

Warrumbungle Shire Council

GENERAL PURPOSE FINANCIAL REPORT
for the year ended 30 June 2009

"a great place to live, work, play and visit."



Warrumbungle Shire Council

General Purpose Financial Report for the financial year ended 30 June 2009

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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 the 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 19/11/09.
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 2009

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 19 November 2009.



P Shinton
MAYOR



V Schmidt
COUNCILLOR



Kevin Tighe
ACTING GENERAL MANAGER



Kevin Tighe/ Acting
RESPONSIBLE ACCOUNTING OFFICER

Warrumbungle Shire Council

Income Statement

for the financial year ended 30 June 2009

Budget ⁽¹⁾ 2009 \$ '000		Notes	Actual 2009	Actual 2008
Income from Continuing Operations				
Revenue:				
9,320	Rates & Annual Charges	3a	8,269	8,060
2,130	User Charges & Fees	3b	4,296	3,476
744	Interest & Investment Revenue	3c	-	-
296	Other Revenues	3d	776	1,179
9,945	Grants & Contributions provided for Operating Purposes	3e,f	11,401	9,757
4,217	Grants & Contributions provided for Capital Purposes	3e,f	6,040	3,800
Other Income:				
-	Net gains from the disposal of assets	5	41	426
-	Net Share of interests in Joint Ventures & Associated Entities using the Equity Method	19	-	48
26,652	Total Income from Continuing Operations		30,823	26,746
Expenses from Continuing Operations				
10,685	Employee Benefits & On-Costs	4a	9,607	10,962
91	Borrowing Costs	4b	151	117
10,366	Materials & Contracts	4c	5,944	6,963
6,933	Depreciation & Amortisation	4d	7,872	6,933
-	Impairment	4d	-	-
464	Other Expenses	4e	3,148	2,217
-	Interest & Investment Losses	3c	118	1,319
-	Net Share of interests in Joint Ventures & Associated Entities using the Equity Method	19	16	-
28,539	Total Expenses from Continuing Operations		26,856	28,511
(1,887)	Operating Result from Continuing Operations		3,967	(1,765)
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(1,887)	Net Operating Result for the Year		3,967	(1,765)
(1,887)	Net Operating Result attributable to Council		3,967	(1,765)
-	Net Operating Result attributable to Minority Interests		-	-
(6,104)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(2,073)	(5,565)

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

Warrumbungle Shire Council

Balance Sheet

as at 30 June 2009

\$ '000	Notes	Actual 2009	Actual 2008
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	2,238	1,962
Investments	6b	-	500
Receivables	7	2,177	1,570
Inventories	8	601	739
Other	8	-	252
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		5,016	5,023
Non-Current Assets			
Investments	6b	12,328	12,788
Receivables	7	21	375
Inventories	8	330	330
Infrastructure, Property, Plant & Equipment	9	267,085	260,394
Investments accounted for using the equity method	19	322	338
Investment Property	14	-	-
Intangible Assets	25	-	-
Other	8	-	-
Total Non-Current Assets		280,086	274,225
TOTAL ASSETS		285,102	279,248
LIABILITIES			
Current Liabilities			
Payables	10	826	972
Borrowings	10	272	146
Provisions	10	2,525	2,529
Total Current Liabilities		3,623	3,647
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	2,369	1,586
Provisions	10	1,345	1,186
Total Non-Current Liabilities		3,714	2,772
TOTAL LIABILITIES		7,337	6,419
Net Assets		277,765	272,829
EQUITY			
Retained Earnings	20	261,021	257,054
Revaluation Reserves	20	16,744	15,775
Council Equity Interest		277,765	272,829
Minority Equity Interest		-	-
Total Equity		277,765	272,829

Warrumbungle Shire Council

Statement of Changes in Equity for the financial year ended 30 June 2009

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2009						
Opening Balance (as per Last Year's Audited Accounts)		257,054	15,775	272,829	-	272,829
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/08)		257,054	15,775	272,829	-	272,829
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	969	969	-	969
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-	-
- Other Adjustments	20b (ii)	-	-	-	-	-
Net Income Recognised Directly in Equity		-	969	969	-	969
d. Net Operating Result for the Year		3,967	-	3,967	-	3,967
Total Recognised Income & Expenses (c&d)		3,967	969	4,936	-	4,936
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		261,021	16,744	277,765	-	277,765

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2008						
Opening Balance (as per Last Year's Audited Accounts)		258,819	5,608	264,427	-	264,427
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/07)		258,819	5,608	264,427	-	264,427
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	10,167	10,167	-	10,167
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-	-
- Other Adjustments	20b (ii)	-	-	-	-	-
Net Income Recognised Directly in Equity		-	10,167	10,167	-	10,167
d. Net Operating Result for the Year		(1,765)	-	(1,765)	-	(1,765)
Total Recognised Income & Expenses (c&d)		(1,765)	10,167	8,402	-	8,402
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		257,054	15,775	272,829	-	272,829

Warrumbungle Shire Council

Cash Flow Statement

for the financial year ended 30 June 2009

Budget 2009	\$ '000	Notes	Actual 2009	Actual 2008
Cash Flows from Operating Activities				
Receipts:				
8,880	Rates & Annual Charges		8,953	7,878
2,117	User Charges & Fees		3,851	3,957
744	Interest & Investment Revenue Received		112	1,201
14,162	Grants & Contributions		17,229	13,564
296	Other		710	2,091
Payments:				
(10,685)	Employee Benefits & On-Costs		(9,503)	(10,467)
(10,356)	Materials & Contracts		(5,742)	(8,779)
(102)	Borrowing Costs		(129)	(118)
(464)	Other		(2,928)	(1,893)
4,592	Net Cash provided (or used in) Operating Activities	11b	12,553	7,434
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		500	-
-	Sale of Infrastructure, Property, Plant & Equipment		1,561	1,311
-	Deferred Debtors Receipts		16	-
Payments:				
-	Purchase of Investment Securities		-	(1,000)
(6,676)	Purchase of Infrastructure, Property, Plant & Equipment		(15,188)	(8,330)
-	Purchase of Real Estate Assets		-	(189)
-	Deferred Debtors & Advances Made		-	(27)
(6,676)	Net Cash provided (or used in) Investing Activities		(13,111)	(8,235)
Cash Flows from Financing Activities				
Receipts:				
-	Proceeds from Borrowings & Advances		1,000	-
Payments:				
(129)	Repayment of Borrowings & Advances		(85)	(101)
-	Repayment of Finance Lease Liabilities		(81)	(13)
(129)	Net Cash Flow provided (used in) Financing Activities		834	(114)
(2,213)	Net Increase/(Decrease) in Cash & Cash Equivalents		276	(915)
1,962	plus: Cash & Cash Equivalents - beginning of year	11a	1,962	2,877
(251)	Cash & Cash Equivalents - end of the year	11a	2,238	1,962

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 2009

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n/a - not applicable

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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,
- Australian Accounting 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 2009

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 2009

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 2009

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". Council has no Associated Entities.

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

- 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 2009

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 2009

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 2009

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;

Land	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads	100% Capitalised

Plant & Equipment	
Office Furniture	> \$1,000
Office Equipment	> \$1,000
Vehicles & Road Making Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

Buildings & Land Improvements	
Park Furniture & Equipment	> \$2,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$2,000

Water & Sewer Assets	
Reticulation extensions	> \$5,000
Other	> \$5,000

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

Transport Assets	
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 cost

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

(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.

(I) 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.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

(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. 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.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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) 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.

(s) 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.

(t) 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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

(u) Borrowing costs

Borrowing costs are expensed as incurred.

(v) 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.

(w) 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

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.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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.

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).

(x) 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.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

(y) 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.

(z) 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 below.

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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.

(aa) Rounding of amounts

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

(ab) 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 2008 comparative figures as a result of identifying a lease liability and a creditor not previously included totalling \$296,000.00, offset in Materials \$ contracts of \$167,000 and Other Expenses of \$129,000 and changes in Revenues and Expenditures due to better classifications as a result of establishing a new chart of accounts in the Ledger Rates & Annual Charges increased by \$141,000.00 User Charges & Fees decreased by \$183,000.00 Grants 7 Contributions were decreased by \$26,000.00 and Other Revenues increased by \$68,000.00.

