

Warrumbungle Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

"excellence in local government"



Warrumbungle Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Warrumbungle Shire Council.
- (ii) Warrumbungle Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the 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 these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 18 August 2016. Council has the power to amend and reissue these financial statements.
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Warrumbungle Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year, and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's 'net wealth'.

5. The Statement of Cash Flows

This statement indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. Their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Warrumbungle Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:


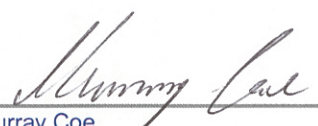

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these financial statements:

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

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

Signed in accordance with a resolution of Council made on 18 August 2016.


Peter Shinton
Mayor
Murray Coe
Councillor
Steve Loane
General manager
Stefan Murru
Responsible accounting officer

Warrumbungle Shire Council

Income Statement

for the year ended 30 June 2016

Budget 2016	¹ \$ '000	Notes	Actual 2016	Actual 2015
	Income from continuing operations			
	Revenue:			
11,643	Rates and annual charges	3a	11,669	11,156
7,883	User charges and fees	3b	7,528	7,349
716	Interest and investment revenue	3c	513	377
797	Other revenues	3d	1,151	862
17,940	Grants and contributions provided for operating purposes	3e,f	17,501	16,531
12,226	Grants and contributions provided for capital purposes	3e,f	7,046	2,374
	Other income:			
59	Net gains from the disposal of assets	5	—	169
10	Net share of interests in joint ventures and associates using the equity method	19	6	6
51,274	Total income from continuing operations		45,414	38,824
	Expenses from continuing operations			
14,126	Employee benefits and on-costs	4a	15,304	14,718
378	Borrowing costs	4b	435	383
7,367	Materials and contracts	4c	5,874	7,683
9,065	Depreciation and amortisation	4d	9,286	10,206
7,333	Other expenses	4e	7,817	7,422
—	Net losses from the disposal of assets	5	209	—
38,269	Total expenses from continuing operations		38,925	40,412
13,005	Operating result from continuing operations		6,489	(1,588)
13,005	Net operating result for the year		6,489	(1,588)
779	Net operating result for the year before grants and contributions provided for capital purposes		(557)	(3,962)

¹ Original budget as approved by Council – refer Note 16

Warrumbungle Shire Council

Statement of Comprehensive Income for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		6,489	(1,588)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	1,102	(7,451)
Other comprehensive income – joint ventures and associates	19b	2	–
Total items which will not be reclassified subsequently to the operating result		1,104	(7,451)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Movement in share of JV net assets	20b (ii)	–	(30)
Revaluation of non-current inventory	20b (ii)	(45)	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(45)	(30)
Total other comprehensive income for the year		1,059	(7,481)
Total comprehensive income for the year		7,548	(9,069)

Warrumbungle Shire Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	15,712	13,909
Investments	6b	—	1,484
Receivables	7	5,030	4,487
Inventories	8	785	715
Other	8	108	107
Total current assets		21,635	20,702
Non-current assets			
Receivables	7	10	30
Inventories	8	299	344
Infrastructure, property, plant and equipment	9	481,795	474,726
Investments accounted for using the equity method	19	294	286
Intangible assets	25	353	472
Total non-current assets		482,751	475,858
TOTAL ASSETS		504,386	496,560
LIABILITIES			
Current liabilities			
Payables	10	2,707	2,378
Borrowings	10	788	1,351
Provisions	10	4,860	4,023
Liabilities associated with assets classified as 'held for sale'	22	—	—
Total current liabilities		8,355	7,752
Non-current liabilities			
Borrowings	10	6,471	7,259
Provisions	10	2,590	2,127
Total non-current liabilities		9,061	9,386
TOTAL LIABILITIES		17,416	17,138
Net assets		486,970	479,422
EQUITY			
Retained earnings	20	397,969	391,478
Revaluation reserves	20	89,001	87,944
Council equity interest		486,970	479,422
Total equity		486,970	479,422

Warrumbungle Shire Council

Statement of Changes in Equity
for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		389,030	87,258	476,288	—	476,288
a. Correction of prior period errors	20 (c)	2,448	686	3,134	—	3,134
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/15)		391,478	87,944	479,422	—	479,422
c. Net operating result for the year		6,489	—	6,489	—	6,489
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	1,102	1,102	—	1,102
– Joint ventures and associates	19b	2	—	2	—	2
– Other reserves movements (reval of inventory)	20b (ii)	—	(45)	(45)	—	(45)
– Other reserves movements (share of JV)	20b (ii)	—	—	—	—	—
Other comprehensive income		2	1,057	1,059	—	1,059
Total comprehensive income (c&d)		6,491	1,057	7,548	—	7,548
Equity – balance at end of the reporting period		397,969	89,001	486,970	—	486,970

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		351,799	94,709	446,508	—	446,508
a. Correction of prior period errors	20 (c)	41,297	686	41,983	—	41,983
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/14)		393,096	95,395	488,491	—	488,491
c. Net operating result for the year		(1,588)	—	(1,588)	—	(1,588)
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	(7,451)	(7,451)	—	(7,451)
– Other reserves movements (share of JV)	20b (ii)	(30)	—	(30)	—	(30)
Other comprehensive income		(30)	(7,451)	(7,481)	—	(7,481)
Total comprehensive income (c&d)		(1,618)	(7,451)	(9,069)	—	(9,069)
Equity – balance at end of the reporting period		391,478	87,944	479,422	—	479,422

Warrumbungle Shire Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
11,658	Rates and annual charges		11,726	11,423
7,883	User charges and fees		8,160	8,059
508	Investment and interest revenue received		461	501
30,832	Grants and contributions		24,606	18,981
–	Bonds, deposits and retention amounts received		7	–
1,747	Other		2,443	853
Payments:				
(14,237)	Employee benefits and on-costs		(14,644)	(14,606)
(7,797)	Materials and contracts		(7,398)	(8,791)
(378)	Borrowing costs		(12)	(284)
(8,284)	Other		(8,654)	(7,959)
21,932	Net cash provided (or used in) operating activities	11b	16,695	8,177
Cash flows from investing activities				
Receipts:				
	Nil			
1,500	Sale of investment securities		1,500	1,551
1,125	Sale of infrastructure, property, plant and equipment		800	659
50	Deferred debtors receipts		20	21
–	Other investing activity receipts		–	11
Payments:				
	Nil			
(26,335)	Purchase of infrastructure, property, plant and equipment		(15,842)	(8,233)
	Other investing activity payments		(19)	–
(23,660)	Net cash provided (or used in) investing activities		(13,541)	(5,991)
Cash flows from financing activities				
Receipts:				
	Nil			
–	Proceeds from borrowings and advances		–	4,146
Payments:				
	Nil			
(764)	Repayment of borrowings and advances		(1,351)	(440)
(764)	Net cash flow provided (used in) financing activities		(1,351)	3,706
(2,492)	Net increase/(decrease) in cash and cash equivalents		1,803	5,892
13,909	Plus: cash and cash equivalents – beginning of year	11a	13,909	8,017
11,417	Cash and cash equivalents – end of the year	11a	15,712	13,909
Additional Information:				
	plus: Investments on hand – end of year	6b	–	1,484
	Total cash, cash equivalents and investments		15,712	15,393
Please refer to Note 11 for information on the following:				
– Non-cash financing and investing activities				
– Financing arrangements				
– Net cash flow disclosures relating to any discontinued operations				

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

Under Australian Accounting Standards (AASBs), 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 statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements 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 (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, 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 non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

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

(vi) 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 year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

(vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

- (i) Estimated fair values of investments
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated remediation provisions.
- (iv) Estimations and assumptions around depreciation calculations, including estimates of useful lives and long-life components.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it, and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 the impairment on rates receivables 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/contributed 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.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(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

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, 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 and accordingly would not be 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 the impairment of these receivables 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.

