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulations and
- the Local Government Code of Accounting Practice and Financial Reporting.

##### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Australian Accounting Standards (AASB's) include Australian equivalents to International Financial Reporting Standards (IFRS's).

Because AASB's are sector neutral, some standards either (i) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's or (ii) specifically exclude application by Not for Profit entities.

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &

- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) IAS 116 (IAS 16) regarding accounting for the Revaluation of Assets.

**Accordingly in preparing this Financial Report and Accompanying Notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.**

Under the Local Government Act, Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with Australian Accounting Standards.

##### (iii) Application of AAS 27

Council is required to comply with AAS 27 – "Financial Reporting by Local Government", and where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied.

Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS equivalent standards will apply and in particular any specific "not for profit" reporting requirements.

##### (iv) Basis of Accounting

These financial statements have been prepared on an **historical cost basis** except for (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value, (ii) the write down of any Asset on the basis of Impairment (if warranted) and (iii) certain classes of Infrastructure, property, plant & equipment.

The accrual basis of accounting has also been applied in their preparation.

##### (v) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 1. Summary of Significant Accounting Policies (continued)

Unless otherwise stated, there have also been no changes in accounting policies when compared with previous financial reports.

#### (vi) Critical Accounting Estimates

The preparation of this financial report (and financial statements) in conformity with AIFRS requires the use of certain critical accounting estimates.

It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

#### (b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

#### Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for doubtful debts on rates has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Income from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, and (i) it is probable that the economic benefits comprising the contribution will

flow to the Council and (ii) the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contributions required from developers under the provisions of S94 of the EPA Act 1991.

Whilst Council generally incorporates these amounts as part of A Development Consents Orders, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant or payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed Note relating to developer contributions can be found at Note 17.

#### User Charges, Fees and Other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for doubtful debt is recognised when collection in full is no longer probable.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 1. Summary of Significant Accounting Policies (continued)

#### Sale of Infrastructure, Property, Plant and Equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

#### Interest and Rents

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

#### (c) Principles of Consolidation

These Financial Reports incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/08) and (ii) all the related operating results (for the financial year ended the 30th June 2008).

The Financial Reports also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities .

#### (i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the Consolidated fund:

#### • General Purpose Operations

- Water Funds
  - Baradine
  - Binnaway
  - Coonabarabran
  - Coolah

#### • Sewerage Service Funds

- Baradine
- Coonabarabran
- Coolah

#### (ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these reports.

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

#### (iii) Joint Venture Entities

##### Jointly Controlled Assets

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated in the financial statements under the appropriate headings.

##### Jointly Controlled Entities

The interest in a Joint Venture Partnership is accounted for using the equity method and is carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 1. Summary of Significant Accounting Policies (continued)

statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Details relating to such Entities and Partnerships (where applicable) are set out in Note 19.

#### (iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significantly influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the Equity Method of Accounting – in a similar fashion to Joint Venture Entities.

Such entities are usually termed "Associates".

#### (v) County Councils

Council is a member of the following County Councils (which are bodies corporate under the Local Government Act);

##### ▪ **Castlereagh Macquarie Weeds County Council**

The governing body of each County Council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the above County Councils and accordingly these entities have not been consolidated or otherwise included within these Financial Reports.

#### (vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

#### (d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either Finance or Operating Leases.

#### Finance Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in other long term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

#### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

#### (e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 1. Summary of Significant Accounting Policies (continued)

cash and which are subject to an insignificant risk of changes in value, and

- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### (f) Investments and Other Financial Assets

##### Classification

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets.

##### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges.

Assets in this category are classified as current assets.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

##### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the report date, which are classified as current assets.

##### (iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories.

They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

#### General Accounting & Measurement of Financial Instruments:

##### (i) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards or ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.



## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (ii) Subsequent Measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair values through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

##### (iii) Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and unlisted for securities), Council establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

##### (iv) Impairment

Council assesses at each balance date where there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indication that the securities are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments classified as

available-for-sale are not reversed through the income statement.

##### (v) Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG (General) Regulations 2005.

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Local Government Act Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

##### (g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 1. Summary of Significant Accounting Policies (continued)

#### (h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Councils policy.

A provision for doubtful receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

#### (i) Inventories

##### Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, are all stated at the lower of cost and net realisable value.

Cost comprises direct materials.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

##### Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs are recognised as expenses.

#### (j) Infrastructure, property, plant and Equipment (I,PP&E)

##### Acquisition of assets

Council's non current assets are being progressively revalued to fair value in accordance with a staged implementation as advised by the Department of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Investment Properties** which are valued at Fair Value – refer Note 1(k), and
- **Water and Sewerage Networks** which are carried at Fair Value (generally based upon Depreciated Replacement Cost).
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)

The remaining asset classes to be revalued in future reporting periods include;

- **2008/09:** Roads, bridges, footpaths and drainage, land improvements, other structures and other assets
- **2009/10:** Community land

Until these designated future reporting periods, the above asset classes are stated at cost (or deemed cost) less accumulated depreciation and any accumulated impairment losses.

##### Initial Recognition

On initial recognition, an assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 1. Summary of Significant Accounting Policies (continued)

Where settlement of any part of an assets cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial report at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

#### Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

#### Asset Revaluations

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve.
- To the extent that the increase reverses a decrease previously recognising profit or loss, the increase is first recognised in profit or loss.
- Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

#### Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

<b>Land</b>	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads	100% Capitalised

<b>Plant &amp; Equipment</b>	
Office Furniture	> \$1,000
Office Equipment	> \$1,000
Vehicles & Road Making Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

<b>Buildings &amp; Land Improvements</b>	
Park Furniture & Equipment	> \$2,000

<b>Building</b>	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$2,000

<b>Water &amp; Sewer Assets</b>	
Reticulation extensions	> \$5,000
Other	> \$5,000

<b>Stormwater Assets</b>	
Drains & Culverts	> \$5,000
Other	> \$5,000

<b>Transport Assets</b>	
Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs:	> \$10,000
Bridge construction & reconstruction	> \$10,000

#### Depreciation

Depreciation on Councils infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets



# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 1. Summary of Significant Accounting Policies (continued)

cost (net of their residual values) over its estimated useful life.

Land is not depreciated.

The range of estimated useful lives for Councils assets include:

#### Plant & Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	3 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

#### Other Equipment

- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years

#### Buildings

- Buildings – Masonry	50 to 100 years
- Other	20 to 40 years

#### Stormwater Drainage

- Drains	80 to 100 years
- Culverts	50 to 80 years

#### Transportation Assets

- Sealed Roads: Surface	15 to 60 years
- Sealed Roads: Structure	20 to 50 years
- Unsealed roads	10 to 20 years
- Bridge: Concrete	80 to 100 years
- Bridge: Other	50 years
- Road Pavements	60 years
- Kerb, Gutter & Paths	40 years

#### Water & Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	70 to 80 years
- Reticulation pipes: Other	25 to 75 years
- Pumps and telemetry	15 years

#### Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (p) on Asset Impairment.

#### Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

#### (k) Intangible Assets

##### IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (l) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating the reserves are recognised within Council's Income Statement.

A working party of interested representatives from both State and Local Government is being formed to consider the accounting issues related to the Crown Reserves, with the intention of developing a consistent approach to their recognition and future accounting treatment across both tiers of government.

##### (m) Rural Fire Service assets

Under section 119 of the Rural Fire Services Act 1997, *"all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed"*.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these Financial Reports

##### (n) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields or capital gains (or both) and is not occupied by Council.

Investment property is carried at fair value, representing an open-market value determined every second year by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

Full revaluations are carried out every three years with an appropriate index utilised each year in between the full revaluations.

##### (o) Land

Land in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) is classified on purchase as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

##### (p) Land under roads

Council has elected not to recognise land under roads in accordance with the deferral arrangements available to it under AASB 1045.

These deferral arrangements cease to apply as of 1 July 2008.

##### (q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period.

This amortisation of the discount is shown as a borrowing cost.

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and

estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Councils provisions relating to Close Down, Restoration and Remediation costs can be found at Note 21.

#### (r) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis.

Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets classified as "Non Current Assets Held for Sale", an impairment loss is recognised where the assets carrying value is greater than its fair value less costs to sell.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 1. Summary of Significant Accounting Policies (continued)

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

#### (s) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as it's written down replacement cost.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

#### (t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

#### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer

settlement of the liability for at least 12 months after the balance sheet date.

#### (v) Borrowing costs

Borrowing costs are expensed.

#### (w) Provisions

Provisions for legal claims and service warranties are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

#### (x) Employee benefits

##### (i) Wages & salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave, are recognised in the provision for employee benefits in respect of employees' services up to the reporting date.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

Calculations therefore incorporate (where the leave is expected to be paid more than 12 months after the reporting date) the use of discounted cash flows.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

##### (ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date.

Long Service Leave is measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

##### (iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the “**Local Government Superannuation Scheme – Pool B**”

**This Scheme has been deemed to be a “multi employer fund” for the purposes of AASB 119.**

**Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.**

Accordingly, Councils contributions to the scheme have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$290 million at 30 June 2009.

As a result, they have asked for significant increases in contributions from 2009/2010 onwards to recover that deficiency.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has, however, disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.



## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### (iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those arising from the payment of employee benefits in future periods – including Superannuation and Workers Compensation expenses which will be payable upon the future payment of some Leave Liabilities accrued as at 30/6/08.

Council also maintains cash and investments to meet expected future claims and these are detailed in Note6(c).

##### (z) Allocation between current and non-current

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

##### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

In the case of inventories that are "held for trading", these are classified as current even if not expected to be realised in the next 12 months.

##### (aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

##### Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Statement of Cash Flows are on a gross basis, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST.

Accordingly, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

##### (ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2008.

Council's assessment of the impact of these new standards and interpretations is set out on the page following.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 1. Summary of Significant Accounting Policies (continued)

#### Applicable to Local Government with the implications:

- Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101

- AASB 1051 Land Under Roads,

AASB 1051 will allow Council to recognise or not recognise land under roads acquired before 30 June 2008.

Council will be required to nominate whether to recognise Land under roads (acquired after 30 June 2008) or to exclude these Assets from recognition.

This Standard could have a significant impact on the Council's Balance Sheet depending on Council's accounting policy choice.

- AASB 1052 Disaggregated Disclosures,

AASB 1052 requires disclosure of financial information by function or activity.

Council already provides this information in Note 2(a) so there will be no additional impact on the financial statements.

- AASB 1004 Contributions (revised),

AASB 1004 requires contributions made to Council to be recognised at fair value when they are controlled and to be appropriately disclosed.

Council already accounts for contributions in this manner so there will be no additional impact on the financial statements.

- AASB 2007-9 Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29 and AAS 31,

Council will no longer apply AAS 27 from 1 July 2008 due to its withdrawal. Council currently applies AIFRS (but with AAS 27 taking precedence).

The withdrawal of AAS 27 will see specific paragraphs transferred to existing AIFRS, and accordingly there is little impact from its withdrawal.

#### Applicable to Local Government but no implications for Council;

- Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

#### Applicable to Local Government but not relevant to Council at this stage;

- AASB-I 12 Service Concession Arrangements, AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 12, revised UIG 4 Determining whether an Arrangement contains a Lease and revised UIG 129 Service Concession Arrangements: Disclosures
- ASB-I 13 Customer Loyalty Programmes
- AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

#### Not applicable to Local Government per se;

- AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
- AASB 1049 Whole of Government and General Government Sector Financial Reporting
- AASB 1050 Administered Items
- Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities (revised)

**Council has not adopted any of these standards early.**

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

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##### **(ac) Rounding of amounts**

Unless otherwise indicated, amounts in the financial report have been rounded off to the nearest thousand dollars.

##### **(ad) Comparative Figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within this Financial Report and/or the Notes.

There has been an adjustment made to the 2007 comparative figures as a result of identifying an overstatement in interest received from Investments and the principal amount invested for a net change of \$157,000.00.

##### **(ae) Disclaimer**

Nothing contained within this report may be taken to be an admission of any liability to any person under any circumstance.



# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2008

### Note 2(a). Functions / Activities - Financial Disclosures

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2008	Actual 2008	Actual 2007	Original Budget 2008	Actual 2008	Actual 2007	Original Budget 2008	Actual 2008	Actual 2007	Actual 2008	Actual 2007	Actual 2008	Actual 2007
Governance	3	-	-	286	327	525	(283)	(327)	(525)	3,419	-	3,686	1,415
Administration	1,091	2,721	1,253	5,724	6,267	4,695	(4,633)	(3,546)	(3,442)	42	48	14,948	21,096
Public Order & Safety	1,828	1,059	69	1,759	1,309	919	69	(250)	(850)	23	20	3,851	2,388
Health	228	198	63	544	239	285	(316)	(41)	(222)	51	-	1,549	985
Community Services & Education	1,107	1,742	1,224	2,160	1,584	1,472	(1,053)	158	(248)	1,261	1,008	3,612	1,572
Housing & Community Amenities	1,001	1,547	1,566	2,692	2,360	2,143	(1,691)	(813)	(577)	-	360	7,248	6,013
Water Supplies	1,789	1,549	1,610	2,035	2,106	2,119	(246)	(557)	(509)	-	40	21,601	20,344
Sewerage Services	1,154	1,156	1,204	1,270	984	1,128	(116)	172	76	-	30	19,068	17,968
Recreation & Culture	539	262	410	801	2,248	2,164	(262)	(1,986)	(1,754)	-	307	10,889	7,407
Mining, Manufacturing & Construction		56	6		105	95	-	(49)	(89)	-	-	125	1
Transport & Communication	13,180	7,659	5,931	15,769	10,081	8,606	(2,589)	(2,422)	(2,675)	1,368	1,296	191,246	188,965
Economic Affairs	155	197	319	488	605	593	(333)	(408)	(274)	6	167	1,039	1,347
Total Functions & Activities	22,075	18,146	13,655	33,528	28,215	24,744	(11,453)	(10,069)	(11,089)	6,170	3,276	278,862	269,501
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	52	50	-	-	-	-	52	50	-	-	342	290
General Purpose Income <sup>1</sup>	10,907	8,552	10,754	-	-	-	10,907	8,552	10,754	4,819	4,606	-	-
Operating Result from Continuing Operations	32,982	26,750	24,459	33,528	28,215	24,744	(546)	(1,465)	(285)	10,989	7,882	279,204	269,791

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Non-Capital General Purpose Grants & Unrestricted Interest & Investment Income.

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 2(b). Components of Functions / Activities

**Details relating to the Council's functions / activities as reported in Note 2(a) are as follows:**

##### **GOVERNANCE**

Costs relating to the Council's role as a component of democratic government, including elections, members fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, together with related administration costs.

##### **ADMINISTRATION**

Costs not otherwise attributed to other functions / activities.

##### **PUBLIC ORDER & SAFETY**

Fire protection, animal control, enforcement of local government regulations, emergency services, other.

##### **HEALTH**

Administration and inspection, immunisations, food control, insect/vermin control, noxious plants, health centres, other.

##### **COMMUNITY SERVICES & EDUCATION**

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

##### **HOUSING & COMMUNITY AMENITIES**

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION & CULTURE**

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

##### **FUEL & ENERGY - Gas Supplies**

##### **MINING, MANUFACTURING & CONSTRUCTION**

Building control, abattoirs, quarries and pits, other.

##### **TRANSPORT & COMMUNICATION**

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RTA works, street lighting, other.

##### **ECONOMIC AFFAIRS**

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards & markets, real estate development, commercial nurseries, other business undertakings.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2008	Actual 2007
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		1,218	1,591
Farmland		3,717	3,391
Business		393	379
<b>Total Ordinary Rates</b>		<b>5,328</b>	<b>5,361</b>
<b>Special Rates</b>			
Water Supplies		339	260
Sewerage Services		900	828
<b>Total Special Rates</b>		<b>1,239</b>	<b>1,088</b>
<b>Annual Charges</b> (pursuant to s.496 & s.501)			
Domestic Waste Management Services		732	612
Water Supply Services		444	364
Sewerage Services		135	174
Waste Management Services (non-domestic)		41	54
<b>Total Annual Charges</b>		<b>1,352</b>	<b>1,204</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>7,919</b>	<b>7,653</b>

Council has used 2001 year valuations provided by the NSW Valuer General in calculating its rates.

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2008

### Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		48	41
Water Supply Services		594	699
Waste Management Services (non-domestic)		141	116
Other		19	31
<b>Total User Charges</b>		<b>802</b>	<b>887</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s608, 610A & 611)			
Building Regulation		43	75
Planning & Building Regulation		105	61
Private Works - Section 67		165	169
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>313</b>	<b>305</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges</b> (per s.610C))			
Cemeteries		41	37
Community Care Related Fees		171	171
Lease Rentals		97	365
Park Rents		21	26
Quarry Revenues		13	-
RTA Charges (State Roads not controlled by Council)		2,102	1,766
Swimming Centres		86	88
Tourism		6	26
Other		7	59
<b>Total Fees &amp; Charges - Other</b>		<b>2,544</b>	<b>2,538</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>3,659</b>	<b>3,730</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

#### Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
Interest on Overdue Rates & Annual Charges		78	44
Interest earned on Investments (interest & coupon payment income)		815	1,146
Fair Valuation Movements in Investments (unrealised capital gains/(losses))		-	-
Impairment Losses attributable to Investments		(2,212)	-
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>(1,319)</u></b>	<b><u>1,190</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges		33	44
General Council Cash & Investments		(1,544)	378
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		5	6
- Section 64		3	4
Water Fund Operations		94	176
Sewerage Fund Operations		90	173
<b>Restricted Investments/Funds - Internal:</b>			
Internally Restricted Assets		-	409
<b>Total Interest &amp; Investment Revenue Recognised</b>		<b><u>(1,319)</u></b>	<b><u>1,190</u></b>
<b>(d). Other Revenues</b>			
Rental Income - Other Council Properties		154	336
Fines		3	-
Legal Fees Recovery - Rates & Charges (Extra Charges)		171	51
Commission & Agency Fees		73	69
Insurance Claim Recoveries & Rebates		481	77
Recycling Income (non domestic)		164	117
Sales - General		43	127
Other		22	64
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>1,111</u></b>	<b><u>841</u></b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2008

### Note 3. Income from Continuing Operations (continued)

\$ '000	2008 Operating	2007 Operating	2008 Capital	2007 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance	4,727	4,526	-	-
Pensioners' Rates Subsidies - General Component	92	80	-	-
<b>Total General Purpose</b>	<b>4,819</b>	<b>4,606</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Water	39	40	-	-
- Sewerage	29	30	-	-
- Domestic Waste Management	47	49	-	-
Bushfire & Emergency Services	277	21	765	26
Community Care	1,063	1,009	485	-
Employment & Training Programs	46	35	-	-
Economic Development	76	-	-	-
Environmental Protection	73	-	-	-
Heritage & Cultural	69	91	-	146
Library	-	58	-	115
Planning	-	75	-	-
Recreation & Culture	72	70	-	48
Tourism	-	-	43	167
Transport (Roads to Recovery)	-	-	695	1,015
Transport (Other Roads & Bridges Funding)	1,237	66	1,105	209
Other - Diesel Rebate	49	-	-	-
Other	-	6	-	-
<b>Total Specific Purpose</b>	<b>3,077</b>	<b>1,550</b>	<b>3,093</b>	<b>1,726</b>
<b>Total Grants</b>	<b>7,896</b>	<b>6,156</b>	<b>3,093</b>	<b>1,726</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	4,727	4,838	695	1,295
- State Funding	3,169	1,318	2,398	431
- Other Funding	-	-	-	-
	<b>7,896</b>	<b>6,156</b>	<b>3,093</b>	<b>1,726</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2008

### Note 3. Income from Continuing Operations (continued)

\$ '000	2008 Operating	2007 Operating	2008 Capital	2007 Capital
<b>(f). Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b>				
S 94 - Contributions towards amenities/services	-	-	16	59
S 64 - Water Supply Contributions	-	-	1	6
S 64 - Sewerage Service Contributions	-	-	2	3
<b>Total Developer Contributions</b>	17 -	-	<b>19</b>	<b>68</b>
<b>Other Contributions:</b>				
Community Services	-	-	60	-
Kerb & Gutter	-	-	28	3
RTA Contributions (Regional/Local, Block Grant)	1,886	2,264	600	542
Water Supplies (excl. Section 64 contributions)	-	57	-	-
Other	1	27	-	-
<b>Total Other Contributions</b>	<b>1,887</b>	<b>2,348</b>	<b>688</b>	<b>545</b>
<b>Total Contributions</b>	<b>1,887</b>	<b>2,348</b>	<b>707</b>	<b>613</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>9,783</b>	<b>8,504</b>	<b>3,800</b>	<b>2,339</b>

\$ '000	Actual 2008	Actual 2007
<b>(g). Restrictions relating to Grants and Contributions</b>		
<b>Certain grants &amp; contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the Close of the Previous Reporting Period	2,019	2,613
add: Grants and contributions recognised in the current period which have not been spent:	1,406	741
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(796)	(1,335)
<b>Net Increase (Decrease) in Restricted Assets during the Current Reporting Period</b>	<b>610</b>	<b>(594)</b>
<b>Unexpended at the Close of this Reporting Period and held as Restricted Assets</b>	<b>2,629</b>	<b>2,019</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	2,347	1,743
- Developer Contributions	282	276
	<b>2,629</b>	<b>2,019</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2008

### Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2008	Actual 2007
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		9,369	7,219
Travelling		-	11
Employee Leave Entitlements (ELE)		1,198	853
Superannuation		628	658
Workers' Compensation Insurance		482	392
Fringe Benefit Tax (FBT)		18	44
Training Costs (other than Salaries & Wages)		113	59
Protective Clothing		57	-
<b>Total Employee Costs</b>		<b>11,865</b>	<b>9,236</b>
less: Capitalised Costs		(903)	(811)
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>		<b><u>10,962</u></b>	<b><u>8,425</u></b>
Number of "Equivalent Full Time" Employees at year end		164	169
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		176	-
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		114	103
Charges relating to Finance Leases		3	-
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>117</b>	<b>103</b>
<b>(ii) Other Borrowing Costs</b>			
Nil			
<b>Total Other Borrowing Costs</b>		<b>-</b>	<b>-</b>
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>117</u></b>	<b><u>103</u></b>



# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		6,094	6,832
Contractor & Consultancy Costs		146	25
Auditors Remuneration			
i. Audit Services - Council's Auditor:		59	49
Legal Expenses - Other		-	61
Legal Expenses - Debt Recovery		192	-
Operating Lease Rentals - Minimum Lease Payments <sup>1</sup>		305	380
<b><u>TOTAL MATERIALS &amp; CONTRACTS</u></b>		<b><u>6,796</u></b>	<b><u>7,347</u></b>
<b>1. Operating Leases are attributable to:</b>			
- Computers		238	351
- Motor Vehicles		17	-
- Other		50	29
		<b><u>305</u></b>	<b><u>380</u></b>

\$ '000	Depreciation/Amortisation		Impairment Costs	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
Plant and Equipment	1,919	1,646	-	-
Office Equipment	145	75	-	-
Furniture & Fittings	30	25	-	-
Property, Plant & Equipment - Leased	5	-	-	-
Land Improvements (depreciable)	14	30	-	-
Buildings - Non Specialised	32	32	-	-
Buildings - Specialised	446	436	-	-
Other Structures	138	134	-	-
Infrastructure:				
- Roads, Bridges & Footpaths	3,222	2,727	-	-
- Stormwater Drainage	96	95	-	-
- Water Supply Network	614	611	-	-
- Sewerage Network	263	439	-	-
Other Assets				
- Other	9	-	-	-
<b>Total Depreciation &amp; Impairment Costs</b>	<b>6,933</b>	<b>6,250</b>	<b>-</b>	<b>-</b>
less: Capitalised Costs	-	-	-	-
<b><u>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</u></b>	<b><u>6,933</u></b>	<b><u>6,250</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

#### Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		47	45
Bank Charges		13	-
Cleaning		47	57
Computer Software Charges		70	
Contributions to Other Levels of Government			
- NSW Fire Brigade Levy		28	35
- NSW Rural Fire Service Levy		236	213
- Bushfire Fighting Fund		75	-
- Noxious Weeds		-	101
- Orana Arts		8	8
- Program Charges Mendooran Water		-	213
- Other Contributions		-	97
Councillor Expenses - Mayoral Fee		19	16
Councillor Expenses - Councillors Fees		98	56
Councillors Expenses (incl. Mayor) - Other (excluding fees above)		35	55
Donations, Contributions & Assistance to other organisations (Section 356)		59	496
Electricity & Heating		257	289
Insurance		252	243
Office Expenses (including computer expenses)		174	123
Postage		31	27
Printing & Stationery		41	51
Street Lighting		119	95
Subscriptions & Publications		44	36
Telephone & Communications		201	127
Tourism Expenses (excluding employee costs)		201	203
Valuation Fees		33	33
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>2,088</u></b>	<b><u>2,619</u></b>

#### Note 5. Gains or Losses on Disposal of Assets

<b>Plant &amp; Equipment</b>			
Proceeds from Disposal		1,311	1,003
less: Carrying Amount of P&E Assets Sold		(885)	(851)
<b><u>Net Gain/(Loss) on Disposal</u></b>		<b><u>426</u></b>	<b><u>152</u></b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>426</u></b>	<b><u>152</u></b>

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 6a. - Cash Assets and Note 6b. - Investment Securities