(ac) 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 2009

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 2009	Actual 2009	Actual 2008	Original Budget 2009	Actual 2009	Actual 2008	Original Budget 2009	Actual 2009	Actual 2008	Actual 2009	Actual 2008	Actual 2009	Actual 2008
Governance	-	568	-	305	616	327	(305)	(48)	(327)	61	3,370	1,513	3,734
Administration	872	340	2,717	4,845	4,835	6,267	(3,973)	(4,495)	(3,550)	-	42	18,756	14,948
Public Order & Safety	1,473	314	1,059	2,276	744	1,309	(803)	(430)	(250)	309	23	3,333	3,851
Health	80	10	198	252	252	239	(172)	(242)	(41)	-	51	1,083	1,549
Community Services & Education	1,223	2,043	1,742	924	1,986	1,584	299	57	158	1,671	1,261	3,253	3,612
Housing & Community Amenities	1,264	1,273	1,547	1,727	2,262	2,360	(463)	(989)	(813)	48	-	7,082	7,248
Water Supplies	1,737	3,022	1,549	1,951	2,394	2,106	(214)	628	(557)	932	-	22,531	21,601
Sewerage Services	1,211	1,084	1,156	825	1,031	984	386	53	172	30	-	18,120	19,068
Recreation & Culture	306	180	262	2,362	2,483	2,248	(2,056)	(2,303)	(1,986)	624	-	10,255	10,889
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	7	80	56	20	239	105	(13)	(159)	(49)	-	-	2	125
Transport & Communication	9,238	9,158	7,659	12,553	8,836	10,377	(3,315)	322	(2,718)	4,959	1,368	197,586	191,246
Economic Affairs	27	757	197	499	1,162	605	(472)	(405)	(408)	-	6	1,266	1,039
Total Functions & Activities	17,438	18,829	18,142	28,539	26,840	28,511	(11,101)	(8,011)	(10,369)	8,634	6,121	284,780	278,910
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	52	-	16	-	-	(16)	52	-	-	322	338
General Purpose Income ¹	9,214	11,994	8,552	-	-	-	9,214	11,994	8,552	6,485	4,819	-	-
Operating Result from Continuing Operations	26,652	30,823	26,746	28,539	26,856	28,511	(1,887)	3,967	(1,765)	15,119	10,940	285,102	279,248

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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 2009

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2009	Actual 2008
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		1,481	1,218
Farmland		3,841	3,717
Business		400	393
Total Ordinary Rates		5,722	5,328
Special Rates			
Water Supplies		306	339
Sewerage Services		853	900
Total Special Rates		1,159	1,239
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		655	732
Water Supply Services		434	444
Sewerage Services		114	135
Waste Management Services (non-domestic)		185	182
Total Annual Charges		1,388	1,493
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>8,269</u>	<u>8,060</u>

Council has used 2008 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 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		859	594
Other		-	19
Total User Charges		859	613
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Building Regulation		80	43
Planning & Building Regulation		23	54
Private Works - Section 67		274	165
Regulatory/ Statutory Fees		7	4
Regulatory Fees		18	9
Section 149 Certificates (EPA Act)		28	22
Section 603 Certificates		17	17
Town Planning		10	16
Other		1	-
Total Fees & Charges - Statutory/Regulatory		458	330
(ii) Fees & Charges - Other(incl. General User Charges (per s.610C))			
Aerodrome		3	5
Aged Care		104	-
Cemeteries		58	41
Child Care		115	-
Community Care Related Fees		60	171
Community Centres		6	-
Leaseback Fees - Council Vehicles		38	40
Park Rents		-	21
Quarry Revenues		11	13
RTA Charges (State Roads not controlled by Council)		2,401	2,102
Swimming Centres		88	86
Tourism		37	6
Waste Disposal Tipping Fees		28	48
Other		30	-
Total Fees & Charges - Other		2,979	2,533
TOTAL USER CHARGES & FEES		4,296	3,476

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		1	78
- Interest earned on Investments (interest & coupon payment income)		341	815
Impairment Losses			
- Impairment (Losses)/Prior Period Reversals attributable to Investment		(460)	(2,212)
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>(118)</u>	<u>(1,319)</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		1	33
General Council Cash & Investments		(213)	(1,544)
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		3	5
- Section 64		(3)	3
Water Fund Operations		44	94
Sewerage Fund Operations		50	90
<u>Total Interest & Investment Revenue Recognised</u>		<u>(118)</u>	<u>(1,319)</u>
(d). Other Revenues			
Rental Income - Other Council Properties		108	131
Fines		-	3
Legal Fees Recovery - Rates & Charges (Extra Charges)		242	171
Commissions & Agency Fees		134	153
Diesel Rebate		62	49
Insurance Claim Recoveries & Rebates		63	481
Recycling Income (non domestic)		134	164
Sales - General		5	27
Other		28	-
<u>TOTAL OTHER REVENUE</u>		<u>776</u>	<u>1,179</u>

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	2009 Operating	2008 Operating	2009 Capital	2008 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance	-	4,727	-	-
Financial Assistance - General Component	3,997	-	-	-
Financial Assistance - Local Roads Component	2,393	-	-	-
Pensioners' Rates Subsidies - General Component	95	92	-	-
Total General Purpose	6,485	4,819	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	42	39	-	-
- Sewerage	30	29	-	-
- Domestic Waste Management	48	47	-	-
Water Supplies	-	-	890	-
Bushfire & Emergency Services	225	277	109	765
Community Care	1,428	1,063	230	485
Employment & Training Programs	48	46	-	-
Economic Development	-	76	-	-
Environmental Protection	-	73	-	-
Heritage & Cultural	-	69	-	-
Recreation & Culture	56	72	568	-
Tourism	1	-	-	43
Transport (Roads to Recovery)	-	-	1,208	695
Transport (Other Roads & Bridges Funding)	1,894	1,237	1,857	1,105
Total Specific Purpose	3,772	3,028	4,862	3,093
Total Grants	10,257	7,847	4,862	3,093
Grant Revenue is attributable to:				
- Commonwealth Funding	6,390	4,727	2,076	695
- State Funding	3,867	3,120	2,786	2,398
- Other Funding	-	-	-	-
	10,257	7,847	4,862	3,093

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000		2009 Operating	2008 Operating	2009 Capital	2008 Capital
(f). Contributions					
Developer Contributions:					
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):					
S 94 - Contributions towards amenities/services		-	23	23	16
S 64 - Water Supply Contributions		-	-	-	1
S 64 - Sewerage Service Contributions		-	-	-	2
Total Developer Contributions	17	-	23	23	19
Other Contributions:					
Community Services		-	-	-	60
Kerb & Gutter		-	-	-	28
Recreation & Culture		4	-	13	-
RTA Contributions (Regional/Local, Block Grant)		1,140	1,886	800	600
Water Supplies (excl. Section 64 contributions)		-	-	342	-
Other		-	1	-	-
Total Other Contributions		1,144	1,887	1,155	688
Total Contributions		1,144	1,910	1,178	707
TOTAL GRANTS & CONTRIBUTIONS		11,401	9,757	6,040	3,800

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2009	Actual 2008
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	2,629	2,019
add: Grants and contributions recognised in the current period which have not been spent:	3,591	1,406
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(2,315)	(796)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	1,276	610
Unexpended at the Close of this Reporting Period and held as Restricted Assets	3,905	2,629
Comprising:		
- Specific Purpose Unexpended Grants	3,614	2,347
- Developer Contributions	291	282
- Other Contributions	-	-
	3,905	2,629

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2009	Actual 2008
(a) Employee Benefits & On-Costs			
Salaries and Wages		8,161	9,369
Employee Leave Entitlements (ELE)		936	1,198
Superannuation		834	628
Workers' Compensation Insurance		553	482
Fringe Benefit Tax (FBT)		17	18
Training Costs (other than Salaries & Wages)		113	113
Protective Clothing		53	57
Total Employee Costs		10,667	11,865
less: Capitalised Costs		(1,060)	(903)
TOTAL EMPLOYEE COSTS EXPENSED		9,607	10,962
Number of "Equivalent Full Time" Employees at year end		173	164
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		184	176
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		92	114
Charges relating to Finance Leases		8	3
Total Interest Bearing Liability Costs		100	117
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		100	117
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	51	-
Total Other Borrowing Costs		51	-
TOTAL BORROWING COSTS EXPENSED		151	117

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c) Materials & Contracts			
Raw Materials & Consumables		1,987	6,214
Contractor & Consultancy Costs		3,470	193
Auditors Remuneration			
i. Audit Services - Council's Auditor		88	59
Legal Expenses:			
- Legal Expenses - Debt Recovery		227	192
Operating Leases:			
Operating Lease Rentals - Minimum Lease Payments ⁽¹⁾		172	305
Total Materials & Contracts		5,944	6,963
less: Capitalised Costs		-	-
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>5,944</u>	<u>6,963</u>
 1. Operating Lease Payments are attributable to:			
- Computers		165	238
- Motor Vehicles		6	17
- Other		1	50
		172	305

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Depreciation/Amortisation		Impairment Costs	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
(d) Depreciation, Amortisation & Impairment				
Plant and Equipment	2,089	1,919	-	-
Office Equipment	82	145	-	-
Furniture & Fittings	30	30	-	-
Property, Plant & Equipment - Leased	46	5	-	-
Land Improvements (depreciable)	25	14	-	-
Buildings - Non Specialised	96	32	-	-
Buildings - Specialised	951	446	-	-
Other Structures	159	138	-	-
Infrastructure:				
- Roads, Bridges & Footpaths	3,294	3,222	-	-
- Stormwater Drainage	96	96	-	-
- Water Supply Network	646	614	-	-
- Sewerage Network	276	263	-	-
Other Assets				
- Heritage Collections	-	-	-	-
- Library Books	-	-	-	-
- Other	9	9	-	-
Asset Reinstatement Costs	73	-	-	-
Intangible Assets	-	-	-	-
Total Depreciation & Impairment Costs	7,872	6,933	-	-
less: Capitalised Costs	-	-	-	-
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>	<u>7,872</u>	<u>6,933</u>	<u>-</u>	<u>-</u>