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

Rental income is accounted for on a straight-line basis over the lease term.

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

(c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(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
- Warrumbungle Water Fund
- Warrumbungle Sewerage Fund
- Warrumbungle Quarry

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(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 that 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 statements.

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

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) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Joint operations (controlled assets and operations)

Council has no joint operations.

Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

Associates

Council has no Associate Entities.

County councils

Council is a member of the following county councils (which are bodies incorporated 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 council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

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.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held **at call** with financial institutions, and
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

(f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss**,
- **loans and receivables**, and
- **held-to-maturity investments**.

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

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

A financial asset is classified in the 'held for trading' category if it is 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 primarily classified as current assets as they are primarily held for trading

and/or are expected to be realised within 12 months of the balance sheet date.

(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 arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

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.

(iii) Held-to-maturity investments

Council has no marketable Held-to-maturity investments.

General accounting and measurement of financial instruments:

(i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

(ii) Subsequent measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as **'fair value through profit or loss'** category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as **'available-for-sale'** are recognised in equity in the available-for-sale investments revaluation reserve.

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

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance 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.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation – financial instruments

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

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

rate that is available to the Council for similar financial instruments.

(h) Receivables

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

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that 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.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(i) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(iii) 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 included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

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

Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Water and Sewerage Networks**
(External Valuation and adjusted for CPI)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- Roads Assets incl. roads, bridges and footpaths

(External Valuation)

- Drainage Assets (External Valuation)

- Bulk Earthworks (External Valuation)

- Community Land (External Valuation)

- Land Improvements

(External Valuation)

- Other Structures (External Valuation)

- Other Assets

(as approximated by depreciated historical cost)

Initial recognition

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

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset 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 statements 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 (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class 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.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 (purchases after 30/6/08)	100% Capitalised

Plant and Equipment

Office Furniture	> \$5,000
Office Equipment	> \$5,000
Vehicles and Road Making Equipment	> \$5,000
Intangibles	> \$5,000
Other Plant and Equipment	> \$5,000

Buildings and Land Improvements

Park Furniture and Equipment	> \$10,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$20,000
Other Structures	> \$5,000

Water and Sewer Assets

Reticulation extensions	> \$10,000
Other	> \$10,000

Stormwater Assets

Drains and Culverts	> \$10,000
Other	> \$10,000

Transport Assets

Road construction and reconstruction	> \$2,000
Reseal/Re-sheet and major repairs	> \$2,000
Bridge construction and reconstruction	> \$20,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method and in order to allocate an asset's cost more closely over its estimated useful life, assets are componentised (into Long Life & Short Life) based on expected useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant and Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	3 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	5 to 10 years
- Other plant and equipment	5 to 50 years

Other Equipment

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

Buildings

- Buildings : Masonry	50 to 100 years
- Buildings : Other	15 to 40 years

Water and Sewer Assets

- Dams and reservoirs	25 to 150 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

Stormwater Assets

- Drains	50 to 60 years
- Culverts	50 to 60 years

Transportation Assets

- Sealed Roads : Surface	12 years
- Sealed Roads : Pavement Short Life	50 to 60 years
- Sealed Roads : Pavement Long Life	Infinite
- Unsealed roads	10 to 18 years
- Bridges : Structure Short Life	160 years
- Bridges : Structure Long Life	200 years
- Kerb, Gutter and Paths	30 to 70 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset values and useful lives are reviewed and adjusted (if appropriate) at each reporting 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 (s) on asset impairment.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Disposal and derecognition

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

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

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

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

(l) Land under roads

Land under roads is land under roadways and road reserves, including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

(m) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs of employees' time spent on the project.

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

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

(n) 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 to the reserves are recognised within Council's Income Statement.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Rural fire service assets

Under section 119 of the *Rural Fires 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 statements.

(p) Investment property

Council does not currently hold any Investment property.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(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 that 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, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

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

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

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 about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

(s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

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

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

Provisions for legal claims, service warranties and other like liabilities 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(x) Employee benefits

(i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

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

All other short-term employee benefit obligations are presented as payables.

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 and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are 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 then discounted using market yields at the reporting date based 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.

Defined benefit plans

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

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

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

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.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

The last valuation of the scheme was performed by Mr Richard Boyfield(FIAA) on 24/02/16 and covers the period ended 30/06/15.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$ 180,908.67.

The amount of additional contributions included in the total employer contribution advised above is \$ 288,000.00.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 135,094.57 and the expected contribution over the next financial year is expected to be \$143,738.64 as at 30 June 2016.

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 these financial statements.

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.

Defined contribution plans

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 on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

(y) Self-insurance

Council does not self-insure.

(z) Allocation between current and non-current assets and liabilities

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 it is not expected to be settled within the next 12 months.

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

(aa) Taxes

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

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Goods and 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 revenue / 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 Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that 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 ATO.

(ab) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard nor a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard may include:

- an increase in lease assets and financial liabilities recognised on the balance sheet,

- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

AASB 2014 – 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]

This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11, and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value.

(ac) Rounding of amounts

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

(ad) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(ae) Disclaimer

Nothing contained within these statements 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 year ended 30 June 2016