	2008 Actual Current	2008 Actual Non Current	2007 Actual Current	2007 Actual Non Current
\$ '000				
<b>Cash &amp; Cash Equivalents (Note 6a)</b>				
Cash on Hand and at Bank	99	-	394	-
Cash-Equivalent Assets <sup>1</sup>				
- Deposits at Call	1,863	-	2,483	-
<b>Total Cash &amp; Cash Equivalents</b>	<b>1,962</b>	<b>-</b>	<b>2,877</b>	<b>-</b>
<b>Investment Securities (Note 6b)</b>				
- NCD's, FRN's (with Maturities > 3 months)	-	12,129	500	13,000
- CDO's	-	659	-	1,000
- Term Deposits	500	-	-	-
- Other Long Term Maturity Financial Instruments	-	-	-	-
<b>Total Investment Securities</b>	<b>500</b>	<b>12,788</b>	<b>500</b>	<b>14,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>	<b>2,462</b>	<b>12,788</b>	<b>3,377</b>	<b>14,000</b>

<sup>1</sup> Those Investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, Cash Equivalents & Investments were  
classified at year end in accordance with  
AASB 139 as follows:**

#### Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	<b>1,962</b>	<b>-</b>	<b>2,877</b>	<b>-</b>
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#### Investments

a. "At Fair Value through the Profit & Loss"				
- "Held for Trading" 6(b-i)	-	-	-	-
- "Designated At Fair Value on Initial Recognition" 6(b-i)	-	-	-	-
b. "Held to Maturity" 6(b-ii)	500	12,788	500	14,000
c. "Loans & Receivables" 6(b-iii)	-	-	-	-
d. "Available for Sale" 6(b-iv)	-	-	-	-
<b>Investments</b>	<b>500</b>	<b>12,788</b>	<b>500</b>	<b>14,000</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2008

### Note 6b. Investments (continued)

		2008		2007
\$ '000		Non Current		Actual Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Nil				
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	500			
Additions	-			
Impairment (loss)/prior loss reversal (via P&L)				
<b>Balance at End of Year</b>		<b>12,788</b>		
<b>Comprising:</b>				
- NCD's, FRN's (with Maturities > 3 months)	-	12,129		13,000
- CDO's	-	659	-	1,000
-Term Deposit	500	-	-	-
<b>Total</b>	<b>500</b>	<b>12,788</b>		<b>14,000</b>

**Note 6(b-iii)**  
**Reconciliation of Investments**  
**classified as "Loans & Receivables"**  
 Nil

**Note 6(b-iv)**  
**Reconciliation of Investments**  
**classified as "Available for Sale"**  
 Nil

## Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments

	2008 Actual Current	2008 Actual Non Current	2007 Actual Current	2007 Actual Non Current
\$ '000				
<b>Total Cash, Cash Equivalents and Investment Securities</b>	<b>2,462</b>	<b>12,788</b>	<b>3,377</b>	<b>14,000</b>
<b>attributable to:</b>				
External Restrictions (refer below)	1,962	6,896	1,042	6,557
Internal Restrictions (refer below)	-	2,083	1,785	1,587
Unrestricted	500	3,809	550	5,856
	<b>2,462</b>	<b>12,788</b>	<b>3,377</b>	<b>14,000</b>

2008 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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## Details of Restrictions

## External Restrictions - Included in Liabilities

Nil

## External Restrictions - Other

Developer Contributions - General (D)	179	27	76	282
Developer Contributions - Water Fund (D)	76	-	(76)	-
Developer Contributions - Sewer Fund (D)	21	-	(21)	-
Specific Purpose Unexpended Grants (F)	1,743	604	-	2,347
Water Supplies (G)	2,415	174	-	2,589
Sewerage Services (G)	3,091	479	-	3,570
Domestic Waste Management (G)	74	-	(4)	70
<b>External Restrictions - Other</b>	<b>7,599</b>	<b>1,284</b>	<b>(25)</b>	<b>8,858</b>
<b>Total External Restrictions</b>	<b>7,599</b>	<b>1,284</b>	<b>(25)</b>	<b>8,858</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

#### Note 6c. Restricted Cash, Cash Equivalents & Investments (continued)

2008 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Employees Leave Entitlement	767	-	-	767
Carry Over Works	959	-	(693)	266
Construction of Buildings	112	-	(45)	67
Office Equipment	305	-	(215)	90
Bridge Project	7	-	(7)	-
Town Improvement	339	-	(170)	169
Aerodrome	6	-	(6)	-
Economic Development	19	-	(4)	15
Swimming Pool Improvements	29	-	(27)	2
Other - Coolah	79	-	(6)	73
RTA Depot Purchase	50	-	(50)	-
Main Street Beautification	331	-	(38)	293
Quarry Restoration	108	15	-	123
Contribution	30	-	(30)	-
Legal Expenses	8	-	-	8
Crime Prevention	1	-	-	1
Vodafone Rentals	16	-	(16)	-
Insurance	19	41	-	60
Rescue Squad	30	-	-	30
Aerodrome - Coonabarabran	40	-	(40)	-
Trust Fund	112	7	-	119
Other	5	-	(5)	-
<b>Total Internal Restrictions</b>	<b>3,372</b>	<b>63</b>	<b>(1,352)</b>	<b>2,083</b>
<b>TOTAL RESTRICTIONS</b>	<b>10,971</b>	<b>1,347</b>	<b>(1,377)</b>	<b>10,941</b>

- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 7. Receivables

\$ '000	2008		2007	
	Current	Non Current	Current	Non Current
<b>Purpose</b>				
Rates & Annual Charges	927	264	938	212
Interest & Extra Charges	87	66	131	42
User Charges & Fees	431	22	496	30
Accrued Revenues				
- Interest on Investments	-	-	288	-
Government Grants & Subsidies	65	-	349	-
Deferred Debtors	17	23	3	10
<b>Total</b>	<b>1,527</b>	<b>375</b>	<b>2,206</b>	<b>294</b>
<b>less: Provision for Impairment</b>				
Rates & Annual Charges	-	-	-	-
Interest & Extra Charges	-	-	-	-
User Charges & Fees	(5)	-	(5)	-
Other Debtors	-	-	-	-
<b>Total Provision for Impairment - Receivables</b>	<b>(5)</b>	<b>-</b>	<b>(5)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>1,522</u></b>	<b><u>375</u></b>	<b><u>2,201</u></b>	<b><u>294</u></b>
<b>Externally Restricted Receivables</b>				
<b>Water Supply</b>				
- Specific Purpose Grants	-	-	7	-
- Rates & Availability Charges	970	-	824	66
<b>Sewerage Services</b>				
- Rates & Availability Charges	325	-	300	34
- Other	-	-	6	-
<b>Other</b>				
- Government Grants	65	-	-	-
<b>Total External Restrictions</b>	<b>1,360</b>	<b>-</b>	<b>1,137</b>	<b>100</b>
<b>Internally Restricted Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unrestricted Receivables</b>	<b>162</b>	<b>375</b>	<b>1,064</b>	<b>194</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>1,522</u></b>	<b><u>375</u></b>	<b><u>2,201</u></b>	<b><u>294</u></b>

## Warrumbungle Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 8. Inventories &amp; Other Assets

\$ '000	2008		2007	
	Current	Non Current	Current	Non Current
<b>Inventories</b>				
Real Estate for resale (refer below)	330	-	141	-
Stores & Materials	739	-	594	-
<b>Total Inventories</b>	<b>1,069</b>	<b>-</b>	<b>735</b>	<b>-</b>
<b>Other Assets</b>				
Prepayments	252	-	243	-
<b>Total Other Assets</b>	<b>252</b>	<b>-</b>	<b>243</b>	<b>-</b>
<b><u>TOTAL INVENTORIES &amp; OTHER ASSETS</u></b>	<b><u>1,321</u></b>	<b><u>-</u></b>	<b><u>978</u></b>	<b><u>-</u></b>
<b>Details for Real Estate Development</b>				
Residential	117	-	117	-
Industrial/Commercial	213	-	24	-
<b>Total Real Estate for Resale</b>	<b>330</b>	<b>-</b>	<b>141</b>	<b>-</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Development Costs	330	-	141	-
<b>Total Costs</b>	<b>330</b>	<b>-</b>	<b>141</b>	<b>-</b>
less: Provision for Under Recovery	-	-	-	-
<b>Total Real Estate for Resale</b>	<b>330</b>	<b>-</b>	<b>141</b>	<b>-</b>
<b>Movements:</b>				
Real Estate assets at beginning of the year	141	-	141	-
- Purchases and other costs	189	-	-	-
<b>Total Real Estate for Resale</b>	<b>330</b>	<b>-</b>	<b>141</b>	<b>-</b>



## Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

## Note 8. Inventories &amp; Other Assets (continued)

\$ '000	2008		2007	
	Current	Non Current	Current	Non Current
<b>(i) Externally Restricted Assets</b>				
<b>Water</b>				
Stores & Materials	70	-	70	-
<b>Total Water</b>	<b>70</b>	<b>-</b>	<b>70</b>	<b>-</b>
<b>Sewerage</b>				
Stores & Materials	4	-	4	-
<b>Total Sewerage</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>-</b>
<b>Total Externally Restricted Assets</b>	<b>74</b>	<b>-</b>	<b>74</b>	<b>-</b>
<b>Total Internally Restricted Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Unrestricted Assets</b>	<b>1,247</b>	<b>-</b>	<b>904</b>	<b>-</b>
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>	<b>1,321</b>	<b>-</b>	<b>978</b>	<b>-</b>

**(ii) Other Disclosures****(a) Current Assets not anticipated to be settled within the next 12 months**

The following Inventories & Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

	2008	2007
Real Estate for Resale	330	141
	<b>330</b>	<b>141</b>

## Warrumbungle Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 9a. Infrastructure, Property, Plant &amp; Equipment

\$ '000	as at 30/6/2007				Asset Movements during the Reporting Period					as at 30/6/2008			
	At	At	Accum	Carrying	Asset	WDV-Asset	Depreciation	Impairment -	Revaluation				
	Cost	Fair Value	Deprec.	Value	Additions	Disposals	Expense	Loss to P/L	Increases to Equity (ARR)	At	At	Accum	Carrying
Capital Work in Progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & Equipment	19,022	-	10,310	8,712	3,591	(885)	(1,919)	-	-	-	20,146	10,647	9,499
Office Equipment	1,692	-	1,255	437	44	-	(145)	-	-	-	1,736	1,400	336
Furniture & Fittings	489	-	329	160	94	-	(30)	-	-	-	583	359	224
Plant & Equipment (under Finance Lease)	-	-	-	-	195	-	(5)	-	-	-	195	5	190
<b>Land:</b>													
- Operational	1,438	-	-	1,438	25	-	-	-	2,455	-	3,918	-	3,918
- Community	204	-	-	204	-	-	-	-	-	-	204	-	204
Land Improvements - depreciable	333	-	99	234	227	-	(14)	-	-	560	-	113	447
Buildings - Non Specialised	1,206	-	294	912	134	-	(32)	-	1,307	-	2,819	498	2,321
Buildings - Specialised	16,610	-	4,948	11,662	503	-	(446)	-	4,876	-	35,111	18,516	16,595
Other Structures	3,745	-	1,270	2,475	564	-	(138)	-	-	4,307	-	1,406	2,901
<b>Infrastructure:</b>													
- Roads, Bridges, Footpaths	316,812	-	128,493	188,319	2,787	-	(3,222)	-	-	319,599	-	131,715	187,884
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater Drainage	4,794	-	1,599	3,195	-	-	(96)	-	-	4,795	-	1,696	3,099
- Water Supply Network	-	41,873	25,175	16,698	449	-	(614)	-	826	-	44,438	27,079	17,359
- Sewerage Network	-	25,369	11,196	14,173	143	-	(263)	-	703	-	26,788	12,032	14,756
<b>Other Assets:</b>													
- Other	91	-	59	32	-	-	(9)	-	-	91	-	68	23
<b>Reinstatement, Rehabilitation &amp; Restoration Assets</b> (refer Note 21):													
- Quarry Asset	-	-	-	-	638	-	-	-	-	-	638	-	638
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>366,436</b>	<b>67,242</b>	<b>185,027</b>	<b>248,651</b>	<b>9,394</b>	<b>(885)</b>	<b>(6,933)</b>	<b>-</b>	<b>10,167</b>	<b>329,352</b>	<b>136,576</b>	<b>205,534</b>	<b>260,394</b>

## Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 9b. Infrastructure, Property, Plant & Equipment  
that is Externally Restricted

\$ '000 Class of Asset	Actual 2008				Actual 2007			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
<b>Water Supply</b>								
Plant & Equipment	-	78	56	22	-	78	48	30
Office Equipment	-	34	34	-	-	34	34	-
Land								
- Operational Land	-	303	-	303	-	149	-	149
- Improvements - depreciable	-	5	1	4	-	5	1	4
Buildings	-	853	372	481	-	7	2	5
Infrastructure	-	43,751	26,588	17,163	-	41,410	24,924	16,486
<b>Total Water Supply</b>	-	45,024	27,051	17,973	-	41,683	25,009	16,674
<b>Sewerage Services</b>								
Plant & Equipment	-	182	116	66	-	156	102	54
Land								
- Operational Land	-	269	-	269	-	73	-	73
- Community Land	-	12	-	12	-	12	-	12
Buildings	-	110	47	63	-	10	2	8
Other Structures	-	3	-	3	-	18	18	-
Infrastructure	-	26,788	12,032	14,756	-	25,342	11,008	14,334
<b>Total Sewerage Services</b>	-	27,364	12,195	15,169	-	25,611	11,130	14,481
<b>Domestic Waste Management</b>								
Plant & Equipment	-	787	473	314	789	-	271	518
Land								
- Operational Land	-	52	-	52	52	-	1	51
- Community Land	-	110	-	110	110	-	-	110
Buildings	-	118	14	104	114	-	7	107
Other Structures	226	-	68	158	223	-	54	169
<b>Total DWM</b>	226	1,067	555	738	1,288	-	333	955
<b>TOTAL RESTRICTED I,PP&amp;E</b>	226	73,455	39,801	33,880	1,288	67,294	36,472	32,110

Note 9c. Infrastructure, Property, Plant & Equipment  
Gains/(Losses) arising from the Impairment of Assets

Council did not assess any I,PP&amp;E as impaired during the reporting year.