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		63	47
Bad & Doubtful Debts		137	-
Bank Charges		11	13
Computer Software Charges		119	70
Contributions to Other Levels of Government			
- NSW Fire Brigade Levy		37	28
- NSW Rural Fire Service Levy		242	236
- Noxious Weeds		78	75
- Orana Arts		8	8
Councillor Expenses - Mayoral Fee		20	19
Councillor Expenses - Councillors' Fees		78	98
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		25	35
Donations, Contributions & Assistance to other organisations (Section 356)		93	59
- Donations, Contrib & Assist Community Development Co-ordinators		80	60
- Donations, Contributions & Assistance Regional Library contributions		364	290
- Donations, Contributions & Assistance (Mendooran Water)		342	-
Election Expenses		58	-
Electricity & Heating		342	257
Insurance		449	252
Postage		30	31
Printing & Stationery		55	41
Street Lighting		120	119
Subscriptions & Publications		40	44
Telephone & Communications		227	201
Tourism Expenses (excluding employee costs)		2	201
Valuation Fees		34	33
Other - (Refund of Grant-MSO)		30	-
Other - (Stock Write Off)		64	-
Total Other Expenses		3,148	2,217
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		3,148	2,217

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 5. Gains or Losses on Disposal of Assets

\$ '000	Notes	Actual 2009	Actual 2008
Property (excl. Investment Property)			
Proceeds from Disposal		134	-
less: Carrying Amount of Property Assets Sold		(367)	-
Net Gain/(Loss) on Disposal		(233)	-
Plant & Equipment			
Proceeds from Disposal		1,427	1,311
less: Carrying Amount of P&E Assets Sold		(751)	(885)
Net Gain/(Loss) on Disposal		676	426
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold		(402)	-
Net Gain/(Loss) on Disposal		(402)	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		41	426

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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

\$ '000	2009 Actual Current	2009 Actual Non Current	2008 Actual Current	2008 Actual Non Current
Cash & Cash Equivalents (Note 6a)				
Cash on Hand and at Bank	22	-	99	-
Cash-Equivalent Assets ¹				
- Deposits at Call	2,216	-	1,863	-
Total Cash & Cash Equivalents	2,238	-	1,962	-
Investment Securities (Note 6b)				
- Term Deposits	-	-	500	-
- NCD's, FRN's (with Maturities > 3 months)	-	11,661	-	12,129
- CDO's	-	667	-	659
Total Investment Securities	-	12,328	500	12,788
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS	2,238	12,328	2,462	12,788

¹ 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"	2,238	-	1,962	-
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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)	-	12,328	500	12,788
c. "Loans & Receivables" 6(b-iii)	-	-	-	-
d. "Available for Sale" 6(b-iv)	-	-	-	-
Investments	-	12,328	500	12,788

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 6b. Investments (continued)

	2009	2009	2008	2008
\$ '000	Actual Current	Actual Non Current	Actual Current	Actual Non Current

Note 6(b-i)

Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"

Nil

Note 6(b-ii)

Reconciliation of Investments classified as "Held to Maturity"

Balance at the Beginning of the Year	500	12,788	-	14,000
Additions	(500)	-	500	1,000
Impairment (loss)/prior loss reversal (via P&L)	-	(460)	-	(2,212)
Balance at End of Year	-	12,328	500	12,788

Comprising:

- Term Deposits	-	-	500	-
- NCD's, FRN's (with Maturities > 3 months)	-	11,661	-	12,129
- CDO's	-	667	-	659
Total	-	12,328	500	12,788

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 2009

Note 6c. Restricted Cash, Cash Equivalents & Investments

	2009 Actual Current	2009 Actual Non Current	2008 Actual Current	2008 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investment Securities	2,238	12,328	2,462	12,788
attributable to:				
External Restrictions (refer below)	2,238	8,080	2,081	6,896
Internal Restrictions (refer below)	-	2,977	-	1,964
Unrestricted	-	1,271	381	3,928
	2,238	12,328	2,462	12,788

2009 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Trust	119	-	(42)	77
External Restrictions - Included in Liabilities	119	-	(42)	77

External Restrictions - Other

Developer Contributions - General (D)	282	27	(18)	291
Specific Purpose Unexpended Grants (F)	2,347	1,267	-	3,614
Water Supplies (G)	2,589	-	(234)	2,355
Sewerage Services (G)	3,570	295	-	3,865
Domestic Waste Management (G)	70	46	-	116
External Restrictions - Other	8,858	1,635	(252)	10,241
Total External Restrictions	8,977	1,635	(294)	10,318

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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

2009 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle & Depot Replacement	-	369	-	369
Employees Leave Entitlement	767	-	-	767
Carry Over Works	266	723	-	989
Construction of Buildings	67	-	-	67
Office Equipment	90	-	-	90
Town Improvement	169	-	(134)	35
Economic Development	15	-	(15)	-
Swimming Pool Improvements	2	-	-	2
Other - Coolah	73	-	-	73
Main Street Beautification	293	-	(168)	125
Quarry Restoration	123	10	-	133
Legal Expenses	8	-	-	8
Crime Prevention	1	-	-	1
Insurance	60	-	-	60
Rescue Squad	30	-	(30)	-
Weeds	-	50	-	50
Roads	-	134	-	134
Sewer	-	30	-	30
Risk Management/ OH&S	-	23	-	23
Historical	-	21	-	21
Total Internal Restrictions	1,964	1,360	(347)	2,977
TOTAL RESTRICTIONS	10,941	2,995	(641)	13,295

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by the Roads and Traffic Authority for works on the State's classified roads.
- C** Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RTA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- 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 2009

Note 7. Receivables

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
Purpose				
Rates & Annual Charges	693	-	927	264
Interest & Extra Charges	467	-	87	66
User Charges & Fees	734	-	479	22
Private Works	300	-	-	-
Accrued Revenues				
- Other Income Accruals	52	-	-	-
Government Grants & Subsidies	277	-	65	-
Deferred Debtors	3	21	17	23
Net GST Receivable	22	-	-	-
Other Debtors	16	-	-	-
Total	2,564	21	1,575	375
less: Provision for Impairment				
Rates & Annual Charges	(186)	-	-	-
Interest & Extra Charges	(84)	-	-	-
User Charges & Fees	(93)	-	(5)	-
Other Debtors	(24)	-	-	-
Total Provision for Impairment - Receivables	(387)	-	(5)	-
<u>TOTAL NET RECEIVABLES</u>	<u>2,177</u>	<u>21</u>	<u>1,570</u>	<u>375</u>
Externally Restricted Receivables				
Water Supply				
- Rates & Availability Charges	1,021	-	970	-
Sewerage Services				
- Rates & Availability Charges	247	-	325	-
Domestic Waste Management	93	-	-	-
Other				
- Government Grants	216	-	65	-
Total External Restrictions	1,577	-	1,360	-
Internally Restricted Receivables				
Nil				
Unrestricted Receivables	600	21	210	375
TOTAL NET RECEIVABLES	2,177	21	1,570	375

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest is charged on overdue rates & charges at 10.00% (2008 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 8. Inventories & Other Assets

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
Inventories				
Real Estate for resale (refer below)	-	330	-	330
Stores & Materials	484	-	622	-
Loose Tools	117	-	117	-
Total Inventories	601	330	739	330
Other Assets				
Prepayments	-	-	252	-
Total Other Assets	-	-	252	-
<u>TOTAL INVENTORIES & OTHER ASSETS</u>	<u>601</u>	<u>330</u>	<u>991</u>	<u>330</u>
Details for Real Estate Development				
Residential	-	330	-	117
Industrial/Commercial	-	-	-	213
Total Real Estate for Resale	-	330	-	330
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	-	330	-	-
Development Costs	-	-	-	330
Total Costs	-	330	-	330
less: Provision for Under Recovery	-	-	-	-
Total Real Estate for Resale	-	330	-	330
Movements:				
Real Estate assets at beginning of the year	-	330	-	141
- Purchases and other costs	-	-	-	189
Total Real Estate for Resale	-	330	-	330

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 8. Inventories & Other Assets (continued)

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
(i) Externally Restricted Assets				
Water				
Stores & Materials	70	-	70	-
Total Water	70	-	70	-
Sewerage				
Stores & Materials	4	-	4	-
Total Sewerage	4	-	4	-
Total Externally Restricted Assets	74	-	74	-
Total Internally Restricted Assets	-	-	-	-
Total Unrestricted Assets	527	330	917	330
TOTAL INVENTORIES & OTHER ASSETS	601	330	991	330

(ii) Other Disclosures

(a) Inventory Write Downs

\$64,321 was recognised as an expense relating to the write down of Inventory balances held during the year.