Note 2(a). Council functions/activities – financial information

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	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	–	9	819	800	1,082	(819)	(800)	(1,073)	–	375	162	3,134
Administration	764	671	707	5,794	7,373	5,151	(5,030)	(6,702)	(4,444)	70	–	36,593	31,923
Public order and safety	5,585	5,202	3,633	3,776	4,255	4,231	1,809	947	(598)	5,174	3,586	3,444	3,390
Health	66	57	79	125	94	178	(59)	(37)	(99)	–	–	1,899	1,940
Environment	2,018	2,043	1,923	2,671	2,783	2,536	(653)	(740)	(613)	51	–	30,559	5,228
Community services and education	3,033	3,034	2,987	3,088	3,237	3,196	(55)	(203)	(209)	1,770	2,069	6,344	6,438
Housing and community amenities	411	266	272	799	883	831	(388)	(617)	(559)	6	–	5,219	4,657
Water supplies	4,448	3,327	2,809	3,198	3,168	3,190	1,250	159	(381)	81	12	33,397	33,025
Sewerage services	1,488	1,541	1,358	1,413	1,645	1,428	75	(104)	(70)	28	–	25,126	25,237
Recreation and culture	239	334	479	3,673	3,521	3,128	(3,434)	(3,187)	(2,650)	93	358	27,994	26,203
Mining, manufacturing and construction	1,437	1,261	3,082	1,355	1,261	1,832	82	–	1,250	–	1,398	2,331	1,689
Transport and communication	12,282	11,616	7,634	10,504	9,115	13,107	1,778	2,502	(5,473)	5,938	1,839	329,988	352,351
Economic affairs	48	52	93	519	512	520	(471)	(460)	(427)	–	238	1,036	1,059
Total functions and activities	31,819	29,404	25,065	37,734	38,647	40,412	(5,915)	(9,242)	(15,347)	13,211	9,876	504,092	496,274
Share of gains/(losses) in associates and joint ventures (using the equity method)	10	6	6	–	–	–	10	6	6	–	–	294	286
General purpose income ¹	19,445	16,004	13,753	535	278	–	18,910	15,726	13,753	8,613	6,378		–
Operating result from continuing operations	51,274	45,414	38,824	38,269	38,925	40,412	13,005	6,490	(1,588)	21,824	16,254	504,386	496,560

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 2(b). Council functions/activities – component descriptions

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.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER AND SAFETY

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

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES AND 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 AND COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND 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.

AGRICULTURE

MINING, MANUFACTURING AND CONSTRUCTION

Building control, abattoirs, quarries and pits, other.

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		1,997	1,873
Farmland		4,851	4,695
Business		564	553
Other		—	—
Total ordinary rates		7,412	7,121
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		1,423	1,373
Water supply services		1,268	1,250
Sewerage services		1,196	1,059
Waste management services (non-domestic)		362	353
Liquid Trade Waste		8	—
Other		—	—
Total annual charges		4,257	4,035
<u>TOTAL RATES AND ANNUAL CHARGES</u>		<u>11,669</u>	<u>11,156</u>

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		1,627	1,330
Sewerage services		111	85
Liquid Trade Waste		54	–
Total user charges		1,792	1,415
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		76	61
Planning regulation		36	61
Private works – section 67		271	214
Registration fees		18	13
Regulatory fees		30	24
Section 149 certificates (EPA Act)		39	39
Section 603 certificates		21	19
Total fees and charges – statutory/regulatory		491	431
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aged care		162	149
Cemeteries		65	82
Child care		986	726
Lease rentals		7	16
Leaseback fees – Council vehicles		83	80
Park rents		9	3
Quarry revenues		1,178	1,116
RMS (formerly RTA) charges (state roads not controlled by Council)		2,523	3,045
Swimming centres		115	115
Tourism		50	92
Waste disposal tipping fees		43	44
Other		24	1
Total fees and charges – other		5,245	5,503
TOTAL USER CHARGES AND FEES		7,528	7,349

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		115	93
– Interest earned on investments (interest and coupon payment income)		365	213
Impairment (losses)/reversals			
– Investments other than available for sale		–	40
Other		33	31
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>513</u>	<u>377</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		47	33
General Council cash and investments		197	96
Restricted investments/funds – external:			
Development contributions			
– Section 94		8	6
– Section 64		3	3
Water fund operations		109	81
Sewerage fund operations		133	145
Domestic waste management operations		16	14
Total interest and investment revenue recognised		<u>513</u>	<u>377</u>
(d) Other revenues			
Rental income – other council properties		208	169
Legal fees recovery – rates and charges (extra charges)		103	142
Commissions and agency fees		115	120
Diesel rebate		153	147
Insurance claim recoveries		297	97
Recycling income (non-domestic)		137	89
Other		138	98
<u>TOTAL OTHER REVENUE</u>		<u>1,151</u>	<u>862</u>

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	4,040	3,966	–	–
Financial assistance – local roads component	2,295	2,304	–	–
Pensioners' rates subsidies – general component	101	104	–	–
Other grants	–	4	–	–
Total general purpose	6,436	6,378	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	40	41	–	–
– Sewerage	28	59	–	–
– Domestic waste management	51	50	–	–
Water supplies	–	–	40	12
Aged care	715	660	–	–
Bushfire and emergency services	2,952	3,528	2,221	58
Child care	950	1,157	–	–
Cobbora transition fund	112	497	2,068	1,398
Economic development	105	94	–	–
Employment and training programs	70	83	–	–
Flood restoration	–	–	131	–
Heritage and cultural	6	7	–	–
Library	54	70	–	199
LIRS subsidy	163	80	–	–
Recreation and culture	–	11	39	34
Transport (roads to recovery)	3,105	1,087	–	–
Transport (other roads and bridges funding)	77	61	2,461	455
Other	–	79	–	156
Total specific purpose	8,428	7,564	6,960	2,312
Total grants	14,864	13,942	6,960	2,312
Grant revenue is attributable to:				
– Commonwealth funding	11,071	7,870	–	–
– State funding	3,745	3,107	6,957	1,832
– Other funding	48	2,965	3	480
	14,864	13,942	6,960	2,312

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000		2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions					
Developer contributions:					
(s93 & s94 – EP&A Act, s64 of the LGA):					
S 94A – fixed development consent levies		–	–	86	62
Total developer contributions	17	–	–	86	62
Other contributions:					
RMS contributions (regional roads, block grant)		2,637	2,589	–	–
Other		–	–	–	–
Total other contributions		2,637	2,589	–	–
Total contributions		2,637	2,589	86	62
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>		<u>17,501</u>	<u>16,531</u>	<u>7,046</u>	<u>2,374</u>

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2016	Actual 2015
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	2,262	1,009
Add: grants and contributions recognised in the current period but not yet spent:	2,439	1,805
Less: grants and contributions recognised in a previous reporting period now spent:	(827)	(552)
Net increase (decrease) in restricted assets during the period	1,612	1,253
Unexpended and held as restricted assets	3,874	2,262
Comprising:		
– Specific purpose unexpended grants	3,553	1,856
– Developer contributions	322	406
– Other contributions	–	–
	3,874	2,262

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		11,889	11,677
Employee leave entitlements (ELE)		2,800	2,074
Superannuation		1,352	1,221
Workers' compensation insurance		669	500
Fringe benefit tax (FBT)		34	41
Training costs (other than salaries and wages)		258	176
Protective clothing		72	79
Other		—	—
Total employee costs		17,074	15,768
Less: capitalised costs		(1,770)	(1,050)
TOTAL EMPLOYEE COSTS EXPENSED		15,304	14,718
Number of 'full-time equivalent' employees (FTE) at year end		196	183
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		205	208
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		353	306
Total interest bearing liability costs		353	306
Less: capitalised costs		—	—
Total interest bearing liability costs expensed		353	306
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	26	82	77
Other borrowing costs		—	—
Total other borrowing costs		82	77
TOTAL BORROWING COSTS EXPENSED		435	383