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2008

### Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2008		2007	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - Operating		318	-	976	-
Goods & Services - Capital Expenditure		149	-	80	-
Payments Received In Advance		-	-	44	-
Accrued Expenses;					
- Borrowings		11	-	12	-
Security Bonds, Deposits & Retentions		119	-	112	-
ATO - Net GST Payable		120	-	-	-
Other		4	-	62	-
<b>Total Payables</b>		<b>721</b>	<b>-</b>	<b>1,286</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		75	1,441	78	1,539
Finance Lease Liabilities		37	145	-	-
<b>Total Interest Bearing Liabilities</b>		<b>112</b>	<b>1,586</b>	<b>78</b>	<b>1,539</b>
<b>Provisions</b>					
Employee Benefits;					
Annual Leave		1,158	-	1,026	-
Long Service Leave		1,256	500	1,180	144
Other Leave		104	-	111	-
Sub Total - Aggregate Employee Benefits		2,518	500	2,317	144
Asset Remediation/Restoration (Future Works)	21	-	638	-	-
<b>Total Provisions</b>		<b>2,518</b>	<b>1,138</b>	<b>2,317</b>	<b>144</b>
<b>Total Payables, Interest Bearing Liabilities &amp; Provisions</b>					
		<b>3,351</b>	<b>2,724</b>	<b>3,681</b>	<b>1,683</b>

#### (i) Liabilities relating to Restricted Assets

	2008		2007	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Water	217	52	232	14
Sewer	58	162	60	174
	<b>275</b>	<b>214</b>	<b>292</b>	<b>188</b>
<b>Internally Restricted Assets</b>				
Nil				
<b>Total Liabilities relating to restricted assets</b>	<b>275</b>	<b>214</b>	<b>292</b>	<b>188</b>

<sup>1</sup>. Loans are secured over the General Rating Income of Council

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 10a. Payables, Interest Bearing Liabilities & Provisions (continued)

\$ '000

##### (ii) Current Liabilities not anticipated to be settled within the next 12 months

The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.

	2008	2007
Provisions - Employees Benefits	2,414	2,066
	<b>2,414</b>	<b>2,066</b>

#### Note 10b. Description of and movements in Provisions

Class of Provision	2007			2008		Closing Balance as at 30/6/08
	Opening Balance as at 1/7/07	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,026	682	(546)	(4)	-	1,158
Long Service Leave	1,324	575	(137)	(6)	-	1,756
Other Leave	111	(7)	-	-	-	104
Asset Remediation	-	638	-	-	-	638
<b>TOTAL</b>	<b>2,461</b>	<b>1,888</b>	<b>(683)</b>	<b>(10)</b>	<b>-</b>	<b>3,656</b>

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 11. Cash Flow Statement - Additional Information

\$ '000	Notes	Actual 2008	Actual 2007
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	1,962	2,877
Less Bank Overdraft	10	-	-
<b>BALANCES as per STATEMENT of CASH FLOWS</b>		<b>1,962</b>	<b>2,877</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>(1,465)</b>	<b>(285)</b>
Adjust for non cash items:			
Depreciation & Amortisation		6,933	6,250
Recognition of Impairment Losses - Financial Investments		2,212	-
Net Losses/(Gains) on Disposal of Assets		(426)	(152)
Non Cash Capital Grants and Contributions		(800)	(26)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(52)	(50)
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		625	(673)
Increase/(Decrease) in Provision for Doubtful Debts		-	-
Decrease/(Increase) in Inventories		(145)	(46)
Decrease/(Increase) in Other Current Assets		(9)	2
Increase/(Decrease) in Payables		(658)	75
Increase/(Decrease) in accrued Interest Payable		(1)	2
Increase/(Decrease) in other accrued Expenses Payable		-	-
Increase/(Decrease) in Other Current Liabilities		25	44
Increase/(Decrease) in Employee Leave Entitlements		557	97
Increase/(Decrease) in Other Provisions		638	-
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from CASH FLOW STATEMENT</b>		<b>7,434</b>	<b>5,238</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2008	Actual 2007
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Acquisition of Plant & Equipment by means of Finance Lease		195	-
Bushfire Grants		800	26
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>995</b>	<b>26</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>1</sup>		-	-
Credit Cards / Purchase Cards		-	-
<b>Total Financing Arrangements</b>		<b>-</b>	<b>-</b>
<b>Amounts utilised as at Balance Date:</b>			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
<b>Total Financing Arrangements Utilised</b>		<b>-</b>	<b>-</b>

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

#### (ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

#### (e) Net Cash Flows Attributable to Discontinued Operations

Please refer to Note 24 for details of Cash Flows that relate to Discontinued Operations



# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2008	Actual 2007
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Plant & Equipment		841	990
<b>Total Commitments</b>		<b>841</b>	<b>990</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		841	990
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
<b>Total Payable</b>		<b>841</b>	<b>990</b>
<b>Sources for Funding of Capital Commitments:</b>			
Internally Restricted Reserves		841	990
<b>Total Sources of Funding</b>		<b>841</b>	<b>990</b>
<b>(b) Other Expenditure Commitments (exclusive of GST)</b>			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
DWM & Recycling Services		334	-
Audit Services		125	25
<b>Total Commitments</b>		<b>459</b>	<b>25</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		192	25
Later than one year and not later than 5 years		267	-
Later than 5 years		-	-
<b>Total Payable</b>		<b>459</b>	<b>25</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2008	Actual 2007
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#### (c) Finance Lease Commitments

##### (i) Commitments under Finance Leases at the Reporting Date are payable as follows:

Within the next year		37	-
Later than one year and not later than 5 years		145	-
Later than 5 years		-	-
<b>Total Minimum Lease Payments</b>		<b>182</b>	<b>-</b>
less: Future Finance Charges		-	-
<b>Amount Recognised as a Liability</b>		<b>182</b>	<b>-</b>

##### (ii) Finance Lease Liability Recognised represent;

Current Liabilities		37	-
Non-Current Liabilities		145	-
<b>Total Finance Lease Liabilities Disclosed</b>		<b>182</b>	<b>-</b>

##### (iii) General Details

Council Leases the following Property, Plant & Equipment under Finance Leases:

	Term (Years)	Option to Purchase	Contingent Rent Clauses		
Heavy Plant - Carrying Value	5	YES	NO	195	-
Other Equipment/Assets	1	YES	NO	(13)	-
<b>Total Carrying Value at Year End</b>				<b>182</b>	<b>-</b>

#### (d) Operating Lease Commitments (Non Cancellable)

##### a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

Within the next year	80	380
Later than one year and not later than 5 years	-	80
Later than 5 years	-	-
<b>Total Non Cancellable Operating Lease Commitments</b>	<b>80</b>	<b>460</b>

##### b. Non Cancellable Operating Leases include the following assets:

Computer Equipment & Other Plant & Equipment

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2008	Actual 2007
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##### Conditions relating to Finance & Operating Leases:

- All Finance & Operating Lease Agreement are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

##### (e) Investment Property Commitments

Non Capital expenditure on Investment Properties committed for at the reporting date but not recognised in the financial statements as liabilities:

Contractual Obligations - Repairs & Maintenance	-	-
Contractual Obligations - Other	-	-
<b>Total Commitments</b>	<b>-</b>	<b>-</b>

##### These expenditures are payable as follows:

Within the next year	-	-
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
<b>Total Payable</b>	<b>-</b>	<b>-</b>

##### (f) Remuneration Commitments

Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:

Within the next year	633	592
Later than one year and not later than 5 years	1,182	1,815
Later than 5 years	-	-
<b>Total Payable</b>	<b>1,815</b>	<b>2,407</b>

##### (g) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 13. Statement of Performance Measurement

\$ '000	Amounts 2008	Indicator 2008	Prior Periods 20072006	
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions <sup>(1)</sup>	1,579	2.39 : 1	3.26	2.70
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	662			
2. Debt Service Ratio				
Debt Service Cost	231	1.28%	2.02%	1.23%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	17,986			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	7,919	29.60%	31.09%	30.22%
Revenue from Continuing Operations	26,750			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	1,344	14.16%	15.18%	11.38%
Rates, Annual & Extra Charges Collectible	9,491			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals <sup>(4)</sup>	4,042	86.50%	n/a	n/a
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	4,673			

#### Notes

<sup>(1)</sup> Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

<sup>(2)</sup> Refer to Note 10(a).

<sup>(3)</sup> Refer to Note 10(c) - excludes all ELE not expected to be paid in the next 12 months.

<sup>(4)</sup> Asset Renewals represents Capital Expenditure on the replacement, refurbishment or upgrade to an existing Asset/s.

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

#### Note 14. Investment Properties

	Actual	Actual
\$ '000	2008	2007

Council has not classified any Land or Buildings as "Investment Properties"

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 15. Financial Risk Management

\$ '000

#### Risk Management

Council's activities expose it to a variety of financial risks including (i) price risk, (ii) credit risk, (iii) liquidity risk and (iv) interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2008	2007	2008	2007
<b>Financial Assets</b>				
Cash and Cash Equivalents	1,962	2,877	1,962	3,034
Investments				
- "Held to Maturity"	13,288	14,500	13,288	14,500
Receivables	1,897	2,495	1,869	2,495
<b>Total Financial Assets</b>	<b>17,147</b>	<b>19,872</b>	<b>17,119</b>	<b>20,029</b>
<b>Financial Liabilities</b>				
Payables	721	1,242	966	1,242
Loans / Advances	1,516	1,617	1,520	1,617
Lease Liabilities	182	-	179	-
<b>Total Financial Liabilities</b>	<b>2,419</b>	<b>2,859</b>	<b>2,665</b>	<b>2,859</b>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & loss"** or (ii) **Available for Sale** - are based upon quoted market prices at the reporting date or independent valuation.

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 15. Financial Risk Management (continued)

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\$ '000

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##### (a) Cash & Cash Equivalents, Financial assets "at fair value through the profit & Loss", "Available-for-sale" financial assets & "Held-to-maturity" Investments

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Financial Section manages its Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Ministers Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is credit risk - the risk that the counterparty (to an investment) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from its independent advisers before placing any funds in Cash Equivalents & Investments.

Council views the loss in the market value - which is recognised in this report and noted in Note 23 events subsequent to balance date - is derived principally from a lack of liquidity in the market, market perception over the risk of CDO's in particular and poor yields on some of the CPPI products.

Council has determined to retain these investments on a long term basis, monitoring its liquidity needs to ensure it will not need to try and sell the lower valued investments until they reach maturity. Council expects to recoup the majority of its investment capital, especially with regard to CPPI and FRN investments. Due to the nature of the CPPI and FRN investments there is a certain element of capital guarantee and the type of underlying credit products used. The lower market value of CPPI and FRN investments is a reflection of the lower liquidity in the market to buy them and also the poor yield, especially with CPPI's as trigger events have occurred lowering the rate of return they can achieve.

Council has CDO investments which have a significantly higher risk of defaulting but has not received, at the time of signing of the financial statements, advice that they have formally defaulted.



## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (a) Cash & Cash Equivalents, Financial assets "at fair value through the profit & Loss", "Available-for-sale" financial assets & "Held-to-maturity" Investments (continued)

Due to the lack of market activity and no recent market trades it is difficult to obtain reliable fair value information, especially for the CDO products. CDO prices at year end are based on issuer advice which is based on valuation models and not actual traded market evidence as this does not exist.

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus. It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2008</b>				
Impact of a 20% movement in Market Values	-	-	2,558	2,558
Impact of a 1% movement in Interest Rates	20	20	-	-
<b>2007</b>				
Impact of a 20% movement in Market Values	-	-	2,800	2,800
Impact of a 1% movement in Interest Rates	30	30	-	-

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (b) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & Fees.