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2008					Asset Movements during the Reporting Period				as at 30/6/2009				
	At	At	Accumulated		Carrying	Asset	WDV	Depreciation	Revaluation	At	At	Accumulated		Carrying
	Cost	Fair Value	Deprec.	Impairment	Value	Additions	Asset Disposals	Expense	Increases to Equity (ARR)	Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	-	-	-	-	-	2,325	-	-	-	-	2,325	-	-	2,325
Plant & Equipment	-	20,039	10,640	-	9,399	3,422	(751)	(2,089)	-	-	20,872	10,891	-	9,981
Office Equipment	-	1,736	1,400	-	336	95	(95)	(82)	-	-	1,652	1,398	-	254
Furniture & Fittings	-	583	359	-	224	3	(22)	(30)	-	-	537	362	-	175
Plant & Equipment (under Finance Lease)	-	302	12	-	290	76	-	(46)	-	-	378	58	-	320
Land:														
- Operational Land	-	3,918	-	-	3,918	269	(25)	-	-	269	3,893	-	-	4,162
- Community Land	-	204	-	-	204	-	-	-	-	-	204	-	-	204
- Land under Roads (purchased pre 1/7/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Land under Roads (purchased post 30/6/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - non depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	560	-	113	-	447	46	(9)	(25)	-	591	-	132	-	459
Buildings - Non Specialised	-	2,819	498	-	2,321	-	-	(96)	-	-	2,819	594	-	2,225
Buildings - Specialised	-	35,111	18,516	-	16,595	624	(533)	(951)	-	635	34,173	19,073	-	15,735
Other Structures	4,307	-	1,406	-	2,901	229	(81)	(159)	-	4,390	-	1,500	-	2,890
Infrastructure:														
- Roads, Bridges, Footpaths	319,599	-	131,715	-	187,884	7,779	-	(3,294)	-	327,378	-	135,009	-	192,369
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater Drainage	4,795	-	1,696	-	3,099	47	(4)	(96)	-	4,838	-	1,792	-	3,046
- Water Supply Network	-	44,438	27,079	-	17,359	111	-	(646)	524	-	45,885	28,537	-	17,348
- Sewerage Network	-	26,788	12,032	-	14,756	88	-	(276)	445	-	27,679	12,666	-	15,013
Other Assets:														
- Heritage Collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	91	-	68	-	23	-	-	(9)	-	91	-	77	-	14
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26:														
- Tip Asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Quarry Asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other Assets	-	638	-	-	638	-	-	(73)	-	-	638	73	-	565
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	329,352	136,576	205,534	-	260,394	15,114	(1,520)	(7,872)	969	338,192	141,055	212,162	-	267,085

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009Note 9b. Infrastructure, Property, Plant & Equipment
that is Externally Restricted

\$ '000 Class of Asset	Actual 2009				Actual 2008			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Plant & Equipment	81	-	63	18	-	78	56	22
Office Equipment	34	-	34	-	-	34	34	-
Land								
- Operational Land	303	-	-	303	-	303	-	303
- Improvements - depreciable	5	-	1	4	-	5	1	4
Buildings		853	393	460	-	853	372	481
Other Structures	4	-	-	4	-	-	-	-
Infrastructure	2,468	45,669	28,537	19,600	-	43,751	26,588	17,163
Total Water Supply	2,895	46,522	29,028	20,389	-	45,024	27,051	17,973
Sewerage Services								
Plant & Equipment	182	-	133	49	-	182	116	66
Land								
- Operational Land	281	-	-	281	-	269	-	269
- Community Land	-	-	-	-	-	12	-	12
Buildings	110	-	50	60	-	110	47	63
Other Structures	4	-	-	4	-	3	-	3
Infrastructure	88	27,591	12,666	15,013	-	26,788	12,032	14,756
Total Sewerage Services	665	27,591	12,849	15,407	-	27,364	12,195	15,169
Domestic Waste Management								
Plant & Equipment	737	-	506	231	-	787	473	314
Total DWM	737	-	506	231	-	787	473	314
Total Other Restrictions	-	-	-	-	-	-	-	-
TOTAL RESTRICTED I,PP&E	4,297	74,113	42,383	36,027	-	73,175	39,719	33,456

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

Council has not recognised any impairment losses during the reporting period nor reversed any prior period losses.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2009		2008	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		616	-	552	-
Goods & Services - capital expenditure		-	-	149	-
Accrued Expenses;					
- Borrowings		15	-	11	-
- Other Expenditure Accruals		58	-	-	-
Security Bonds, Deposits & Retentions		77	-	119	-
ATO - Net GST Payable		60	-	137	-
Other		-	-	4	-
Total Payables		826	-	972	-
Borrowings					
Loans - Secured ¹		220	2,211	75	1,441
Finance Lease Liabilities		52	158	71	145
Total Borrowings		272	2,369	146	1,586
Provisions					
Employee Benefits;					
Annual Leave		1,053	-	1,046	-
Long Service Leave		1,161	608	1,160	500
Other Leave		89	-	104	-
ELE On-Costs		222	-	219	-
Sub Total - Aggregate Employee Benefits		2,525	608	2,529	500
Asset Remediation/Restoration (Future Works)	26	-	737	-	686
Total Provisions		2,525	1,345	2,529	1,186
Total Payables, Borrowings & Provisions		3,623	3,714	3,647	2,772

(i) Liabilities relating to Restricted Assets

	2009		2008	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	365	1,029	217	52
Sewer	62	143	58	162
Other	77	-	-	-
Liabilities relating to externally restricted assets	504	1,172	275	214
Total Liabilities relating to restricted assets	504	1,172	275	214

¹. Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 10a. Payables, Borrowings & Provisions (continued)

\$ '000	2009	2008
(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.		
Provisions - Employees Benefits	2,289	2,414
	2,289	2,414

Note 10b. Description of and movements in Provisions

Class of Provision	2008			2009		
	Opening Balance as at 1/7/08	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/09
Annual Leave	1,046	646	(639)	-	-	1,053
Long Service Leave	1,660	287	(178)	-	-	1,769
Other Leave	104	75	(90)	-	-	89
ELE On-Costs	219	3	-	-	-	222
Asset Remediation	686	51	-	-	-	737
TOTAL	3,715	1,062	(907)	-	-	3,870

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 2009

Note 11. Cash Flow Statement - Additional Information

\$ '000	Notes	Actual 2009	Actual 2008
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	2,238	1,962
Less Bank Overdraft	10	-	-
BALANCES as per the CASH FLOW STATEMENT		2,238	1,962
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		3,967	(1,765)
Adjust for non cash items:			
Depreciation & Amortisation		7,872	6,933
Net Losses/(Gains) on Disposal of Assets		(41)	(426)
Non Cash Capital Grants and Contributions		-	(800)
Impairment Losses Recognition / (Prior Period Reversal) - Financial Investment		460	2,212
Unwinding of Discount Rates on Reinstatement Provisions		18	-
Share of Net (Profits) or Losses of Associates/Joint Ventures		16	(52)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(651)	625
Increase/(Decrease) in Provision for Doubtful Debts		382	-
Decrease/(Increase) in Inventories		138	(145)
Decrease/(Increase) in Other Current Assets		252	(9)
Increase/(Decrease) in Payables		64	(362)
Increase/(Decrease) in accrued Interest Payable		4	(1)
Increase/(Decrease) in other accrued Expenses Payable		58	-
Increase/(Decrease) in Other Current Liabilities		(123)	29
Increase/(Decrease) in Employee Leave Entitlements		104	557
Increase/(Decrease) in Other Provisions		33	638
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from CASH FLOW STATEMENT		12,553	7,434

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 11. Cash Flow Statement - Additional Information (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c) Non-Cash Investing & Financing Activities			
Acquisition of Plant & Equipment by means of Finance Lease		75	195
Bushfire Grants		-	800
Total Non-Cash Investing & Financing Activities		75	995
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		350	-
Credit Cards / Purchase Cards		-	-
Total Financing Arrangements		350	-
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
Total Financing Arrangements Utilised		-	-

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 2009

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2009	Actual 2008
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Plant & Equipment		-	841
Mendooran water Scheme		1,633	-
Total Commitments		1,633	841
These expenditures are payable as follows:			
Within the next year		1,633	841
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		1,633	841
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		1,133	-
Future Grants & Contributions		500	-
Internally Restricted Reserves		-	841
Total Sources of Funding		1,633	841
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Waste Management & Recycling Services		117	334
Audit Services		100	125
Total Commitments		217	459
These expenditures are payable as follows:			
Within the next year		142	192
Later than one year and not later than 5 years		75	267
Later than 5 years		-	-
Total Payable		217	459

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2009	Actual 2008
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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		52	71
Later than one year and not later than 5 years		158	145
Later than 5 years		-	-
Total Minimum Lease Payments		210	216
less: Future Finance Charges		-	-
Amount Recognised as a Liability		210	216

(ii) Finance Lease Liability Recognised represent;

Current Liabilities		52	71
Non-Current Liabilities		158	145
Total Finance Lease Liabilities Disclosed		210	216

(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		Y/N	Y/N	210	182
Other Equipment/Assets		Y/N	Y/N	-	34
Total Carrying Value at Year End				210	216

(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
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
Total Non Cancellable Operating Lease Commitments	-	80

b. Non Cancellable Operating Leases include the following assets:

Computer Equipment and 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 2009

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2009	Actual 2008
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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

Nil

(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	473	633
Later than one year and not later than 5 years	691	1,182
Later than 5 years	-	-
Total Payable	1,164	1,815