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts			
Raw materials and consumables		6,706	6,645
Contractor and consultancy costs		12,276	7,113
Auditors remuneration ⁽¹⁾		51	47
Legal expenses:			
– Legal expenses: planning and development		45	2
– Legal expenses: debt recovery		142	122
– Legal expenses: other		22	18
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		27	95
Other		676	599
Total materials and contracts		19,945	14,641
Less: capitalised costs		(14,071)	(6,958)
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>5,874</u>	<u>7,683</u>

1. Auditor remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor:

(i) Audit and other assurance services

- Audit and review of financial statements: Council's Auditor
- Other Assurance Services

Remuneration for audit and other assurance services**(ii) Taxation services****Remuneration for taxation services****(iii) Other non-assurance services****Remuneration for other services****Total Auditor remuneration**

	41	33
	10	–
	51	47
	–	–
	–	–
	51	47

2. Operating lease payments are attributable to:

- Computers
- Other

	27	95
	–	–
	27	95

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015

(d) Depreciation, amortisation and impairment

Plant and equipment		—	—	2,115	2,306
Office equipment		—	—	12	16
Furniture and fittings		—	—	39	42
Land improvements (depreciable)		—	—	48	48
Infrastructure:					
– Buildings – non-specialised		—	—	248	242
– Buildings – specialised		—	—	476	476
– Other structures		—	—	379	342
– Roads		—	—	4,134	5,054
– Bridges		—	—	333	191
– Footpaths		—	—	117	123
– Stormwater drainage		—	—	105	144
– Water supply network		—	—	774	780
– Sewerage network		—	—	320	314
Asset reinstatement costs	9 & 26	—	—	67	53
Intangible assets	25	—	—	119	75
Total depreciation and impairment costs		—	—	9,286	10,206
Less: capitalised costs		—	—	—	—
Less: IPP&E impairments (to)/from equity	9a	—	—	—	—
Less: investment impairments (to)/from equity		—	—	—	—
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		—	—	9,286	10,206

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		90	159
Bad and doubtful debts		181	(59)
Bank charges		38	25
Conferences		83	51
Contributions/levies to other levels of government		—	—
– Noxious weeds		100	97
– NSW Fire Brigade levy		70	42
– NSW Rural Fire Service levy		3,487	3,351
– Orana arts		10	12
Councillor expenses – mayoral fee		24	24
Councillor expenses – councillors' fees		99	97
Councillors' expenses (incl. mayor) – other (excluding fees above)		17	17
Donations, contributions and assistance to other organisations (Section 356)		99	182
– Community development co-ordinators		70	81
– Regional library contributions		437	486
Electricity and heating		452	609
Insurance		813	745
Postage		48	32
Printing and stationery		140	115
Quarry product cost of goods sold		369	355
Registration and licences		415	329
Street lighting		97	97
Subscriptions and publications		106	134
Telephone and communications		195	197
Valuation fees		88	54
Other		289	190
Total other expenses		7,817	7,422
Less: capitalised costs		—	—
<u>TOTAL OTHER EXPENSES</u>		<u>7,817</u>	<u>7,422</u>

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold/written off		–	–
Net gain/(loss) on disposal		–	–
Plant and equipment			
Proceeds from disposal – plant and equipment		800	659
Less: carrying amount of plant and equipment assets sold/written off		(740)	(483)
Net gain/(loss) on disposal		60	176
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(285)	(58)
Net gain/(loss) on disposal		(285)	(58)
Financial assets *			
Proceeds from disposal/redemptions/maturities – financial assets		1,500	1,551
Less: carrying amount of financial assets sold/redeemed/matured		(1,484)	(1,500)
Net gain/(loss) on disposal		16	51
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(209)	169
* Financial assets disposals/redemptions include:			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		16	51
Net gain/(loss) on disposal of financial instruments		16	51

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6a. – Cash assets and Note 6b. – investments

		2016	2016	2015	2015
\$ '000	Notes	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		809	—	829	—
Cash-equivalent assets ¹					
– Deposits at call		4,903	—	4,980	—
– Short-term deposits		10,000	—	8,100	—
– Other financial assets		—	—	—	—
Total cash and cash equivalents		15,712	—	13,909	—
Investments (Note 6b)					
– NCD's, FRN's (with maturities > 3 months)		—	—	1,484	—
Total investments		—	—	1,484	—
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		15,712	—	15,393	—

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'Cash and cash equivalents'	15,712	–	13,909	–
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Investments**a. 'At fair value through the profit and loss'**

– 'Designated at fair value on initial recognition' 6(b-i)			1,484	–
Investments	–	–	1,484	–

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 6b. investments (continued)

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Note 6(b-i)				
Reconciliation of investments classified as 'at fair value through the profit and loss'				
Balance at the beginning of the year	1,484	–	1,551	1,444
Revaluations (through the Income Statement)	16	–	40	–
Disposals (sales and redemptions)	(1,500)	–	(1,551)	–
Transfers between current/non-current	–	–	1,444	(1,444)
Balance at end of year	–	–	1,484	–
Comprising:				
– NCD's, FRN's (with maturities > 3 months)			1,484	–

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6c. Restricted cash, cash equivalents and investments – details

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	15,712	–	15,393	–
attributable to:				
External restrictions (refer below)	9,787	–	7,950	–
Internal restrictions (refer below)	4,439	–	6,727	–
Unrestricted	1,486	–	716	–
	15,712	–	15,393	–

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	–	–	–	–
Trust	566	264	(242)	588
EPA Grant (Underground Derelict tanks)	–	240	–	240
Other	–	–	–	–
External restrictions – included in liabilities	566	504	(242)	828

External restrictions – other

Nil				
Developer contributions – general (D)	287	90	(178)	199
Developer contributions – water fund (D)	91	3	–	94
Developer contributions – sewer fund (D)	28	1	–	29
Specific purpose unexpended grants (F)	1,858	9,062	(7,368)	3,552
Water supplies (G)	1,998	3,232	(2,952)	2,278
Sewerage services (G)	2,961	1,510	(1,778)	2,693
Domestic waste management (G)	161	2,030	(2,077)	114
External restrictions – other	7,384	15,928	(14,353)	8,959
Total external restrictions	7,950	16,432	(14,595)	9,787

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement (fleet fund)	1,922	5,509	(5,124)	2,307
Employees leave entitlement	1,227	101	–	1,328
Carry over works (excl fleet carry overs)	3,506	–	(2,949)	557
Quarry remediation fund	72	175	–	247
Other	–	–	–	–
Total internal restrictions	6,727	5,785	(8,073)	4,439
TOTAL RESTRICTIONS	14,677	22,217	(22,668)	14,226