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts. - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates & annual charges at higher than market rates which further encourages the payment of debt.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2008 Rates & Annual Charges	2008 Other Receivables	2007 Rates & Annual Charges	2007 Other Receivables
<b>(i) Aging of Receivables</b>				
Current (not yet overdue)	-	10	-	1,276
Past due by up to 30 days	291	416	256	22
Past due between 31 and 180 days	285	137	320	24
Past due between 181 and 365 days	285	58	320	18
Past due by more than 1 year	330	90	254	10
	<b>1,191</b>	<b>711</b>	<b>1,150</b>	<b>1,350</b>
<b>(ii) Movement in Provision for Impairment of Receivables</b>			2008	2007
Balance at the beginning of the year			5	5
+ new provisions recognised during the year			-	-
- amounts already provided for & written off this year			-	-
- amounts provided for but recovered during the year			-	-
- previous impairment losses reversed			-	-
<b>Balance at the end of the year</b>			<b>5</b>	<b>5</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (c) Payables & Borrowings

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

As well, payment terms can (in extenuating circumstances) be extended and overdraft facilities can be drawn down

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2008									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	119	847	-	-	-	-	-	966	721
Loans & Advances	-	175	781	337	81	43	374	1,791	1,516
Lease Liabilities	-	46	46	46	46	41	-	225	182
Total Financial Liabilities	119	1,068	827	383	127	84	374	2,982	2,419
2007									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	112	1,130	-	-	-	-	-	1,242	1,242
Loans & Advances	-	206	175	781	337	81	438	2,018	1,617
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	112	1,336	175	781	337	81	438	3,260	2,859

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities & interest rate structures.

The following interest rates were applicable to Council's Borrowings at balance date:

	2008		2007	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	721	0.0%	1,242	0.0%
Loans & Advances - Fixed Interest Rate	1,516	6.5%	1,617	7.0%
Lease Liabilities	182	9.0%	-	0.0%
	<u>2,419</u>		<u>2,859</u>	

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 07/08 was incorporated as part of its Management Plan and was adopted by the Council on 28 June 2007.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act permits Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various movements in actuals versus budget that invariably occur throughout the year.

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Material Variations represent those variances that amount to **10%** or more of the original budgeted figure.

**Note that for Variations:** **F** = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2008 Budget	2008 Actual	2008 Variance*	
<b>REVENUES</b>				
<b>Rates &amp; Annual Charges</b>	<b>8,643</b>	<b>7,919</b>	<b>(724)</b>	<b>(8.4%) U</b>
<b>User Charges &amp; Fees</b>	<b>7,722</b>	<b>3,659</b>	<b>(4,063)</b>	<b>(53%) U</b>
The variation to budget has occurred due to a decrease in RTA contract work originally budgeted for along with decreased useage of other Council provided facilities such as plant,ovals,pools and private works. The other impact is the reduction in income from water with the introduction of user pay water and water restrictions.				
<b>Interest &amp; Investment Revenue</b>	<b>769</b>	<b>(1,319)</b>	<b>(2,088)</b>	<b>(272%) U</b>
The impact here is the reduction due to the changes bought about by the impact of the commencement of the financial global crisis with the failure of Lehmann's. This has resulted in a change to the value of the investments required under the code to be current market value at 30/6/08 even though they are principal protected and will be held to maturity. This will result in significant write ons as they mature and principal is received				
<b>Other Revenues</b>	<b>422</b>	<b>1,111</b>	<b>689</b>	<b>163% F</b>
This result has occurred due to recovery of legal fees on rates and charges (121), insurance claim recoveries and rebates (404) also recycling income (47)				
<b>Capital Grants &amp; Contributions</b>	<b>5,305</b>	<b>3,800</b>	<b>(1,505)</b>	<b>(28%) U</b>
In it's original budget Council had allowed for grants for two bridge replacements with funds being promised by the previous Government. With the change in government this grant never occurred.				

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 16. Material Budget Variations (continued)

\$ '000	2008 Budget	2008 Actual	2008 Variance*		
<b>REVENUES</b> (continued)					
<b>Net Gains from Disposal of Assets</b>	<b>375</b>	<b>426</b>	<b>51</b>	<b>14%</b>	<b>F</b>
Council estimates from past experience an amount for gains on the disposal of assets based on a common mix of vehicles which trades annually. The actual values received vary due to market conditions which change annually.					
<b>Share of Net Profits - Joint Ventures &amp; Associates</b>	<b>50</b>	<b>52</b>	<b>2</b>	<b>4%</b>	<b>F</b>
As Council does not have any direct management control over the Joint Venture (Regional Library) it makes no provision for either a share in profits or losses from this entity.					
<b>EXPENSES</b>					
<b>Employee Benefits &amp; On-Costs</b>	<b>11,176</b>	<b>10,962</b>	<b>214</b>	<b>2%</b>	<b>F</b>
<b>Borrowing Costs</b>	<b>123</b>	<b>117</b>	<b>6</b>	<b>5%</b>	<b>F</b>
<b>Materials &amp; Contracts</b>	<b>13,167</b>	<b>6,796</b>	<b>6,371</b>	<b>48%</b>	<b>F</b>
In this area Council's budget is based on a "normal" mix of self constructed works. The process of calling and accepting tenders during the year can result in substantial changes in this mix, resulting in significant budget variations in this item. The other factor is the lower amount of RTA and other contract works during the year.					
<b>Depreciation &amp; Amortisation</b>	<b>7,000</b>	<b>6,933</b>	<b>67</b>	<b>1%</b>	<b>F</b>
<b>Other Expenses</b>	<b>2,062</b>	<b>2,088</b>	<b>(26)</b>	<b>(1%)</b>	<b>U</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 17. Statement of Developer Contributions

\$ '000

Under Section 94 & Section 94A of the Environmental Planning and Assessment Act 1979, a Council may require (i) the payment of a monetary contribution or dedication of land or (ii) a % levy on the value of development, in relation to development works that are subject to a development consent issued by Council.

These developer contributions (under S94) or developer levies (under S94A) must be spent specifically for the purpose they were levied and any interest applicable to unspent funds must be attributed to the funds and also spent in accordance with the purpose levied.

As well, Council may under Section 93F enter into a Planning Agreement with Developers under which the developer is required to either dedicate land free of cost, pay a monetary contribution, or provide any other material public benefit (or any combination of the three) to be used for or applied towards a public purpose.

S94F funds are also required to be spent on the public purposes nominated within each individual Planning Agreement.

The following tables detail the receipt, interest and use of the above contributions & levies and the value of all remaining funds which are "restricted" in use by their nature and must be spent for the specific purposes raised.

#### SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding
Drainage	-	-	-	-	-	-	-	-	-	-
Roads	122	9	-	4	(4)	-	131	-	(131)	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-
Open Space	5	-	-	-	-	-	5	-	(5)	-
Community Facilities	17	1	-	-	-	-	18	-	(18)	-
Bushfire	16	6	-	1	-	-	23	-	(23)	-
Other	19	-	-	-	(17)	-	2	-	(2)	-
<b>S94 Contributions - under a Plan</b>	<b>179</b>	<b>16</b>	<b>-</b>	<b>5</b>	<b>(21)</b>	<b>-</b>	<b>179</b>	<b>-</b>	<b>(179)</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>179</b>	<b>16</b>	<b>-</b>	<b>5</b>	<b>(21)</b>	<b>-</b>	<b>179</b>	<b>-</b>	<b>(179)</b>	<b>-</b>
S94 not under Plans	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	-	-	-	-	-	-	-	-	-	-
S64 Contributions	97	3	-	3	-	-	103	-	(103)	-
<b>Total Contributions</b>	<b>276</b>	<b>19</b>	<b>-</b>	<b>8</b>	<b>(21)</b>	<b>-</b>	<b>282</b>	<b>-</b>	<b>(282)</b>	<b>-</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2008

### Note 17. Statement of Developer Contributions (continued)

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

##### CONTRIBUTION PLAN - Warrumbungle Shire Council

PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding
Drainage	-	-	-	-	-	-	-	-	-	-
Roads	122	9	-	4	(4)	-	131	-	(131)	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-
Open Space	5	-	-	-	-	-	5	-	(5)	-
Community Facilities	17	1	-	-	-	-	18	-	(18)	-
Bushfire	16	6	-	1	-	-	23	-	(23)	-
Other	19	-	-	-	(17)	-	2	-	(2)	-
<b>Total</b>	<b>179</b>	<b>16</b>	<b>-</b>	<b>5</b>	<b>(21)</b>	<b>-</b>	<b>179</b>	<b>-</b>	<b>(179)</b>	<b>-</b>



# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but their knowledge & disclosure is considered relevant to the users of Council's Financial Report.

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

###### (i) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government. Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

###### (ii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements of APRA.

###### StateCover Limited (Continued)

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

###### (iii) Other Guarantees

Council has provided no other Guarantees other than those listed above.

##### 2. Other Liabilities

###### (i). Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

###### (ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in those Plans.

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

##### LIABILITIES NOT RECOGNISED:

###### (i) Defined Benefit Superannuation Contribution Plans

Council contributes to the Local government Superannuation scheme which has a closed section where a portion of member entitlements are defined as a multiple of salary. Member Councils bear the responsibility of ensuring there are sufficient monies available to pay out benefits as these members cease employment.

The scheme has a deficit of assets over liabilities totalling \$290 million as at 30 June 2009. The scheme administrators have advised Council that it will need to make significantly higher contributions from 2009/10 to help reverse this deficit.

However, they may call upon Council to make an immediate payment sufficient to offset this deficit at any time, as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils, the amount of such a payment is not able to be reliably quantified.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were more than sufficient to meet the accrued benefits of the Schemes defined benefit member category.

Council has not recorded any asset in these Financial Reports to represent any future economic benefit relating to the Scheme's Financial Position, nor has it recorded any movements in the Schemes Financial Position in these Accounts.

Accordingly, contributions made to the defined benefit scheme are recognised as an expense when they become payable - similar to accounting for a defined contributions plan.

##### ASSETS NOT RECOGNISED:

###### (i) Land Under Roads

As permitted under AASB 1045 and in accordance with DLG recommendations, Council has not brought to account in these Reports the value of Land Under Roads.

This is due to the divergence of opinion as to what value should be ascribed to such assets.

At present, the transitional period for deferral of recognition ends on 1 July, 2008.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities & operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

#### Subsidiaries

Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50%

**Note 19(a)**

#### Associated Entities & Joint Venture Entities

**Note 19(b)(i)&(ii)**

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself.

Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

#### Joint Venture Operations

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved.

**Note 19(c)**

#### Subsidiaries, Associated Entities and Joint Ventures Not Recognised

**Note 19(d)**

#### Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Statements of Financial Performance and Financial Position.

(ii) Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in the Statement of Financial Performance and Financial Position:

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual	Actual	Actual	Actual
	2008	2007	2008	2007
Associated Entities	-	-	-	-
Joint Venture Entities	52	50	342	290
<b>Total</b>	<b>52</b>	<b>50</b>	<b>342</b>	<b>290</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2008

### Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

#### 19(a) Subsidiaries (ie. Entities & Operations controlled by Council)

Council has no interest in any Subsidiaries.

#### 19(b) Associated Entities & Joint Venture Entities

##### (i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities & Joint Venture Entities.

##### (ii) JOINT VENTURE ENTITIES

##### (a) Carrying Amounts

Name of Entity	Principal Activity	2008	2007
Macquarie Regional Library	Community Library Services	342	290
<b>Total Carrying Amounts - Joint Venture Entities</b>		<b>342</b>	<b>290</b>

##### (b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2008	2007	2008	2007	2008	2007
Macquarie Regional Library	18%	19%	18%	19%	18%	19%

##### (c) Movement in Carrying Amounts

		<b>Macquarie Regional Library</b>	
		<b>2008</b>	<b>2007</b>
Opening Balance		290	240
Share in Operating Result		52	50
<b>Councils Equity Share in the Joint Venture Entity</b>		<b>342</b>	<b>290</b>

##### (d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
<b>2008</b>					
Macquarie Regional Library	207	213	75	3	342
<b>Totals</b>	<b>207</b>	<b>213</b>	<b>75</b>	<b>3</b>	<b>342</b>
<b>2007</b>					
Macquarie Regional Library	189	181	77	3	290
<b>Totals</b>	<b>189</b>	<b>181</b>	<b>77</b>	<b>3</b>	<b>290</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

#### 19(b) Associated Entities & Joint Venture Entities (continued)

##### (e) Share of Joint Ventures Revenues, Expenses & Results

	2008			2007		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Macquarie Regional Library	378	326	52	349	299	50
<b>Totals</b>	<b>378</b>	<b>326</b>	<b>52</b>	<b>349</b>	<b>299</b>	<b>50</b>

##### (f) Share of Joint Venture Entities Expenditure Commitments

	2008	2007
Capital Commitments	-	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-

##### (g) Contingent Liabilities of Joint Venture Entities

	2008	2007
Share of Contingent Liabilities incurred jointly with other Participants	18.37%	19%
Share of Contingent Liabilities for which Council is severally liable	18.37%	19%

#### 19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

#### 19(d) Subsidiaries, Associated Entities & Joint Venture Operations Not Recognised

All Subsidiaries, Associated Entities & Joint Ventures have been recognised in this report as outlined above.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2008	Actual 2007
<b>a. Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		258,819	259,104
a. Correction of Prior Period Errors		-	-
b. Changes in Accounting Policies (Prior Period Effects)		-	-
c. Current Year Income & Expenses Recognised direct to Equity excluding direct to Reserves transactions		-	-
d. Net Operating Result for the Year		(1,465)	(285)
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
<b>Balance at End of the Reporting Period</b>		<b>257,354</b>	<b>258,819</b>

### b. Reserves

#### (i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Reserve	15,775	5,608
<b>Total</b>	<b>15,775</b>	<b>5,608</b>

#### (ii). Reconciliation of movements in Reserves:

##### Infrastructure, Property, Plant & Equipment Reserve

- Opening Balance	5,608	-
- Revaluations for the year	10,167	5,608
<b>- Balance at End of Year</b>	<b>15,775</b>	<b>5,608</b>

##### TOTAL VALUE OF RESERVES

**15,775**      **5,608**

#### (iii). Nature & Purpose of Reserves

##### Infrastructure, Property, Plant & Equipment Revaluation Reserve

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

		Actual	Actual
\$ '000	Notes	2008	2007

##### c. Correction of Error/s relating to a Previous Reporting Period

Council has made an adjustment to the 2007 comparatives compared to its signed 2007 financial statements.