(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 2009

Note 13. Statement of Performance Measurement - Indicators

\$ '000	Amounts 2009	Indicator 2009	Prior Periods 20082007	
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	1,127	1.36 : 1	2.39	3.26
Current Liabilities less Specific Purpose Liabilities ^(2,3)	830			
2. Debt Service Ratio				
Debt Service Cost	266	1.34%	1.28%	2.02%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	19,867			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	8,269	26.83%	29.60%	31.09%
Revenue from Continuing Operations	30,823			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	890	9.03%	14.16%	15.18%
Rates, Annual & Extra Charges Collectible	9,856			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	8,334	155.51%	86.50%	n/a
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	5,359			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

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

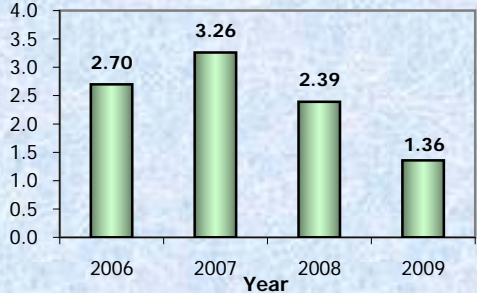
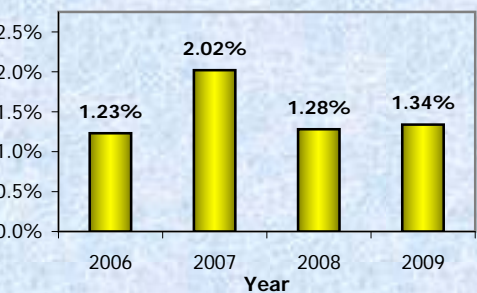
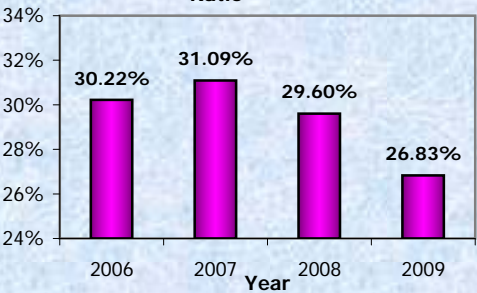
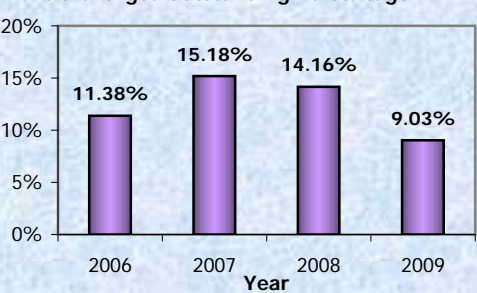
⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 13a. Statement of Performance Measurement - Graphs

\$ '000

<div>1. Unrestricted Current Ratio</div> <div><table><tr><th>Year</th><th>Ratio : 1</th></tr><tr><td>2006</td><td>2.70</td></tr><tr><td>2007</td><td>3.26</td></tr><tr><td>2008</td><td>2.39</td></tr><tr><td>2009</td><td>1.36</td></tr></table></div>	Year	Ratio : 1	2006	2.70	2007	3.26	2008	2.39	2009	1.36	<div>Purpose of Unrestricted Current Ratio</div> <div>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</div>	<div>Commentary on 2008/09 Result</div> <div><div>2008/09 Ratio1.36 : 1</div><div>The deterioration is due to an investment strategy for longer term investments being impacted by capital works program on Bridges etc being spent before investments become current or due.</div></div>
Year	Ratio : 1											
2006	2.70											
2007	3.26											
2008	2.39											
2009	1.36											
<div>2. Debt Service Ratio</div> <div><table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2006</td><td>1.23%</td></tr><tr><td>2007</td><td>2.02%</td></tr><tr><td>2008</td><td>1.28%</td></tr><tr><td>2009</td><td>1.34%</td></tr></table></div>	Year	Ratio %	2006	1.23%	2007	2.02%	2008	1.28%	2009	1.34%	<div>Purpose of Debt Service Ratio</div> <div>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</div>	<div>Commentary on 2008/09 Result</div> <div><div>2008/09 Ratio1.34%</div><div>Financial Assistance Grant payment in advance will have reduced this ratio even though Council has taken out a new loan for Mendooran water.</div></div>
Year	Ratio %											
2006	1.23%											
2007	2.02%											
2008	1.28%											
2009	1.34%											
<div>3. Rates & Annual Charges Coverage Ratio</div> <div><table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2006</td><td>30.22%</td></tr><tr><td>2007</td><td>31.09%</td></tr><tr><td>2008</td><td>29.60%</td></tr><tr><td>2009</td><td>26.83%</td></tr></table></div>	Year	Ratio %	2006	30.22%	2007	31.09%	2008	29.60%	2009	26.83%	<div>Purpose of Rates & Annual Charges Coverage Ratio</div> <div>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</div>	<div>Commentary on 2008/09 Result</div> <div><div>2008/09 Ratio26.83%</div><div>The Impact of the Financial Assistance Grant Installment (paid in advance) has had an effect of reducing the Rates and Annual Charges Coverage at a faster rate than in prior years.</div></div>
Year	Ratio %											
2006	30.22%											
2007	31.09%											
2008	29.60%											
2009	26.83%											
<div>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</div> <div><table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2006</td><td>11.38%</td></tr><tr><td>2007</td><td>15.18%</td></tr><tr><td>2008</td><td>14.16%</td></tr><tr><td>2009</td><td>9.03%</td></tr></table></div>	Year	Ratio %	2006	11.38%	2007	15.18%	2008	14.16%	2009	9.03%	<div>Purpose of Rates & Annual Charges Outstanding Ratio</div> <div>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</div>	<div>Commentary on 2008/09 Result</div> <div><div>2008/09 Ratio9.03%</div><div>Council's staff have been endeavouring to reduce the amount of outstanding rates in conjunction with Council's debt recovery agents.</div></div>
Year	Ratio %											
2006	11.38%											
2007	15.18%											
2008	14.16%											
2009	9.03%											

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 14. Investment Properties

\$ '000

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 2009

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 & (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	
	2009	2008	2009	2008
Financial Assets				
Cash and Cash Equivalents	2,238	1,962	2,187	1,962
Investments				
- "Held to Maturity"	12,328	13,288	12,328	13,288
Receivables	2,198	1,945	2,169	1,869
Total Financial Assets	16,764	17,195	16,684	17,119
Financial Liabilities				
Bank Overdraft	-	-	57	-
Payables	826	972	807	966
Loans / Advances	2,431	1,516	2,431	1,520
Lease Liabilities	210	216	210	179
Total Financial Liabilities	3,467	2,704	3,505	2,665

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 far 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 2009

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

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 & Minister's 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 independent advisers before placing any funds in Cash Equivalents & Investments.

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (during the reporting period) due to a change in either the price of a financial asset or the interest rates applicable

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
2009				
Possible impact of a 10% movement in Market Values	-	-	1,232	1,232
Possible impact of a 1% movement in Interest Rates	85	85	-	-
2008				
Possible impact of a 20% movement in Market Values	-	-	2,558	2,558
Possible impact of a 1% movement in Interest Rates	20	20	-	-

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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:

	2009	2009	2008	2008
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	1	504	-	58
Past due by up to 30 days	135	365	291	416
Past due between 31 and 180 days	140	363	285	137
Past due between 181 and 365 days	140	198	285	58
Past due by more than 1 year	277	462	330	90
	693	1,892	1,191	759
(ii) Movement in Provision for Impairment of Receivables			2009	2008
Balance at the beginning of the year			5	5
+ new provisions recognised during the year			382	-
Balance at the end of the year			387	5

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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 & 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		
2009									
Trade/Other Payables	77	782	-	-	-	-	-	859	826
Loans & Advances	-	233	353	108	77	1,330	330	2,431	2,431
Lease Liabilities	-	52	52	53	53	-	-	210	210
Total Financial Liabilities	77	1,067	405	161	130	1,330	330	3,500	3,467
2008									
Trade/Other Payables	119	847	-	-	-	-	-	966	972
Loans & Advances	-	175	781	337	81	43	374	1,791	1,516
Lease Liabilities	-	46	46	46	46	41	-	225	216
Total Financial Liabilities	119	1,068	827	383	127	84	374	2,982	2,704

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:

	2009		2008	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	826	0.0%	972	0.0%
Loans & Advances - Fixed Interest Rate	2,431	6.66%	1,516	6.5%
Lease Liabilities	210	9.0%	216	9.0%
	<u>3,467</u>		<u>2,704</u>	