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by roads and maritime services for (RMS) 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** RMS 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 (b))
- G** Water, sewerage, domestic waste management (DWM) and 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 year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		1,030	—	1,017	—
Interest and extra charges		166	—	116	—
User charges and fees		915	—	972	—
Accrued revenues					
– Interest on investments		18	—	16	—
– Other income accruals		2,362	—	1,653	—
Deferred debtors		—	10	—	30
Other debtors		785	—	780	—
Total		5,276	10	4,554	30
Less: provision for impairment					
Rates and annual charges		(116)	—	(46)	—
User charges and fees		—	—	(21)	—
Other debtors		(130)	—	—	—
Total provision for impairment – receivables		(246)	—	(67)	—
<u>TOTAL NET RECEIVABLES</u>		<u>5,030</u>	<u>10</u>	<u>4,487</u>	<u>30</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		216	—	198	—
– Other		718	—	761	—
Sewerage services					
– Rates and availability charges		91	—	67	—
– Other		223	—	238	—
Domestic waste management		247	—	221	—
Total external restrictions		1,495	—	1,485	—
Internally restricted receivables		—	—	—	—
Unrestricted receivables		3,535	10	3,002	30
TOTAL NET RECEIVABLES		5,030	10	4,487	30

Notes on debtors above:

- (i) Rates and 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 was charged on overdue rates and charges at 8.50% (2015 8.50%).
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 year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current

(a) Inventories

(i) Inventories at cost

Real estate for resale (refer below)	–	299	–	344
Stores and materials	486	–	454	–
Loose tools	22	–	22	–
Other (quarry product)	277	–	239	–
Total inventories at cost	785	299	715	344
<u>TOTAL INVENTORIES</u>	785	299	715	344

(b) Other assets

Prepayments	108	–	107	–
<u>TOTAL OTHER ASSETS</u>	108	–	107	–

Externally restricted assets

Water

Stores and materials	6	–	6	–
Total water	6	–	6	–

Sewerage

Nil

Domestic waste management

Nil

Other

Nil

Total externally restricted assets	6	–	6	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	887	299	816	344
TOTAL INVENTORIES AND OTHER ASSETS	893	299	822	344

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 8. Inventories and other assets (continued)

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
(i) Other disclosures				
(a) Details for real estate development				
Industrial/commercial	–	299	–	344
Total real estate for resale	–	299	–	344
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	–	299	–	344
Total costs	–	299	–	344
Less: provision for under recovery	–	–	–	–
Total real estate for resale	–	299	–	344
Movements:				
Real estate assets at beginning of the year	–	344	–	344
– Other	–	(45)	–	–
Total real estate for resale	–	299	–	344
(c) Inventories recognised as an expense for the year included:				
– Stores and materials			560	693
– Trading stock			369	355

(d) Inventory write downs

\$7,038 was recognised as an income relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment											depreciation	impairment	
Capital work in progress	3,251	–	–	–	3,251	4,924	4,675	–	–	(4,980)	(54)	–	7,816	–	–	–	7,816
Plant and equipment	–	24,736	15,436	–	9,300	–	2,588	(740)	(2,115)	–	–	–	–	25,321	16,288	–	9,033
Office equipment	–	1,652	1,597	–	55	–	–	–	(12)	–	–	–	–	1,652	1,609	–	43
Furniture and fittings	–	701	526	–	175	–	–	–	(39)	–	–	–	–	702	566	–	136
Land:																	
– Operational land	–	5,523	–	–	5,523	–	–	–	–	–	–	–	–	5,523	–	–	5,523
– Community land	–	1,295	–	–	1,295	–	–	–	–	–	–	98	–	1,393	–	–	1,393
Land improvements – depreciable	–	977	279	–	698	53	95	–	(48)	203	113	289	–	1,674	271	–	1,403
Infrastructure:																	
– Buildings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– Buildings – non-specialised	–	20,882	5,743	–	15,139	–	153	–	(248)	159	–	–	–	21,193	5,990	–	15,203
– Buildings – specialised	–	39,229	13,043	–	26,186	7	13	–	(476)	1,062	–	–	–	40,311	13,519	–	26,792
– Other structures	–	14,399	4,679	–	9,720	29	–	–	(379)	707	3,040	(3)	–	20,143	7,029	–	13,114
– Roads	–	251,616	45,560	–	206,056	1,077	44	(232)	(4,134)	237	–	–	–	252,585	49,537	–	203,048
– Bridges	–	50,781	3,248	–	47,533	1,631	–	–	(333)	2,464	–	–	–	54,876	3,581	–	51,295
– Footpaths	–	5,184	1,574	–	3,610	44	32	(53)	(117)	96	–	–	–	5,281	1,669	–	3,612
– Bulk earthworks (non-depreciable)	–	87,998	–	–	87,998	–	–	–	–	–	–	–	–	87,998	–	–	87,998
– Stormwater drainage	–	8,019	3,250	–	4,769	88	6	–	(105)	–	–	–	–	8,111	3,353	–	4,758
– Water supply network	–	61,664	33,775	–	27,889	172	104	–	(774)	32	–	406	–	62,896	35,067	–	27,829
– Sewerage network	–	36,091	14,960	–	21,131	108	–	–	(320)	20	–	312	–	36,761	15,510	–	21,251
Other assets:																	
– Other	–	91	91	–	–	–	–	–	–	–	–	–	–	91	91	–	–
Reinstatement, rehabilitation and restoration assets (refer Note 26):																	
– Tip assets	–	350	23	–	327	–	–	–	(14)	–	74	–	–	424	37	–	387
– Quarry assets	–	1,270	333	–	937	–	–	–	(54)	–	278	–	–	1,547	386	–	1,161
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	3,251	612,458	144,117	–	471,592	8,133	7,710	(1,025)	(9,167)	–	3,451	1,102	7,816	628,482	154,503	–	481,795

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
WIP	383	—	—	383	67	—	—	67
Plant and equipment	—	391	212	179	—	391	212	179
Office equipment	—	33	35	(2)	—	33	35	(1)
Land								
– Operational land	—	364	—	364	—	364	—	364
– Improvements - depreciable	—	5	5	—	—	5	5	—
Buildings	—	1,415	367	1,048	—	1,415	350	1,065
Other structures	—	271	100	171	—	537	127	410
Infrastructure	—	62,896	35,067	27,829	—	61,664	33,775	27,888
Total water supply	383	65,375	35,786	29,972	67	64,409	34,505	29,971
Sewerage services								
WIP	135	—	—	135	15	—	—	15
Plant and equipment	—	257	198	59	—	257	198	59
Office equipment	—	7	1	6	—	7	—	7
Land								
– Operational land	—	428	—	428	—	428	—	428
Buildings	—	179	69	110	—	179	67	112
Other structures	—	175	62	113	—	367	178	189
Infrastructure	—	36,761	15,510	21,251	—	36,091	14,960	21,131
Total sewerage services	135	37,807	15,840	22,102	15	37,329	15,403	21,942
TOTAL RESTRICTED I,PP&E	518	103,182	51,626	52,074	82	101,739	49,908	51,913