Interest income was adjusted by \$157,000 from \$1,347,000 to \$1,190,000. Net operating result for 2007 was also adjusted from a loss of \$128,000 to a loss of \$285,000. Current cash and cash equivalents and retained earnings were also lowered by \$157,000. Cash fell from \$3,034,000 to \$2,877,000 and retained earnings from \$258,976,000 to \$258,819,000.

The reason for the adjustment was due to interest income accrual being incorrectly taken up for the year ended 30 June 2007. The error was identified when problems with reconciling the trading bank balances revealed the over accrual.

##### d. Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 21. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations;

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2008	2007
Lemonwood Pit	2013	8	-
Naparoo	2013	4	-
Glenmore	2013	4	-
Caradoc Park	2013	4	-
Dromore	2013	4	-
Allandale (Kooriga)	2013	4	-
Beamesfield	2013	8	-
Cooks	2013	20	-
Wanloch	2013	8	-
Box Hill	2018	4	-
Lumeah	2018	4	-
Carlyons	2018	4	-
Kirban	2018	4	-
Avis	2018	4	-
Coolah TSR	2018	12	-
Pidgee	2018	4	-
Barrier Gates	2023	8	-
Rhodes	2023	12	-
Cloven Hills	2028	12	-
Coonemara	2028	8	-
Coolah Ck	2028	8	-
Edenmoore	2028	12	-
Lochneil	2028	12	-
Pipers Pit	2028	8	-
Quondory	2028	8	-
Wyoming	2028	8	-
Maroo	2038	8	-
Bardine Aerodrome	2038	8	-
Glendale	2038	16	-
Coolie Camp	2038	8	-
North Pine	2038	8	-
Silentdale	2038	12	-
Danlo	2038	20	-
The Pinnacles	2038	20	-
Timbali	2038	16	-
Hillgrove	2038	8	-
Coonabarabran Quarry	2038	24	-
Goally	2038	21	-



# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

### Note 21. Reinstatement, Rehabilitation & Restoration Liabilities (continued)

\$ '000

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2008	2007
Sleightholmes	2038	16	-
Kroobit	2038	8	-
TV Tower	2038	21	-
Fosters Pit	2038	16	-
Beni	2038	8	-
Coleraine	2038	12	-
Danabar	2038	8	-
Duce's Pit	2038	12	-
Galashiels Pit	2038	8	-
Hawthorne	2038	12	-
Inchmoor	2038	8	-
Kurrajong Park	2038	12	-
Lockerbie	2038	12	-
Loloma	2038	12	-
Maduba	2038	4	-
Cossington	2038	4	-
Millings	2038	8	-
Mt Hope	2038	4	-
Narangarie	2038	8	-
Neible	2038	4	-
Oban Pit	2038	16	-
Oldcastle	2038	12	-
Orana	2038	4	-
Rawlinsons Pit	2038	12	-
Round Mountain	2038	8	-
Woodlands	2038	8	-
Yellow Cutting MR396	2038	16	-
<b>Balance at End of the Reporting Period</b>	10	<b>638</b>	<b>-</b>

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

#### Reconciliation of movement in Provision for year:

Balance at beginning of year	-	-
Amounts capitalised to new or existing assets:		
- Quarries & Pits	638	-
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<b>638</b>	<b>-</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

#### Note 22. Non Current Assets/Liabilities classified as "Held for Sale"

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\$ '000

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Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

#### Note 23. Events occurring after Balance Sheet Date

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Events that occur after the reporting date of 30 June 2008, up to and including the date when the financial report is "authorised for issue" have been taken into account in preparing this financial report.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to this General Purpose Financial Report.

**Accordingly, the "authorised for issue" date is 22/9/09.**

Events that occur after the Reporting Date represent one of two types:

##### **(i) Events that have provided evidence of conditions that existed at the Reporting Date**

These financial reports (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2008.

##### **(ii) Events that have provided evidence of conditions that arose after the Reporting Date**

##### **Change in Investment Values**

Since the end of the 2008 year there has been a significant change in global financial markets. This has resulted in a collapse in major US financial institutions and flow on effect to all major economies of the world. This has also affected significant global corporations during the year since June 2008.

Council has invested in several financial instruments that have been impacted significantly including Collateralised Debt Obligations (CDO's), structured equity instruments CPPI's and Floating Rate Notes (FRN's).

The market value for these investments had declined by \$2.7 million in the 2008 financial year. However, market values have declined another \$0.4 million up until 31 July 2009.

There is also a major concern regarding the ability to recover any of the CDO values in the current market. A majority of CDO's have been impacted by credit defaults built into their structures. The operations of a CDO basically results in Council either obtaining all or none of their capital when the CDO matures. Further, there is some doubt about the actual maturity date given the collapse of the institutions who issued the CDO's.

Therefore, there is still a risk that some of Councils portfolio may fail since year end but Council is unable to determine the impact at the date the financial report is to be signed.

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

#### Note 23. Events occurring after Balance Sheet Date (continued)

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\$ '000

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##### (ii) Events that have provided evidence of conditions that arose after the Reporting Date (continued)

###### **Unfunded superannuation contributions**

Council contributed to the Local Government Superannuation Scheme which has a closed section where a portion of member entitlements are defined as a multiple of salary. Member councils bear the responsibility of ensuring there are sufficient monies available to pay out benefits as these members cease employment.

The Scheme has a deficit of assets over liabilities totaling \$290 million as at 30 June 2009. The Scheme administrators have advised Council that it will need to make significantly higher contributions for 2009/2010 to help reverse this deficit. As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils, the amount of such a payment is not able to be reliably quantified.

#### Note 24. Discontinued Operations

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Council has not classified any of its Operations as "Discontinued".

#### Note 25. Intangible Assets

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Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant their recognition in the Financial Reports, including either internally generated and developed assets or purchased assets.

## Warrumbungle Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 26. Additional Council Disclosures - Financial Information

<b>Income Statement by Fund</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
<b>\$ '000</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>
<b><u>Continuing Operations</u></b>	<b>General</b>	<b>Water</b>	<b>Sewer</b>	<b>Other</b>
<b>Income from Continuing Operations</b>				
Rates & Annual Charges	6,121	762	1,036	-
User Charges & Fees	3,006	653	-	-
Interest & Investment Revenue	(187)	96	91	-
Other Revenues	1,110	-	1	-
Grants & Contributions provided for Operating Purposes	9,715	39	29	-
Grants & Contributions provided for Capital Purposes	3,800	-	-	-
<b>Other Income</b>				
Net Gains from Disposal of Assets	426	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	52	-	-	-
<b>Total Income from Continuing Operations</b>	<b>24,043</b>	<b>1,550</b>	<b>1,157</b>	<b>-</b>
<b>Expenses from Continuing Operations</b>				
Employee Benefits & on-costs	9,957	683	322	-
Borrowing Costs	104	-	13	-
Materials & Contracts	5,659	791	346	-
Depreciation & Amortisation	6,041	615	277	-
Impairment	-	-	-	-
Other Expenses	2,046	16	26	-
Net Losses from the Disposal of Assets	1,319	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-	-
<b>Total Expenses from Continuing Operations</b>	<b>25,126</b>	<b>2,105</b>	<b>984</b>	<b>-</b>
<b>Operating Result from Continuing Operations</b>	<b>(1,083)</b>	<b>(555)</b>	<b>173</b>	<b>-</b>
<b><u>Discontinued Operations</u></b>				
Net Profit/(Loss) from Discontinued Operations	-	-	-	-
<b>Net Operating Result for the Year</b>	<b>(1,083)</b>	<b>(555)</b>	<b>173</b>	<b>-</b>
<b>Net Operating Result attributable to each Council Fund</b>	<b>(1,083)</b>	<b>(555)</b>	<b>173</b>	<b>-</b>
<b>Net Operating Result attributable to Minority Interests</b>	<b>-</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>(4,883)</b>	<b>(555)</b>	<b>173</b>	<b>-</b>

## Warrumbungle Shire Council

## Notes to the Financial Statements

as at 30 June 2008

## Note 26. Additional Council Disclosures - Financial Information

<b>Balance Sheet by Fund</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
<b>\$ '000</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>
<b>ASSETS</b>	<b>General</b>	<b>Water</b>	<b>Sewer</b>	<b>Other</b>
<b>Current Assets</b>				
Cash & Cash Equivalents	848	109	1,005	-
Investments	500	-	-	-
Receivables	227	970	325	-
Inventories	995	70	4	-
Other	252	-	-	-
Non-current assets classified as "held for sale"	-	-	-	-
<b>Total Current Assets</b>	<b>2,822</b>	<b>1,149</b>	<b>1,334</b>	<b>-</b>
<b>Non-Current Assets</b>				
Investments	7,743	2,480	2,565	-
Receivables	375	-	-	-
Inventories	-	-	-	-
Infrastructure, Property, Plant & Equipment	227,252	17,973	15,169	-
Investments Accounted for using the equity method	342	-	-	-
Investment Property	-	-	-	-
Intangible Assets	-	-	-	-
<b>Total Non-Current Assets</b>	<b>235,712</b>	<b>20,453</b>	<b>17,734</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>238,534</b>	<b>21,602</b>	<b>19,068</b>	<b>-</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	699	21	1	-
Interest Bearing Liabilities	97	-	15	-
Provisions	2,280	196	42	-
<b>Total Current Liabilities</b>	<b>3,076</b>	<b>217</b>	<b>58</b>	<b>-</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest Bearing Liabilities	1,428	-	158	-
Provisions	1,082	52	4	-
<b>Total Non-Current Liabilities</b>	<b>2,510</b>	<b>52</b>	<b>162</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>5,586</b>	<b>269</b>	<b>220</b>	<b>-</b>
<b>Net Assets</b>	<b>232,948</b>	<b>21,333</b>	<b>18,848</b>	<b>-</b>
<b>EQUITY</b>				
Retained Earnings	225,699	18,881	12,774	-
Revaluation Reserves	7,249	2,452	6,074	-
<b>Council Equity Interest</b>	<b>232,948</b>	<b>21,333</b>	<b>18,848</b>	<b>-</b>
Minority Interests	-	-	-	-
<b>Total Equity</b>	<b>232,948</b>	<b>21,333</b>	<b>18,848</b>	<b>-</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

#### Note 27. Additional Council Disclosures - Council Information

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**Principal Place of Business:**

20-22 John Street  
Coonabarabran NSW 2357

**Contact Details****Mailing Address:**

PO Box 191  
Coonabarabran NSW 2357

**Telephone:** 02 6849 2000

**Facsimile:** 02 6842 1337

**Opening Hours**

8.30am to 4.30pm  
Monday to Friday

**Internet:** [www.warrumbungle.nsw.gov.au](http://www.warrumbungle.nsw.gov.au)

**Email:** [info@warrumbungle.nsw.gov.au](mailto:info@warrumbungle.nsw.gov.au)

**Officers****GENERAL MANAGER**

Robert J Geraghty

**RESPONSIBLE ACCOUNTING OFFICER**

Robert J Geraghty

**PUBLIC OFFICER**

Robert J Geraghty

**AUDITORS**

Forsyths

**Elected Members****MAYOR**

Cr P Shinton

**COUNCILLORS**

Cr Murray Coe, Deputy Mayor

Cr Garry Connelly

Cr Carol Dawson

Cr Col Egan

Cr Wendy Hill

Cr Ray Lewis

Cr Ron Sullivan

Cr Denis Todd

**Other Information**

**ABN:** 63 348 671 239

**INDEPENDENT AUDIT REPORT**

**S417(2) – Report on the general purpose financial report**

**Qualified audit opinion**

In our opinion except for the effects on the financial statements of the matter referred to in the paragraph below titled Basis for qualified Auditor's Opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial report:
  - (i) has been presented in accordance with the requirements of this Division;
  - (ii) is consistent with the Council's accounting records;
  - (iii) presents fairly the Council's financial position, the results of its operations and its cash flows; and
  - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.