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 08/09 was incorporated as part of its Management Plan and was adopted by the Council on 15th May 2008.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between 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	2009 Budget	2009 Actual	2009 Variance*	
REVENUES				
Rates & Annual Charges	9,320	8,269	(1,051)	(11%) U
Waste Management over estimated by \$300,000				Rates for sewer over estimated By \$114,000
Rates & Annual chgs for Water over estimated by \$120,000				General Rates Provision for Bad Debts \$270,000
User Charges & Fees	2,130	4,296	2,166	102% F
Water billing for 2007/08 june was not billed till 2008/09 \$253,000				
RTA Contract works were not Included \$2,104,000				
Interest & Investment Revenue	744	(118)	(862)	(116%) U
Impairment of Investments for year was \$460,000. Level of interest income was effected by the Global down tur and capital expenditure reduced interest income by \$400,000.				
Other Revenues	296	776	480	162% F
Legal recovery of Rates not included in Budget \$242,000				
Recycling income not included in Budget \$134,000				
Operating Grants & Contributions	9,945	11,401	1,456	15% F
Financial Assistance Grant 1 instalment was paid in advance for \$1,290,000				
Capital Grants & Contributions	4,217	6,040	1,823	43% F
Federal Gov't Stimulus Package Of \$568,000				
Water Supply Grant for Mendooran not included in Budget \$890,000				
Federal Black spot funding was not included in Original Budget \$300,000				

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 16. Material Budget Variations (continued)

\$ '000	2009 Budget	2009 Actual	2009 Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	10,685	9,607	1,078	10%	F
Workers compensation saving \$140,000					
11 Vacancies & maternity, staff movements created a saving of \$900,000					
Borrowing Costs	91	151	(60)	(66%)	U
Impairment for Quarries not included in Budget \$51,000					
Materials & Contracts	10,366	5,944	4,422	43%	F
Carryover Works of \$989,000.00					
Other Expenses \$2,684,000 included as Materials & Contracts					
Depreciation & Amortisation	6,933	7,872	(939)	(14%)	U
Depreciation for 2007/08 used for Budget Purpose					
And revaluation of buildings etc increased actual amount depreciated compared to 2008					
Other Expenses	464	3,148	(2,684)	(578%)	U
Making provision for Doubtful debts \$137,000					
Identification of Maquarie Regional Library cont previously in Materials and Contracts \$345,000					
Insurances and heating not included in other expenses in budget \$791,000.00					
Other items in other expenses were not identified in Budget as other expenses					
Net Losses from Disposal of Assets	-	-	-	0%	F
Assets have been expensed due to lower than threshold and items previously recognised not classed as assets					
Share of Net Losses - Joint Ventures & Associates	-	16	(16)	0%	U
Not included in original Budget					

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 16. Material Budget Variations (continued)

\$ '000	2009 Budget	2009 Actual	2009 Variance* -----	
Budget Variations relating to Council's Cash Flow Statement include:				
Cash Flows from Operating Activities	4,592	12,553	7,961	173.4% F
First installment for 2009/10 FAGS received in advance \$1,289,000				
Additional Grants of \$1,800,000 not included in original Budget				
Employee costs incurred down by \$1,100,000 from Budget due to vacancies etc see above for employees costs				
see above comments for other similar reasons				
Cash Flows from Investing Activities	(6,676)	(13,111)	(6,435)	96.4% U
Sale of infrastructure not included in Budget				
Cash Flows from Financing Activities	(129)	834	963	(746.5%) F
Loan for \$1,000,000 was not included in original budget as an income source				

Budget Variations relating to Council's Operating Result by Functions include:

General Purpose income up by \$2,700,000 see above for details

Carry overs \$989,000.00

Employee costs savings \$1,040,000

Grants better than anticipated \$1,823,000

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

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 their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	131	16	-	3	-	-	150	-	(150)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	5	1	-	-	-	-	6	-	(6)	-	-
Community Facilities	18	2	-	-	(16)	-	4	-	(4)	-	-
Bushfire	23	4	-	-	-	-	27	-	(27)	-	-
Other	2	-	-	-	-	-	2	-	(2)	-	-
S94 Contributions - under a Plan	179	23	-	3	(16)	-	189	-	(189)	-	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	179	23	-	3	(16)	-	189				-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	-	-	-	-	-	-	-				
S64 Contributions	103	-	-	1	(2)	-	102				
Total Contributions	282	23	-	4	(18)	-	291	-	(189)	-	-

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - Warrumbungle Shire Council

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	131	16	-	3	-	-	150	-	(150)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	5	1	-	-	-	-	6	-	(6)	-	-
Community Facilities	18	2	-	-	(16)	-	4	-	(4)	-	-
Bushfire	23	4	-	-	-	-	27	-	(27)	-	-
Other	2	-	-	-	-	-	2	-	(2)	-	-
Total	179	23	-	3	(16)	-	189	-	(189)	-	-

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category and that member Councils will need to make significantly higher contributions from 2009/10 & beyond.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from it's Defined Benefit Scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.

(ii) 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 Councils 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.

(iii) 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 of any increased prudential requirements of APRA.

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

(iv) Other Guarantees

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

Warrumbungle Shire Council

Notes to the Financial Statements

Note 27. Additional Council Disclosures - Council Information

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

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 or where a shortfall exists by the use of Council's General Funds.

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/09.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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

Note 19(a)

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

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

Note 19(c)

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.

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 Income Statement and Balance Sheet.

(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 Income Statement and Balance Sheet.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
Associated Entities	-	-	-	-
Joint Venture Entities	(16)	48	322	338
Total	(16)	48	322	338

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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.

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2009	2008
Macquarie Regional Library	Community Library Services	322	338
Total Carrying Amounts - Joint Venture Entities		322	338

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2009	2008	2009	2008	2009	2008
Macquarie Regional Library	18%	18%	18%	18%	18%	18%

(c) Movement in Carrying Amounts

	Macquarie Regional Library	
	2009	2008
Opening Balance	338	290
Share in Operating Result	(16)	48
Councils Equity Share in the Joint Venture Entity	322	338

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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

\$ '000

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

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2009					
Macquarie Regional Library	193	227	96	2	322
Totals	193	227	96	2	322
2008					
Macquarie Regional Library	199	219	77	3	338
Totals	199	219	77	3	338

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

	2009			2008		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Macquarie Regional Library	356	372	(16)	368	320	48
Totals	356	372	(16)	368	320	48

(f) Share of Joint Venture Entities Expenditure Commitments

	2009	2008
Capital Commitments	-	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-

(g) Contingent Liabilities of Joint Venture Entities

	2009	2008
Share of Contingent Liabilities incurred jointly with other Participants	18.37%	18.37%
Share of Contingent Liabilities for which Council is severally liable	18.37%	18.37%

19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

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

Council has brought to account all Subsidiaries, Associated Entities & Joint Ventures as required.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2009	Actual 2008
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		257,054	258,819
a. Correction of Prior Period Errors	20 (c)	-	-
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	-	-
c. Current Year Income & Expenses Recognised direct to Equity excluding direct to Reserves transactions		-	-
d. Net Operating Result for the Year		3,967	(1,765)
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes (disclosure required)		-	-
Balance at End of the Reporting Period		261,021	257,054

b. Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	16,744	15,775
Total	16,744	15,775

(ii). Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		15,775	5,608
- Revaluations for the year	9(a)	969	10,167
- Balance at End of Year		16,744	15,775
TOTAL VALUE OF RESERVES		16,744	15,775

(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.

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

Council made no correction of errors during the current reporting period.

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 2009

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

\$ '000

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

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2009, 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 19/11/09.

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 2009.

Market Value of Investments overall have increased by \$500,000.00 since balance Date. However, there is still a concern over the recovery of CDO values and credit risk that some of Council's portfolio, especially CDO's, may fail but Council is unable to determine the impact.

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

These financial reports (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2009 and which are only indicative of conditions that arose after 30 June 2009.

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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 2009

Note 26. 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	
		2009	2008
Lemonwood Pit	2013	9	9
Naparoo	2013	5	4
Glenmore	2013	5	4
Caradoc Park	2013	5	4
Dromore	2013	5	4
Allandale (Kooriga)	2013	5	4
Beamesfield	2013	9	9
Cooks	2013	25	23
Wanloch	2013	9	9
Box Hill	2018	5	4
Lumeah	2018	5	4
Carlyons	2018	5	4
Kirban	2018	5	4
Avis	2018	4	4
Coolah TSR	2018	14	13
Pidgee	2018	4	4
Barrier Gates	2023	9	9
Rhodes	2023	14	13
Cloven Hills	2028	14	13
Coonemara	2028	9	9
Coolah Ck	2028	9	9
Edenmoore	2028	14	13
Lochneil	2028	14	13
Pipers Pit	2028	9	9
Quondory	2028	9	9
Wyoming	2028	9	9
Maroo	2038	9	9
Bardine Aerodrome	2038	9	9
Glendale	2038	18	17
Coolie Camp	2038	9	9
North Pine	2038	8	8
Silentdale	2038	14	13
Danlo	2038	25	23
The Pinnacles	2038	25	23
Timbali	2038	18	17
Hillgrove	2038	9	8
Coonabarabran Quarry	2038	29	27
Goally	2038	25	23

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities (continued)

\$ '000

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2009	2008
Sleightholmes	2038	18	17
Kroobit	2038	9	8
TV Tower	2038	25	23
Fosters Pit	2038	18	17
Beni	2038	9	8
Coleraine	2038	12	13
Danabar	2038	9	8
Duce's Pit	2038	14	13
Galashiels Pit	2038	9	8
Hawthorne	2038	14	13
Inchmoor	2038	9	8
Kurrajong Park	2038	14	13
Lockerbie	2038	14	13
Loloma	2038	14	13
Maduba	2038	4	4
Cossington	2038	4	4
Millings	2038	9	8
Mt Hope	2038	4	4
Narangarie	2038	9	8
Neible	2038	4	4
Oban Pit	2038	18	17
Oldcastle	2038	14	13
Orana	2038	4	4
Rawlinsons Pit	2038	14	13
Round Mountain	2038	9	8
Woodlands	2038	9	8
Yellow Cutting MR396	2038	18	17
Balance at End of the Reporting Period	10	<u>737</u>	<u>686</u>

Under AASB 116 - Property, Plant & Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets.