Note 9c. Infrastructure, property, plant and equipment – current year impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		690	–	1,204	–
Payments received In advance		240	–	32	–
Accrued expenses:					
– Borrowings		55	–	65	–
– Other expenditure accruals		958	–	345	–
Security bonds, deposits and retentions		588	–	581	–
Other		176	–	11	–
Total payables		2,707	–	2,378	–
Borrowings					
Loans – secured ¹		788	6,471	1,351	7,259
Total borrowings		788	6,471	1,351	7,259
Provisions					
Employee benefits:					
Annual leave		1,481	–	1,363	–
Long service leave		2,357	105	1,937	81
Other leave		472	–	362	–
ELE on-costs		550	13	361	7
Sub-total – aggregate employee benefits		4,860	118	4,023	88
Asset remediation/restoration (future works)	26	–	2,472	–	2,039
Total provisions		4,860	2,590	4,023	2,127
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		8,355	9,061	7,752	9,386
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		265	616	218	689
Sewer		73	2	45	1
Other		828	–	566	–
Liabilities relating to externally restricted assets		1,166	618	829	690
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		1,166	618	829	690
Total liabilities relating to unrestricted assets		7,189	8,443	6,923	8,696
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		8,355	9,061	7,752	9,386

¹. Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions (continued)

	Actual 2016	Actual 2015
\$ '000		

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,367	2,467
	1,367	2,467

Note 10b. Description of and movements in provisions

Nil

Class of provision	2015	2016			Unused amounts reversed	Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting		
Asset remediation	2,039	82	–	351	–	2,472
TOTAL	6,150	82	–	1,218	–	7,450

- Employees leave entitlements and 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.
- Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	15,712	13,909
Balance as per the Statement of Cash Flows		15,712	13,909
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		6,489	(1,588)
Adjust for non-cash items:			
Depreciation and amortisation		9,286	10,206
Net losses/(gains) on disposal of assets		209	(118)
Impairment losses/(prior period reversals) – financial investments		–	(40)
Share of net assets of associates/joint ventures		–	(30)
Unwinding of discount rates on reinstatement provisions		82	77
Share of net (profits) or losses of associates/joint ventures		(6)	(6)
Affect of Changes to Discount rates (Tips & Quarries)		351	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(722)	(899)
Increase/(decrease) in provision for doubtful debts		179	(59)
Decrease/(increase) in inventories		(70)	(97)
Decrease/(increase) in other assets		(1)	(107)
Increase/(decrease) in payables		(812)	23
Increase/(decrease) in accrued interest payable		(10)	22
Increase/(decrease) in other accrued expenses payable		473	111
Increase/(decrease) in other liabilities		380	62
Increase/(decrease) in employee leave entitlements		867	375
Increase/(decrease) in other provisions		–	245
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		16,695	8,177

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		500	500
Total financing arrangements		500	500
Amounts utilised as at balance date:			
– Bank overdraft facilities		–	–
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 and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(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 and equipment			
Land and buildings		4,936	497
Plant and equipment		34	2
Bridges – timber bridge replacement program		422	1,058
Infrastructure		3,211	601
Total commitments		8,603	2,158
These expenditures are payable as follows:			
Within the next year		8,603	2,158
Total payable		8,603	2,158
Sources for funding of capital commitments:			
Unrestricted general funds		1,316	263
Future grants and contributions		7,031	255
Sect 64 and 94 funds/reserves		20	–
Unexpended grants		–	410
Externally restricted reserves		175	384
Internally restricted reserves		61	164
Unexpended loans		–	682
Total sources of funding		8,603	2,158

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) Finance lease commitments			
Nil			
(c) 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		27	27
Later than one year and not later than 5 years		7	34
Total non-cancellable operating lease commitments		34	61

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2016	Actual 2015
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Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(354)	-0.92%	-11.40%	-22.55%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	38,362			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	20,861	45.94%	51.09%	61.27%
Total continuing operating revenue ⁽¹⁾	45,408			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	10,347	1.78x	2.53x	2.55x
Current liabilities less specific purpose liabilities ^(3, 4)	5,822			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	9,367	5.24x	7.84x	4.24x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,786			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	1,080	8.32%	8.44%	11.41%
Rates, annual and extra charges collectible	12,974			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	15,712	5.88 mths	5.2 mths	3.0 mths
Payments from cash flow of operating and financing activities	2,672			

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio -0.92%</p> <p>This ratio has improved dramatically this year and if an allowance is made for the high, NON CASH, costs associated with ELE Provisions and Quarry & Pit Ammortisation Council would have met this benchmark</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 45.94%</p> <p>This ratio, whilst important, by its nature will worsen as a council receives more grant monies. Ironically it has been Council's success in attracting Grant monies that is reflected in this result.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 1.78x</p> <p>This ratio is still above the benchmark but has worsened due to the backlog of Capital Works coupled with a delayed Plant replacement program which are associated with Restricted Assets.</p>

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>4. Debt service cover ratio</p> <p>Benchmark: — Minimum ≥ 2.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 5.24x</p> <p>This ratio is well above the OLG benchmark and reflects Council's commitment to use debt as required without a reliance.</p>
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <p>Benchmark: — Maximum $< 10.00\%$ Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 8.32%</p> <p>Improved Debt collection has seen this ratio fall over the last few years. This improvement is a significant achievement and puts Council below the OLG threshold of 10%.</p>
<p>6. Cash expense cover ratio</p> <p>Benchmark: — Minimum ≥ 3.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 5.88 mths</p> <p>Council's high cash balance is reflected in the increase in this ratio.</p>

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	3.62%	-6.75%	-1.10%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: -14.01%	-5.15%	-11.44%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	97.60%	98.18%	39.72%
Total continuing operating revenue ⁽¹⁾	prior period: 98.11%	95.66%	45.50%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	12.51x	43.58x	1.75x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 13.58x	71.00x	2.53x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	14.49x	0.00	4.65x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 12.82x	6.67x	7.64x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	16.50%	9.23%	7.24%
Rates, annual and extra charges collectible	prior period: 15.84%	15.49%	6.86%
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	11.85 mths	24.90 mths	4.50 mths
Payments from cash flow of operating and financing activities	prior period: 9.63 mths	25.50 mths	4.03 mths

Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Note 14. Investment properties

Council has not classified any land or buildings as 'investment properties'.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. Financial risk management

\$ '000

Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** 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 and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	15,712	13,909	15,712	13,909
Investments				
– 'Designated at fair value on initial recognition'	–	1,484	–	1,484
Receivables	5,040	4,517	4,878	4,517
Total financial assets	20,752	19,910	20,590	19,910
Financial liabilities				
Payables	2,467	2,346	2,305	2,346
Loans/advances	7,259	8,610	7,259	8,610
Total financial liabilities	9,726	10,956	9,564	10,956

Fair value is determined as follows:

- **Cash** and **cash equivalents**, **receivables**, **payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and 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 risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there 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.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty 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 and investments.