This opinion must be read in conjunction with the rest of our audit report.

**Basis for Qualified Auditor's Opinion**

Since July 2007, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other Managed Funds.

At 30 June 2008, Warrumbungle Shire Council's investment portfolio totalled \$13.3 million and included securities totalling \$12.8 million that have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

At 30 June 2008, Warrumbungle Shire Council's investment portfolio included CDO securities totaling \$0.7million. Many of these securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from issuers and/or evaluation models for which there is limited market evidence available to verify their reasonableness in the current economic environment. Further, the ongoing volatility of financial markets creates greater uncertainty in the valuation process and determination of future cash flows that can be attributed to these securities.

These circumstances have resulted in our inability to obtain sufficient appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of \$0.7 million of Council's total investment portfolio. The maximum impact on the operating surplus and net assets is the carrying amount of these investments.

### **Scope and summary of our role**

#### **The financial report and Council's responsibility**

The financial report comprises the Balance Sheet, Income Statement, Cash Flow Statement, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993 for Warrumbungle Shire Council (the Council), for the year ended 30 June 2008.

The Council is responsible for the preparation and true and fair presentation of the financial report in accordance with the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### **Audit approach**

We conducted an independent audit of the financial report in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement, Cash Flow Statement and the Original Budget disclosures in Notes 2(a) and 16 to the financial statements and accordingly, we express no opinion on them. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1993, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of its operations and cash flows.



We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by Councillors or management.

#### **Independence**

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

A stylized, handwritten-style signature of the word "Forsyths" in black ink.

**Forsyths Business Services Pty Ltd**

A handwritten signature in blue ink that reads "P.R. Cornall".

**Paul R Cornall**

Principal

22 September 2009  
111 Faulkner Street Armidale

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)"

22 Sep 09

The Mayor  
Warrumbungle Shire Council  
PO Box 120  
COONABARABRAN NSW 2843

Evq nhepi \$

111 Faulkner Street  
PO Box 114  
Armidale NSW 2350

*p* +61 2 6773 8400

*f* +61 2 6772 9957

*e* [armidale@forsyths.com.au](mailto:armidale@forsyths.com.au)

Forsyth's Business Services Pty Ltd  
ABN 66 182 781 401

Dear Mayor,

## **AUDIT OF ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008**

We are pleased to report that we have completed the audit of Council's records for the year ended 30th June 2008 and have issued an audit opinion on the general purpose financial report and special purpose financial report as required by the provisions of Section 417(2) of the Local Government Act 1993.

Under Section 417(3) of the Local Government Act we are also required to report on the conduct of the audit.

### ***Council's responsibilities***

The Council is responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Council, and that complies with Accounting Standards in Australia, in accordance with the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### ***Audit Objectives***

The overall objectives of the audit were to enable us to form an opinion as to whether, in all material respects, the general purpose financial statements:

- were presented fairly in accordance with the requirements of the Local Government Act 1993 and prescribed Regulations and the Australian Accounting Standards; and
- presented a view which was consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

Page 1

**Knowledge with integrity**

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ARMIDALE | COONABARABRAN | GUNNEDAH | TAMWORTH

### ***Scope of the Audit and responsibilities***

Audit procedures were primarily aimed at achieving audit objectives and did not seek to confirm for management purposes the effectiveness of all internal controls. The planning of the audit procedures was based on an assessment of the risk of the existence of errors and/or irregularities which could materially affect the financial statements.

We conducted an independent audit of the financial report in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Cash Flow Statement and the Original Budget disclosures in Notes 2(a) and 16 to the financial statements and accordingly, we express no opinion on them. Further, our audit does not extend to the asset renewals ratio in Note 13 as this ratio is not mandatory and the definitions of renewal assets has not been defined by the Financial Accounting Code or Local Government Act 1993 and accordingly, we express no opinion on this ratio.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1993, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls. We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Council.

### ***Additional Reporting Requirements***

In accordance with Section 417(3) of the Local Government Act we make the following comments in relation to the results and financial trends. These comments are subject to the qualification noted in our audit opinion.

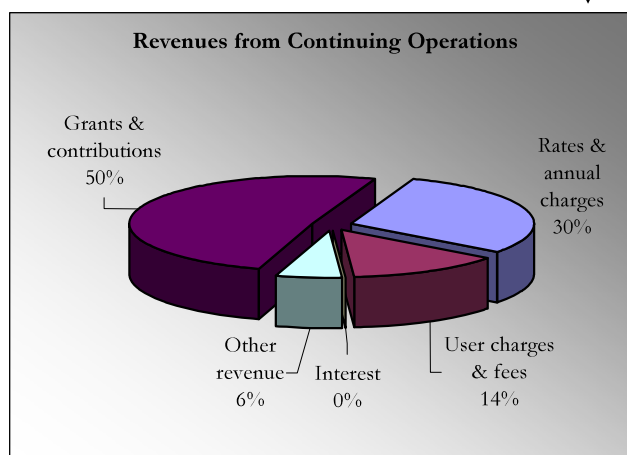
The Income Statement for the year ended 30 June 2008 discloses the following result:

INCOME STATEMENT		Budget	Actual	Actual	Variance	
		2008	2008	2007	Actual	Budget
		\$'000	\$'000	\$'000		%
<b>INCOME FROM CONTINUING OPERATIONS</b>						
Rates & annual charges		8,643	7,919	7,653	3.5%	-8.4%
User charges & fees		7,722	3,659	3,730	-1.9%	-52.6%
Interest		769	0	1,190	0.0%	0.0%
Other revenues from ordinary activities		422	1,111	841	32.1%	163.3%
Grants & contributions for operating purposes		9,696	9,783	8,504	15.0%	0.9%
Grants & contributions For capital purposes		5,305	3,800	2,339	62.5%	-28.4%
Gain from sale of assets		375	426	152	180.3%	13.6%
Gain from interests in joint ventures & associates		50	52	50	4.0%	4.0%
Total income from continuing operations		32,982	26,750	24,459	9.4%	-18.9%
<b>EXPENSES FROM CONTINUING OPERATIONS</b>						
Employee benefits & oncosts		11,176	10,962	8,425	30.1%	-1.9%
Borrowing costs		123	117	103	13.6%	-4.9%
Materials and contracts		13,167	6,796	7,347	-7.5%	-48.4%
Depreciation & amortisation		7,000	6,933	6,250	-20.3%	-1.0%
Other expenses from ordinary activities		2,062	2,088	2,619	10.9%	1.3%
Investment losses		0	1,319	0	0.0%	0.0%
Total Expenses from continuing operations		33,528	28,215	24,744	14.0%	-15.8%
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>		<b>(546)</b>	<b>(1,465)</b>	<b>(285)</b>	414.0%	168.3%
<b>NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>		<b>(5,851)</b>	<b>(5,265)</b>	<b>(2,624)</b>	100.6%	-10.0%

The financial statements report an operating deficit of \$1.5m for the year compared with a deficit of \$0.3m in the previous year. This result includes grants for capital purposes of \$3.8m. The expenditure of these grants is not recorded in this statement but in the Balance Sheet and when excluded for comparative purposes the deficit is \$5.3m (2007: \$2.6m).

Income increased by 9.4% compared to 2007, mainly due to a significant increase in grants (capital and operating) of \$2.7m offsetting the fall in interest revenue. Grant income increased as Council received its full roads to recovery grant funding (delayed in 2007) as well as capital grants for bushfire equipment received in 2008 and one off capital grants for community care infrastructure. There was no interest income for 2008 as interest was offset by a net loss on investment value impairments.

Expenditure increased by 14% on the previous year due to the investment loss of \$1.3m and increases in employment costs of \$2.5m. The rise in employment cost resulted from termination payments, increases in staff numbers and increases in award salaries.



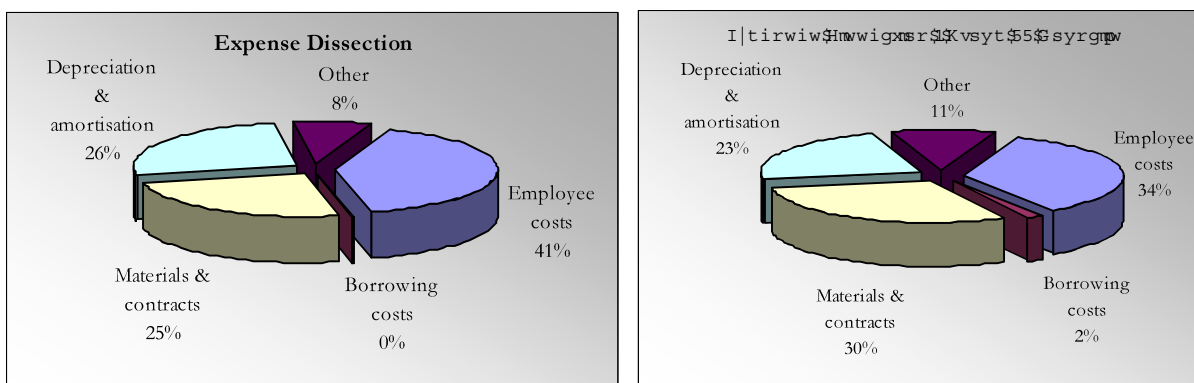
The actual operating deficit (excluding capital income) for the year of \$5.2m compares with the original budget deficit of \$5.8m. The variation between the actual results and the original budget is primarily due to the following:

- User charges and fees (unfavourable \$4m) – Lower RTA contract work than expected in the budget and also lower water income, usage of Council facilities and private works;
- Interest and investment revenue (unfavourable \$2m) – Reduction in investment market values below cost of \$2.2m due to the global credit crisis;
- Other revenues (favourable \$.7m) – recovery of legal costs on rates collection, insurance claim recoveries and recycling income increases;
- Capital grants and contributions (unfavourable \$1.5m) – budgeted for two bridge replacements from government grant funding promised by previous federal government, the grants never eventuated; and
- Materials and Contracts (favourable \$6.4m) – Lower than expected RTA and contract works and also variance between estimated self constructed assets and actual works performed.

From our review of the 2008 budget compilation, Council had not prepared a budget in the same format as the annual financial statements and thus depreciation, joint venture profits and gain on sale of assets were not estimated at the time of the budget preparation. Figures presented in the 2008 reports are based on actuals results. Council will need to review its budget preparation techniques for future management plans to ensure that all income and expenditure is properly costed. Further, the management plan needs to include a budget in the same format as the annual financial reports to allow meaningful comparison by ratepayers and Councillors.

Please also note the net result for 2007 has been amended by \$157,000 from a deficit of \$128,000 to a deficit of \$285,000 due to an interest accrual error identified during the 2008 financial statement compilation. This has been disclosed in Note 20 of the financial report.

Below is a comparison of expense dissections for the Council for 2008 compared to the average of Group 11 Councils for 2008.



There is significant variation in Council expenditure mix compared to the benchmark. Council's higher proportion of employee costs is a reflection of higher levels of internal labour use on infrastructure maintenance and staff needed for grant funded community care activities.

The following schedule of assets and liabilities has been extracted from the Balance Sheet as at 30th June 2008. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2008	2007	Variance
	\$'000	\$'000	%
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1,962	2,877	-31.8%
Investments	500	500	0.0%
Receivables	1,522	2,201	-30.8%
Inventories	1,069	735	45.4%
Other	252	243	3.7%
<b>TOTAL CURRENT ASSETS</b>	<b>5,305</b>	<b>6,556</b>	<b>-19.1%</b>
<b>CURRENT LIABILITIES</b>			
Payables	721	1,286	-43.9%
Borrowings	112	78	43.6%
Provisions	2,518	2,317	8.7%
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,351</b>	<b>3,681</b>	<b>-9.0%</b>
<b>NET CURRENT ASSETS</b>	<b>1,954</b>	<b>2,875</b>	<b>-32.0%</b>
<b>NON-CURRENT ASSETS</b>			
Investments	12,788	14,000	-8.7%
Receivables	375	294	27.6%
Investments accounted for using equity method	342	290	17.9%
Infrastructure, Property Plant & Equipment	260,394	248,651	4.7%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>273,899</b>	<b>263,235</b>	<b>4.1%</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	1,138	144	690.3%
Borrowings	1,586	1,539	3.1%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,724</b>	<b>1,683</b>	<b>61.9%</b>
<b>NET ASSETS</b>	<b>273,129</b>	<b>264,427</b>	<b>3.3%</b>

Current assets decreased as the result of a fall in cash and investments of \$0.9m and receivables of \$0.7m, partially offset by higher inventory of \$0.3m (real estate for sale). Lower cash levels are a reflection of higher capital expenditure and depositing cash into long term investments. Receivables fell due to repayment of outstanding government grants and lower investment accruals (due to drop in investment returns).

Payables decreased due to the timing of the payment of creditors and change in the level of year end activity compared to 2007.