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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities (continued)

\$ '000

Reconciliation of movement in Provision for year:

Balance at beginning of year	686	-
Amounts capitalised to new or existing assets:		
- Quarries & Pits	-	686
Amortisation of discount (expensed to borrowing costs)	51	-
Total - Reinstatement, rehabilitation and restoration provision	737	686

Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services & Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 27. Additional Council Disclosures - Council Information

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

Email: info@warrumbungle.nsw.gov.au

Officers
GENERAL MANAGER

Robert Geraghty

RESPONSIBLE ACCOUNTING OFFICER

Robert Geraghty

PUBLIC OFFICER

Robert Geraghty

AUDITORS

Forsyths

Elected Members
MAYOR

P Shinton

COUNCILLORS

M Coe

K Campbell

T Dissanayake

R Lewis

M Powell

V schmidt

R Sullivan

D todd

Other Information

ABN: 63 348 671 239

Armidale

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PO Box 114
Armidale NSW 2350

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e armidale@forsyths.com.au

Forsyths Business Services Pty Ltd
ABN 66 182 781 401

INDEPENDENT AUDIT REPORT
Report on the general purpose financial report

To Warrumbungle Shire Council

SCOPE

The financial report comprises the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the Local Government Act 1993 for Warrumbungle Shire Council (the Council), for the year ended 30th June 2009.

Councils' responsibility for the financial report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1993 and regulations and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report to the Council based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

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accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

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

AUDIT OPINION

In our opinion

- (a) The accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993:
- (b) the general purpose financial report:
 - (i) has been prepared in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993;
 - (ii) is consistent with the Council's accounting records; and
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30 June 2009 and the results of its operations for the year then ended; and
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial reports were detected in the course of the audit.

Forsyths

Forsyths Business Services Pty Ltd



Paul Cornall

Principal

7 December 2009

92 Rusden Street Armidale

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

7 Dec 09

The Mayor
Warrumbungle Shire Council
PO Box 120
COONABARABRAN NSW 2843

Eqv nnepi.\$

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

Dear Mayor,

AUDIT OF ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

We are pleased to report that we have completed the audit of Council's records for the year ended 30th June 2009 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:

- o were presented fairly in accordance with the requirements of the Local Government Act 1993 and prescribed Regulations and the Australian Accounting Standards; and
- o 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

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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

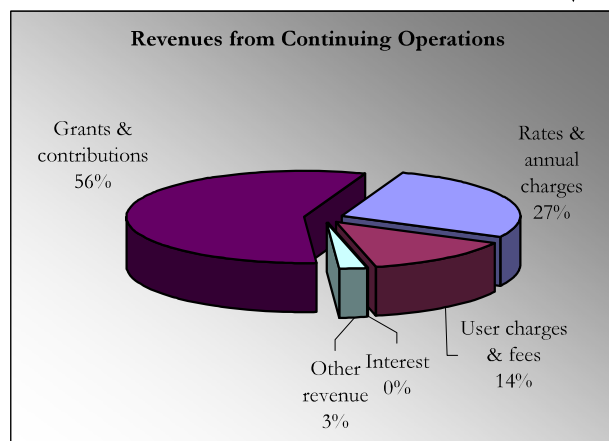
In accordance with Section 417(3) of the Local Government Act we make the following comments in relation to the results and financial trends. These comments are subject to the qualification noted in our audit opinion.

The Income Statement for the year ended 30 June 2009 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2009	2009	2008	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	9,320	8,269	8,060	2.6%	-11.3%
User charges & fees	2,130	4,296	3,476	23.6%	101.7%
Interest	744	0	0	0.0%	0.0%
Other revenues from ordinary activities	296	776	1,179	-34.2%	162.2%
Grants & contributions for operating purposes	9,945	11,401	9,757	16.8%	14.6%
Grants & contributions For capital purposes	4,217	6,040	3,800	58.9%	43.2%
Gain from sale of assets	0	41	426	-90.4%	0.0%
Gain from interests in joint ventures & associates	0	0	48	0.0%	0.0%
Total income from continuing operations	26,652	30,823	26,746	15.2%	15.6%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	10,685	9,607	10,962	-12.4%	-10.1%
Borrowing costs	91	151	117	29.1%	65.9%
Materials and contracts	10,366	5,944	6,963	-14.6%	-42.7%
Depreciation & amortisation	6,933	7,872	6,933	42.0%	13.5%
Other expenses from ordinary activities	464	3,148	2,217	13.5%	578.4%
Investment losses	0	118	1,319	-91.1%	0.0%
Gain from interests in joint ventures & associates	0	16	0	0.0%	0.0%
Total Expenses from continuing operations	28,539	26,856	28,511	-5.8%	-5.9%
OPERATING RESULT FROM CONTINUING OPERATIONS	(1,887)	3,967	(1,765)	-324.8%	-310.2%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(6,104)	(2,073)	(5,565)	-62.7%	-66.0%

The financial statements report an operating surplus of \$4m for the year compared with a deficit of \$1.8m in the previous year. This result includes grants for capital purposes of \$6m. 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 \$2.1m (2008: \$5.6m).

Income increased by 15.2% compared to 2008, mainly due to a significant increase in grants (capital and operating) of \$3.8m and user charges and fees revenues increasing by \$0.8m. Grant income increased as Council received its September 2009 quarter Financial Assistance Grant (FAG) in June 2009 of \$1.3m as part of the governments economic stimulus measures, contribution and grant income for the Mendooran water augmentation project of \$1.2m, sport facility grant of \$0.6m as well as higher operating and capital grants to assist with infrastructure renewal from the Commonwealth government (again as part of Federal economic stimulus measures). User charges and fees increased due to higher RTA contract works, changes in water fee revenue recognition and increases in aged care fees.



Expenditure fell by 5.8% on the previous year due to the lower investment loss, employment costs and materials and contract costs. Investment losses for 2009 were \$0.5m (compared to \$2.2m in 2008) which was mostly offset by interest revenue in 2009 resulting in a net loss of \$0.1m. Employment costs were lower due to lower employee numbers through most of the year with positions vacant being only filled in the latter part of the year. Materials and contracts costs are down \$1m due to the focus on capital works funded by grants rather than general infrastructure maintenance. These reductions were partially offset by increases in depreciation of \$0.9m due to higher depreciation on revalued assets.

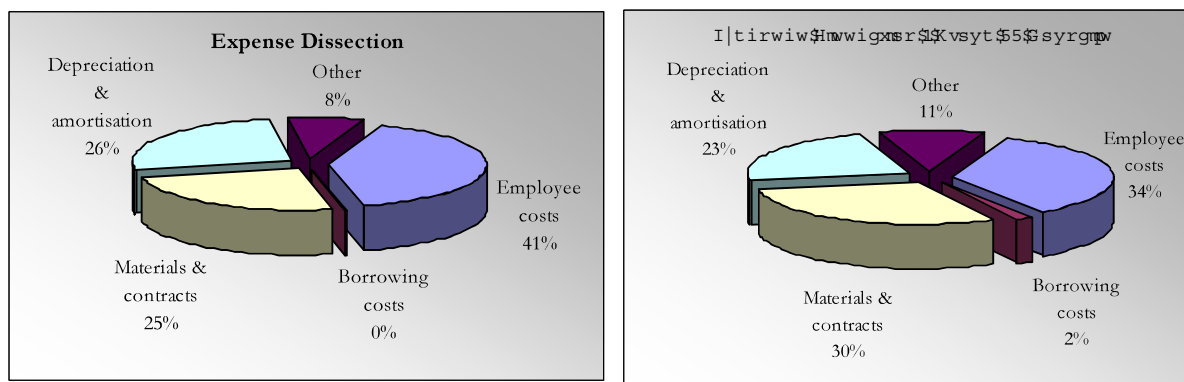
The actual operating deficit (excluding capital income) for the year of \$2.1m compares with the original budget deficit of \$6.1m. The variation of \$4m between the actual results and the original budget is primarily due to the following:

- Rates and annual charges (unfavourable \$1m) – Due to over estimate of waste, sewer and water charges and unbudgeted provision for doubtful debts adjustment to revenue in actual results;
- User charges and fees (favourable \$2.2m) – Timing of water billing for part of 2008 usage in 2009 and RTA contract work not included in the original budget;
- Interest and investment revenue (unfavourable \$0.7m) – Reduction in investment market values due to the global credit crisis;
- Operating and capital grants and contributions (favourable \$3.3m) – Timing of 2010 first quarter FAG in June 2009 of \$1.3m, federal stimulus payments, Mendooran water augmentation not in the original budget and black spot grant funding omitted from the original budget;
- Materials and Contracts (favourable \$4.5m) – Misallocation of other expenditure as materials and contract costs in the original budget and also variance between estimated maintenance and capital works;
- Depreciation and amortisation (unfavourable \$1m) – Revaluations of assets in past two years have increased depreciation; and
- Other expenses (unfavourable \$2.6m) – Error in original budget with other costs includes in materials and contracts.