(a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for 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
2016				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	157	157	(157)	(157)
2015				
Possible impact of a 10% movement in market values	148	148	(148)	(148)
Possible impact of a 1% movement in interest rates	139	139	(139)	(139)

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and 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 and annual charges at higher than market rates which further encourages the payment of debt. 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:

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	90%	94%	88%	80%
Overdue	10%	6%	12%	20%
	100%	100%	100%	100%

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	924	3,988	895	3,465
< 1 year overdue	0 – 30 days overdue	106	36	122	59
1 – 2 years overdue	30 – 60 days overdue	–	22	–	1
2 – 5 years overdue	60 – 90 days overdue	–	210	–	42
		1,030	4,256	1,017	3,567

	2016	2015
(iii) Movement in provision for impairment of receivables		
Balance at the beginning of the year	66	126
+ new provisions recognised during the year	246	66
– previous impairment losses reversed	(66)	(126)
Balance at the end of the year	246	66

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and 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.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity 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		
2016									
Trade/other payables	588	1,929	–	–	–	–	–	2,517	2,467
Loans and advances		1,103	1,103	1,103	1,103	1,102	3,110	8,624	7,259
Total financial liabilities	588	3,032	1,103	1,103	1,103	1,102	3,110	11,141	9,726
2015									
Trade/other payables	581	1,797	–	–	–	–	–	2,378	2,346
Loans and advances	–	1,703	1,103	1,103	1,104	1,102	4,211	10,327	8,610
Total financial liabilities	581	3,500	1,103	1,103	1,104	1,102	4,211	12,705	10,956

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	–		–	
Trade/other payables	2,467	0.10%	2,346	0.10%
Loans and advances – fixed interest rate	7,259	4.60%	8,610	4.80%
	<u>9,726</u>		<u>10,956</u>	

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 18 June 2015

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* 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.

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2016 Budget	2016 Actual	2016 Variance* -----		
REVENUES					
Rates and annual charges	11,643	11,669	26	0%	F
No budget variation details are required - variance is < 10%					
User charges and fees	7,883	7,528	(355)	(5%)	U
No budget variation details are required - variance is < 10%					
Interest and investment revenue	716	513	(203)	(28%)	U
Worsening Interest rates nationally resulted in a worse than hoped result. This change in environment was reflected in Council's decision to support a Supplementary vote to reduce Interest Income.					
Other revenues	797	1,151	354	44%	F
Other Revenues is over budget due to a better than expected Diesel Rebate return and more importantly a \$220k Insurance reimbursement for the Timor Dam fence.					

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
Operating grants and contributions	17,940	17,501	(439)	(2%) U
No budget variation details are required - variance is < 10%				
Capital grants and contributions	12,226	7,046	(5,180)	(42%) U
Council had a massive Capital program this year of which a percentage went unfinished and therefore Council has not yet been able to claim the associated Grant Income .				
Two major Projects are the Coonabarabran Allison Bridge (Project total \$2.1m) and the Three Rivers Retirement Village (Project Total \$4.3m)				
Net gains from disposal of assets	59	–	(59)	(100%) U
The plant replacement program was delayed therefore fewer sales were made				
Joint ventures and associates - net profits	10	6	(4)	(40%) U
The return on the Macquarie Library is budgeted as an arbitrary \$10k. The return last year and this year was \$6k.				

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	14,126	15,304	(1,178)	(8%) U
No budget variation details are required - variance is < 10%				
Borrowing costs	378	435	(57)	(15%) U
Falling interest rates combined with the renegotiating of loans has reduced Council's Borrowing costs. However the falling interest rates has also meant that the non cash recognition (in Borrowing Costs) associated with the rehabilitation of pits and quarries increased significantly leading to the increased expense.				
Materials and contracts	7,367	5,874	1,493	20% F
A concentration on Capital projects has led to a reduction in recurrent expenses.				
Depreciation and amortisation	9,065	9,286	(221)	(2%) U
No budget variation details are required - variance is < 10%				
Impairment expenses	—	—	—	0% F
No budget variation details are required				
Other expenses	7,333	7,817	(484)	(7%) U
No budget variation details are required - variance is < 10%				
Net losses from disposal of assets	—	209	(209)	0% U
Disposal of assets includes Plant & Equipment as well as other assets such as Roads and infrastructure as it is renewed. When Roads and infrastructure are "Disposed" there is an accounting entry (non Cash) to remove the old carrying value from the record. This is reflected in this result				
Joint ventures and associates – net losses	—	—	—	0% F
No budget variation details are required				
Operating result from discontinued operations	—	—	—	0% F
No budget variation details are required				

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
Budget variations relating to Council's Cash Flow Statement include:				
Cash flows from operating activities	21,932	16,695	(5,237)	(23.9%) U
Operating activities includes Capital Grants. As previously mentioned Council was unable to complete it's forecast Capital program which is re imbursed post activity. As the activity did not occur, Council was not re imbursed.				
Cash flows from investing activities	(23,660)	(13,541)	10,119	(42.8%) F
The purchase of Plant & Equipment as well as other Capital Purchases are classed as Investing activity. Again a backlog in Council's Capital program means a reduction in Investing activity.				
Cash flows from financing activities	(764)	(1,351)	(587)	76.8% U
The refinancing of the Combined bridges loan occurred over the end of last financial year and the beginning of this year. The amount refinanced was \$600k which is reflected here.				

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and 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 and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	—	—	—	—	—	—	—	—
Roads	5	—	—	—	—	—	5	—
Traffic facilities	—	—	—	—	—	—	—	—
Parking	—	—	—	—	—	—	—	—
Open space	7	—	—	—	—	—	7	—
Community facilities	4	—	—	—	—	—	4	—
Bushfire	11	—	—	1	—	—	12	—
Other	2	—	—	—	—	—	2	—
S94 contributions – under a plan	30	—	—	1	—	—	31	—
S94A levies – under a plan	—	—	—	—	—	—	—	—
Total S94 revenue under plans	30	—	—	1	—	—	31	—
S94 not under plans	254	86	—	7	(178)	—	169	—
S64 contributions	121	—	—	—	—	—	121	—
Total contributions	406	86	—	8	(178)	—	322	—

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	–	–	–	–	–	–	–	–
Roads	5	–	–	–	–	–	5	–
Traffic facilities	–	–	–	–	–	–	–	–
Parking	–	–	–	–	–	–	–	–
Open space	7	–	–	–	–	–	7	–
Community facilities	4	–	–	–	–	–	4	–
Bushfire	11	–	–	1	–	–	12	–
Other	2	–	–	–	–	–	2	–
Total	30	–	–	1	–	–	31	–

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	–	–	–	–	–	–	–	–
Roads	–	–	–	–	–	–	–	–
Traffic facilities	–	–	–	–	–	–	–	–
Parking	–	–	–	–	–	–	–	–
Open space	–	–	–	–	–	–	–	–
Community facilities	–	–	–	–	–	–	–	–
Other	254	86	–	7	(178)	–	169	–
Total	254	86	–	7	(178)	–	169	–

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S64 contributions

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-
Traffic facilities	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-
Open space	-	-	-	-	-	-	-	-
Community facilities	-	-	-	-	-	-	-	-
Water	93	-	-	2	-	-	95	-
Sewer	28	-	-	1	-	-	29	-
Other	-	-	-	-	-	-	-	-
Total	121	-	-	3	-	-	124	-

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and 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 with member councils required to make significantly higher contributions in future years.

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 its 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.

Council's share of this deficit has been broadly estimated to be \$135,094.57 as at 30 June 2016.

(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 Council's contributions to the pool and the result of insurance claims within each of the fund years.