Non-current investments fell by \$1.2m due to a write down in the value of investments of \$2.2m offset by investment purchase of \$1m. The global financial crisis has had a significant impact on the market value of Councils investments and has also impacted on investment default risk, especially CDO's.

The significant increase in infrastructure, property, plant and equipment of \$11.7m is due to the rise in values from the revaluation of land and buildings in 2008, resulting from increases in replacement value since the last revaluation.

## WORKING CAPITAL

The Net Current Asset position at year end is an important financial indicator as it discloses the working capital available to Council to fund day to day operations and finance infrastructure and new community projects. The funding of restrictions should also be considered when evaluating funds available for working capital purposes.

	Water \$'000	Sewerage \$'000	General \$'000	Total \$'000
Current Assets	1,149	1,334	2,822	5,305
Current Liabilities	217	58	3,076	3,351
<b>Net Current Assets</b>	932	1,276	(254)	1,954
<b>Plus: Non-Current Investments</b>	2,480	2,565	7,743	12,788
<b>Plus: Net Liabilities Payable &gt;12mths</b>	-	-	2,084	2,084
<b>Total Funds before Restrictions</b>	3,412	3,841	9,573	16,826
<b>LESS: Restricted Cash &amp; Investments</b> (Included in Revenue)				
Domestic Waste	-	-	70	70
Developer Contributions	-	-	282	282
Specific Purpose Grants & Contributions	-	-	2,347	2,347
	-	-	2,629	2,629
<b>NET FUNDS AVAILABLE</b>	3,412	3,841	6,944	14,197
<b>LESS Internal Restrictions</b>	-	-	2,083	2,083
<b>Net Funds After All Restrictions</b>	3,412	3,841	4,861	12,114

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	767	-	-	767
Carry over works	959	-	693	266
Office Equipment	305	-	215	90
Town improvement	339	-	170	169
Main Street beautification	331	-	38	293
Quarry restoration	108	15	-	123
Trust fund	112	7	-	119
Construction of buildings	112	-	45	67
Other	339	41	191	189
	3,372	63	1,352	2,083

The above table demonstrates that the General function has available funds of \$6.9m before setting aside funds in reserves (internal restrictions). After funding \$2.1m in internal restrictions, Council has \$4.8m to fund day to day working capital requirements. However, these figures are supported by \$7.7m of unrestricted non-current investments. These investments are considered highly illiquid in the current market given they represent CDO's, CPPI's and to a lesser extent FRN's. If Council were required to fund a significant amount of restrictions, especially unexpended grants, it would have to sell investments with higher risks that Council would lose a significant portion of its capital invested.



Council has internally restricted \$767,000 to fund non-current employee leave entitlements. This restriction represents 26% of leave entitlements not expected to be payable within the next twelve months. This funding is considered more than adequate given that the annual leave component is traditionally provided for in Council's current year budget.

## PERFORMANCE INDICATORS

The Code of Accounting Practice requires the mandatory disclosure of certain performance indicators. These financial indicators are useful in assessing performance, financial position and the likely financial burden to be placed on ratepayers.

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2008	2007	2006	2005
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.39	3.26	2.7	3.83
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	1.3%	2.0%	1.2%	1.9%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	29.6%	31.1%	30.2%	30.9%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	14.2%	15.2%	11.4%	10.5%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	0.87			

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants & contributions. This ratio is before setting aside cash to fund internal restrictions relative to the general function. This ratio has declined on the previous year. The ratio of 2.39 is below the Group 11 Council average of 3.61 for 2008.

The debt service ratio of 1.3% compares favourably with the average of 3.3% for Group 11 Councils in 2008 and indicates that Council has the ability to source additional bank loan funding if required to meet operational and capital needs.

The outstanding rates and charges ratio of 14.2% is considered too high and reflects a delay in debt recovery action. The benchmark for Council's is to have a outstanding rates ratio of less than 5%. We encourage Council to continue to focus sufficient resources to collect debts.

The asset renewals ratio is a new ratio established by the Department of Local Government for the 2007 year. The ratio is to assist readers of the financial statements to assess Council's performance with renewing its infrastructure assets against the level of infrastructure asset deterioration (as represented by depreciation expense).



The ratio for 2008 highlights that Council expended less on asset renewals compared to the estimated reduction in asset condition in the same period. In essence, the ratio is explaining that, in financial terms, Council's overall infrastructure has deteriorated across Council in the period. However, we advise that this ratio is a new requirement and there is no historic trends to assess how Council is performing in this area in the longer term.

Overall the financial indicators show that Council's current financial standing as at 30 June 2008 is satisfactory.

The decrease in current cash and investments is evident in the following table extracted from the Cash Flow Statement.

CASH MOVEMENTS	Actual 2008	Actual 2007	Variance
	\$'000	\$'000	%
<b>CASH INFLOWS</b>			
Operating Receipts	28,691	25,147	14.1%
Proceeds from Assets Sales	1,311	1,003	30.7%
<b>TOTAL RECEIPTS</b>	<b>30,002</b>	<b>26,150</b>	<b>14.7%</b>
<b>CASH OUTFLOWS</b>			
Operating Payments	21,257	19,909	6.8%
Purchase of investments	1,000	1,500	-33.3%
Purchase of Assets	8,519	6,994	21.8%
Repayment of Loans	114	269	-57.6%
Deferred debtors advances	27	12	125.0%
<b>TOTAL PAYMENTS</b>	<b>30,917</b>	<b>28,684</b>	<b>7.8%</b>
<b>TOTAL CASH MOVEMENT</b>	<b>-915</b>	<b>-2,534</b>	<b>-63.9%</b>
<b>Total Cash &amp; Investments on Hand</b>	<b>15,250</b>	<b>17,377</b>	<b>-12.2%</b>

Total cash has fallen not only by the negative cash flows above but also the impairment of \$2.2m on investments whose market value has fallen below cost.

Cash Outflows for "Purchase of Assets" included road and bridge construction totalling \$2.8m. This compares with the \$3.2m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring roads and bridges to a satisfactory standard is \$11.8m.

The rate of depreciation of road infrastructure is based on assessments undertaken by the former Coolah and Coonabarabran Shire Councils. Due to Council's focus on the merger of the former Councils, revaluation and reassessment of water, sewer, land and building assets, Council has been unable to re-assess the useful lives of combined road assets. We recommend that Council ensures that depreciation useful lives for infrastructure assets (roads and bridges) is fully completed whilst revaluing these assets in 2010. This will provide more certainty regarding the level of depreciation expense and Council will be able to obtain a better understanding of its abilities to fund infrastructure in the longer term.

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## SPECIAL PURPOSE REPORTS

Council is required to report the financial results of identified Business Units in accordance with National Competition Policy guidelines. The reports are known as Special Purpose Financial Reports and are subject to audit. Council has identified Water and Sewerage functions as Category 2 Business Units.

### WATER SUPPLY FUNCTION

The Special Purpose Financial Reports disclose that the Water Supply function recorded an operating deficit (before capital funding) of \$555,000 after allowing for depreciation of \$615,000.

The Net Current Asset position records a positive balance of \$932,000. There is also non-current investments of \$2.5m. The net current asset position provides an adequate working capital balance to meet short to medium operational requirements. We do note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring water assets to a satisfactory standard is \$3.8m.

### SEWERAGE SERVICES

This function recorded an operating surplus (before capital funding) of \$173,000 after allowing for depreciation of \$277,000.

The current level of Net Current Assets of \$1,276,000 is sound, particularly in view of the fact that the function has only \$173,000 in loans and non-current investments of \$2.6m.

#### *Adjustment to 2007 comparatives*

We advise that, due to errors identified, the 2007 comparatives in the income statement for both water and sewer functions has been amended with regard to employee costs and materials and contracts. The adjustment was required to ensure meaningful comparison can be made and has not affected the net results for 2007.

## SUBSEQUENT EVENTS AND OUTLOOK FOR 2009

#### *Subsequent events disclosure*

Note 23 to the accounts records "Events occurring after Balance Sheet Date". This note makes reference to further turmoil that has occurred in global credit markets since the 30 June 2008.. Based on information to 31 July 2009, this event has impacted on the market value of investments with Council expecting to have a further "mark to market" write down of its investments of approximately \$0.4m. Please note, these valuations are provided by Council's investment providers where an active and transparent market price is not always available and therefore there is a level uncertainty over the reliability of the current market values.

It is unclear at the date of this report the ultimate affect on the investment's Council holds. There have also been several credit events which increases the risk of default due to the structure of the CDO investments, where the more credit events that occur the higher the risk of loss of principal.

Comments about Council's investment management and suggested areas for improvement are included in our management letter. The principal issue of concern was Council did not have sufficient investment management controls and supervision, which contributed to the current devaluation in investment values.

#### *Accounting controls*

We have reported to Council that there were significant issues regarding the accuracy of core ledger reconciliations, especially bank, which increases the risk over the accuracy of the financial records and was a major contributor to the delay in completing the financial statements.

Please note that we have as yet to audit the 2009 bank reconciliations, however, from our recent review of the bank reconciliation records we advise that Council's bank reconciliations have been completed for the 2009 year to date. Council needs to remain vigilant that all core accounting controls are being maintained and supervised to reduce the risk of error and to allow the financial statements to be lodged on time with the Department of Local government.

#### *Completion of 2009 financial statements*

Given the significant delay in completing the 2008 financials and the problems informed to date, there is a high risk that the 2009 financial report may not be lodged with the Department of Local Government by 31 October 2009.

Should Council wish to meet this deadline then all resources need to be focused on this task and additional contract resources considered.

### **GENERAL**

#### ***Limitation of audit opinion***

Since July 2007, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other Managed Funds.

At 30 June 2008, Council's investment portfolio totalled \$13.3 million and included securities totalling \$12.8 million that have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

At 30 June 2008, Council's investment portfolio included CDO securities totaling \$0.7 million. Many of these securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from issuers and/or evaluation models for which there is limited market evidence available to verify their reasonableness in the current economic environment. Further, the ongoing volatility of financial markets creates greater uncertainty in the valuation process and determination of future cash flows that can be attributed to these securities.

These circumstances have resulted in our inability to obtain sufficient appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of \$0.7 million of Council's total investment portfolio. The maximum impact on the operating surplus and net assets is the carrying amount of these investments.

We have therefore qualified our audit opinion in relation to CDO investment valuations for the 2008 financial statements.

### ***Accounting system control issues***

Council has had significant problems with its accounting systems and records during the year. Matters of a technical nature have been documented in a management letter to the General Manager.

The following problems have been identified and reported:

- Improving finance staff education, supervision and accountability;
- Timely completion of core general ledger reconciliations, especially bank accounts, creditors ledger, GST control accounts and rates/sundry debtor ledgers;
- Improved reporting of financial data to Council – bank reconciliation status and variances, investment values and credit rating risk, accurate and timely ledger reconciliations to ensure budget performance reporting is accurate;
- Review and approval of all general ledger reconciliations;
- Journal control improvement including authorisation and sufficient supporting documentation increasing concern of errors and fraud risk;
- Continued revision of investment policies and tighter control over investment placements, limits set for various types of investments and regular supervision of investment performance including when a particular investment should be liquidated;
- Focus on debt collection to bring levels back to industry benchmarks;
- Inclusion of financial statement format budget income statement and cash flow into the Council management plan;
- Remote cash collection controls improvement;
- Purchase controls and delegated authority limit breaches;
- Computer masterfile controls including payroll and creditors data;
- Stock variance investigation and lack of review of potential obsolete stock;
- Lack of formal IT policies and security measures such as passwords;
- Policy manual is out of date for accounting;
- Low control over supply contracts including contract register;
- Completion of Business Continuity Plan;
- Clear focus to complete the 2009 financial report by end of October 2009 with plans being developed immediately to ensure items such as accruals, income statement analysis (especially grants, wages, consultant and contractor costs and materials and contracts) for the assessment of reporting accuracy, consideration of internal and external restriction levels and other disclosure data, can be obtained on a timely basis;
- Development of strategies to ensure infrastructure asset valuations are obtained in sufficient time and detail to meet reporting obligations for 2010;
- Compliance with audit checklist requests and suitable explanations and supporting documents to reduce delays; and
- Compliance with other statutory audit requirements such as sufficient data and documents for pension claims, grant acquittals and DLG reports such as rating returns.

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***Reporting obligations under the Local Government Act***

The significant issues associated with the core accounting records and delays in obtaining reliable land and building valuation data, have prevented Council from complying with the provisions of Division 2 of the Local Government Act 1993 in that the Financial Reports were not finalised in time for the audit to be completed within four months of the end of the financial year.

We take this opportunity of thanking the General Manager and his staff for their co-operation and assistance during the course of the audit.

Under section 419 of the Local Government Act 1993, Council is required to give public notice of a Council meeting for the purpose of presenting the audited financial statements and the auditor's report. A Principal of this firm is available to attend this meeting to address any questions in respect of the audit report or the conduct of the audit.

Yours faithfully

**FORSYTHS BUSINESS SERVICES PTY LTD**



**Paul Cornall**  
Principal