From our review of the 2009 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. Council needs to continue to review its budget preparation techniques for future management plans to ensure that all income and expenditure is properly costed and allocated. 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 2008 has been amended by \$0.3m from a deficit of \$1.5m to a deficit of \$1.8m due to a lease liability previously not recorded and omitted creditor for 2008. This has been disclosed in Note 1(ab) of the financial report.

Below is a comparison of expense dissections for the Council for 2009 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 2009. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2009 \$'000	2008 \$'000	Variance %
CURRENT ASSETS			
Cash and cash equivalents	2,238	1,962	14.1%
Investments	-	500	0.0%
Receivables	2,177	1,570	38.7%
Inventories	601	739	-18.7%
Other	-	252	0.0%
TOTAL CURRENT ASSETS	5,016	5,023	-0.1%
CURRENT LIABILITIES			
Payables	826	972	-15.0%
Borrowings	272	146	86.3%
Provisions	2,525	2,529	-0.2%
TOTAL CURRENT LIABILITIES	3,623	3,647	-0.7%
NET CURRENT ASSETS	1,393	1,376	1.2%
NON-CURRENT ASSETS			
Investments	12,328	12,788	-3.6%
Inventories	330	330	0.0%
Receivables	21	375	-94.4%
Investments accounted for using equity method	322	338	-4.7%
Infrastructure, Property Plant & Equipment	267,085	260,394	2.6%
TOTAL NON-CURRENT ASSETS	280,086	274,225	2.1%
NON-CURRENT LIABILITIES			
Provisions	1,345	1,186	13.4%
Borrowings	2,369	1,586	49.4%
TOTAL NON-CURRENT LIABILITIES	3,714	2,772	34.0%
NET ASSETS	277,765	272,829	1.8%

Lower cash and investment levels are a reflection of higher capital expenditure (including Mendooran water augmentation) and market value losses due to global credit crisis. Receivables increased due to higher outstanding government grants and private works.

Total borrowings increased by \$0.9m to partly fund the Mendooran water augmentation project.

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	DWM \$'000	General \$'000	Total \$'000
Current Assets	1,091	1,552	209	2,164	5,016
Current Liabilities	365	62	-	3,196	3,623
Net Current Assets	726	1,490	209	(1,032)	1,393
Plus: Non-Current Investments	2,355	2,564	-	7,409	12,328
Plus: Net Liabilities Payable >12mths	-	-	-	2,289	2,289
Total Funds before Restrictions	3,081	4,054	209	8,666	16,010
LESS: Restricted Cash & Investments (Included in Revenue)					
Trust funds	-	-	-	77	77
Developer Contributions	-	-	-	291	291
Specific Purpose Grants & Contributions	-	-	-	3,830	3,830
	-	-	-	4,121	4,121
NET FUNDS AVAILABLE	3,081	4,054	209	4,545	11,889
LESS Internal Restrictions	-	-	-	2,977	2,977
Net Funds After All Restrictions	3,081	4,054	209	1,568	8,912

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	767	-	-	767
Carry over works	266	723	-	989
Office Equipment	90	-	-	90
Town improvement	169	-	134	35
Main Street beautification	293	-	168	125
Quarry restoration	123	10	-	133
Asset replacement	-	369	-	369
Construction of buildings	67	-	-	67
Other	189	258	45	402
	1,964	1,360	347	2,977

The above table demonstrates that the General function has available funds of \$4.5m before setting aside funds in reserves (internal restrictions). After funding \$3m in internal restrictions, Council has \$1.5m to fund day to day working capital requirements. However, these figures are supported by \$7.4m 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 and contributions, it would have to sell investments with higher risks that Council would lose a significant portion of its capital invested.

We also note that Council has added back \$2.3m in employee entitlements not expected to be repaid in the coming twelve months. Should Council experience a change in the pattern of leave usage this would also place pressure on Council's cash flow requirements.

Council has internally restricted \$767,000 to fund non-current employee leave entitlements. This restriction represents 33% 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	2009	2008	2007	2006
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	1.36	2.39	3.26	2.7
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	1.3%	1.3%	2.0%	1.2%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	26.8%	29.6%	31.1%	30.2%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	9.0%	14.2%	15.2%	11.4%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	1.56	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 over the past three years. The ratio of 1.36 is below the Group 11 Council average of 3.61 for 2008 and below industry expectations of a least 2. The reduction in the ratio for 2009 is explained by higher grant funding remaining unspent at year end and a significant portion of Council's investments "locked up" in longer term investment with early redemption resulting in unwanted penalties.

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 9% is a positive change compared to the previous 3 years. The benchmark for Council's is to have a outstanding rates ratio of less than 5%. And we continue to encourage Council to focus on collecting 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 2009 highlights that Council expended more 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 improved 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. Please also note the positive renewal ratio has been supported by unusually high grant and contribution levels for 2009 and that Council in periods of normal grant support may struggle to support infrastructure renewal.

The accuracy of the ratio is expected to improve once all infrastructure assets are revalued in 2010 and depreciation methodologies refined.

Overall the financial indicators show that Council's current financial standing as at 30 June 2009 is satisfactory.

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

CASH MOVEMENTS	Actual 2009 \$'000	Actual 2008 \$'000	Variance %
CASH INFLOWS			
Operating Receipts	30,855	28,691	7.5%
Proceeds from Assets Sales	1,561	1,311	19.1%
Proceeds from sale of investments	500	-	0.0%
Repayment from Deferred Debtors	16	-	0.0%
Proceeds from Borrowings	1,000	-	0.0%
TOTAL RECEIPTS	33,932	30,002	13.1%
CASH OUTFLOWS			
Operating Payments	18,302	21,257	-13.9%
Purchase of investments	-	1,000	0.0%
Purchase of Assets	15,188	8,519	78.3%
Repayment of Loans	166	114	45.6%
Deferred debtors advances	-	27	0.0%
TOTAL PAYMENTS	33,656	30,917	8.9%
TOTAL CASH MOVEMENT	276	-915	-130.2%
Total Cash & Investments on Hand	14,566	15,250	-4.5%

Total cash has fallen mainly due to the impairment of \$0.5m on investments whose market value has fallen below cost.

Cash Outflows for "Purchase of Assets" included road and bridge construction totalling \$7.8m. This compares with the \$3.3m 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 \$8.7m.

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.

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 \$617,000 after allowing for depreciation of \$665,000.

The Net Current Asset position records a positive balance of \$726,000. There is also non-current investments of \$2.4m. The net current asset position provides a sound 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 \$1.3m.

SEWERAGE SERVICES

This function recorded an operating surplus (before capital funding) of \$25,000 after allowing for depreciation of \$294,000.

The current level of Net Current Assets of \$1,490,000 is sound, particularly in view of the fact that the function has only \$161,000 in loans, non-current investments of \$2.6m and that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that assets are at a satisfactory level.

SUBSEQUENT EVENTS AND OUTLOOK FOR 2010

Subsequent events disclosure

As disclosed in Note 23 “Events occurring after Balance Sheet Date”, there has been significant reductions in the market value of investments resulting from the global credit crisis (impairment losses to date of \$2.7m). this has had a significant impact especially on CDO’s, CPPI’s and FRN’s. Market value of investments have overall increased by \$0.5m since balance date.

Please note, the increase in value is 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.

Council is unable to determine the actual risk of investment default and eventual actual book losses as at the date of completion of the financial statements.

Roads and related infrastructure revaluation

With regard to the requirement to recognise and value roads and related infrastructure by 30th June 2010 we note that council has established a project committee and are in the process of developing a detailed plan. It is Councils intention to recognise and value roads and related infrastructure by the required date, however, there is significant work yet to be conducted to enable the calculation of reasonable values. Council needs to ensure sufficient staff resources are available to complete the project for the 2010 financials.

Our comments on Council’s readiness to recognise the value of roads and related infrastructure is based on discussions with management. We have not conducted an audit or review of Council’s revaluation project and are therefore we are unable to express an opinion on whether Council will meet the 30 June 2010 deadline.

Accounting controls and staff resourcing

We have previously 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 especially the 2008 financial statements and lesser extend 2009 financial statements.

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 for 2010. We have concerns about Council’s level of finance staff resources and support without continued finance contractor support. Council needs to review its finance staff levels and skills with a view to improving resources in the future and thus reduce the need for external support.

GENERAL***Prior year limitation of audit opinion***

In the prior year we qualified our audit opinion in relation to CDO investment valuations as it was impossible to determine the value of these investment. During the current year these investment have been further written down. We now consider these investments conservatively valued and immaterial removing the need for a qualification on the value of these CDO as at 30th June 2009 financial statements. We have however, qualified our opinion on the carrying value of investments for the 2008 comparatives.

Reporting obligations under the Local Government Act

The significant issues associated with the core accounting records, 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