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

(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 result of any increased prudential requirements from 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 for the year ended 30 June 2016

Note 18. Contingencies and 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 Council's intention to spend funds in the manner and timing set out in those plans.

(iii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

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 and including 30/6/08.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and 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 council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual	Actual	Actual	Actual
	2016	2015	2016	2015
Joint ventures	6	6	294	286
Total	6	6	294	286

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2016	2015
Macquarie Regional Library	Joint venture	Equity	294	286
Total carrying amounts – material joint ventures and associates			294	286

(b) Details

Name of entity	Principal activity	Place of business
Macquarie Regional Library	Community library services	
Place of Business:	Dubbo, Coolah, Dunedoo, Connabarabran, Narromine and Wellington	

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015	2016	2015
Macquarie Regional Library			19%	19%	19%	19%	25%	25%

(d) Summarised financial information for joint ventures and associates

	Macquarie Regional Library	
	2016	2015
Statement of financial position		
Current assets		
Cash and cash equivalents	1,354	215
Other current assets	82	1,164
Total current assets	1,436	1,379
Non-current assets	982	876
Current liabilities		
Other current liabilities	826	689
Total current liabilities	826	689
Non-current liabilities	30	37
Net assets	1,562	1,529
Reconciliation of the carrying amount		
Opening net assets (1 July)	1,529	1,503
Profit/(loss) for the period	33	30
Other adjustments to equity		(4)
Closing net assets	1,562	1,529
Council's share of net assets (%)	18.8%	18.7%
Council's share of net assets (\$)	294	286

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

	Macquarie Regional Library	
	2016	2015
Statement of comprehensive income		
Income	2,644	2,534
Interest income	36	37
Depreciation and amortisation	(289)	(286)
Interest expense		
Income tax expense		
Other expenses	(2,358)	(2,255)
Profit/(loss) from continuing operations	33	30
Other comprehensive income	—	
Total comprehensive income	33	30
Share of income – Council (%)	18.8%	18.7%
Profit/(loss) – Council (\$)	6	6
Total comprehensive income – Council (\$)	6	6

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		389,030	351,799
a. Correction of prior period errors	20 (c)	2,448	41,297
b. Changes in accounting policies (prior period effects)	20 (d)	—	—
c. Other comprehensive income (excl. direct to reserves transactions)		2	(30)
d. Net operating result for the year		6,489	(1,588)
Balance at end of the reporting period		397,969	391,478
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		89,001	87,258
Total		89,001	87,258
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		87,258	94,709
– Revaluations for the year	9(a)	1,102	(7,451)
– Correction of prior period errors	20(c)	686	—
– Revaluation of Non Current Inventory (Land)		(45)	—
– Balance at end of year		89,001	87,258
TOTAL VALUE OF RESERVES		89,001	87,258

(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

- The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 2016	Actual 2015
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(c) Correction of error/s relating to a previous reporting period

Correction of errors disclosed in this year's financial statements:

As part of Council's commitment to measuring all its I,PP&E at fair values, Council has recognised the following assets for the first time with the amount of the correction taken to the prior period opening balance in Equity.

– Other Structures	3,040	–
– Land Improvements	113	–

In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.

These amounted to the following equity adjustments:

– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)	(19)	38,830
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)	3,153	3,153
Total prior period adjustments – prior period errors	3,134	41,983

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 2016	Actual 2015
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(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 year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,268	975	9,426
User charges and fees	1,635	394	5,499
Interest and investment revenue	109	133	271
Other revenues	235	11	905
Grants and contributions provided for operating purposes	40	28	17,433
Grants and contributions provided for capital purposes	40	–	7,006
Other income			
Share of interests in joint ventures and associates using the equity method	–	–	6
Total income from continuing operations	3,327	1,541	40,546
Expenses from continuing operations			
Employee benefits and on-costs	985	632	13,687
Borrowing costs	36	–	399
Materials and contracts	484	179	5,211
Depreciation and amortisation	801	334	8,151
Impairment	–	–	–
Other expenses	862	500	6,455
Net losses from the disposal of assets	–	–	209
Total expenses from continuing operations	3,168	1,645	34,112
Operating result from continuing operations	159	(104)	6,434
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	159	(104)	6,434
Net operating result attributable to each council fund	159	(104)	6,434
Net operating result for the year before grants and contributions provided for capital purposes	119	(104)	(572)

¹ General fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

Warrumbungle Shire Council

Notes to the Financial Statements

as at 30 June 2016

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	2,372	2,722	10,618
Investments	–	–	–
Receivables	938	459	3,633
Inventories	6	–	779
Other	–	–	108
Total current assets	3,316	3,181	15,138
Non-current assets			
Receivables	–	1,086	(8)
Inventories	–	–	299
Infrastructure, property, plant and equipment	29,972	22,102	429,721
Investments accounted for using the equity method	–	–	294
Intangible assets	–	–	353
Total non-current assets	29,972	23,188	430,659
TOTAL ASSETS	33,288	26,369	445,797
LIABILITIES			
Current liabilities			
Payables	6	–	3,769
Borrowings	75	–	713
Provisions	184	73	4,603
Total current liabilities	265	73	9,085
Non-current liabilities			
Borrowings	612	–	5,859
Provisions	4	2	2,584
Total non-current liabilities	616	2	8,443
TOTAL LIABILITIES	881	75	17,528
Net assets	32,407	26,294	428,269
EQUITY			
Retained earnings	20,768	12,071	365,130
Revaluation reserves	11,639	14,223	63,139
Council equity interest	32,407	26,294	428,269
Non-controlling interests	–	–	–
Total equity	32,407	26,294	428,269

¹ General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 22. 'Held for sale' non-current assets and disposal groups

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 23. Events occurring after the reporting date

\$ '000

Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 25/10/16.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 24. Discontinued operations

\$ '000

Council has not classified any of its operations as 'discontinued'.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 25. Intangible assets

	Actual	Actual
\$ '000	2016	2015

Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are as follows:

Opening values:

Gross book value (1/7)	645	381
Accumulated amortisation (1/7)	(173)	(98)
Accumulated impairment (1/7)	—	—
Net book value – opening balance	472	283

Movements for the year

– Purchases	—	238
– Development costs	—	25
– Amortisation charges	(119)	(75)

Closing values:

Gross book value (30/6)	645	645
Accumulated amortisation (30/6)	(292)	(173)

TOTAL INTANGIBLE ASSETS – NET BOOK VALUE 1

353	472
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¹. The net book value of intangible assets represent:

– Software	353	472
	353	472

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and 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	
		2016	2015
Allandale	2018	2	1
Beamsfield West	2018	30	29
Caradoc Park	2018	4	4
Cooks	2018	4	4
Glenmore	2018	10	9
Lemonwood	2018	6	5
Naparoo	2018	8	7
Wanloch	2018	10	10
Avis 2	2018	8	7
Box Hill	2018	9	8
Carlyons	2018	21	20
Coolah Tsr	2018	3	2
Kirban	2038	7	6
Pidgee	2038	17	14
Barrier Gates	2023	21	20
Rhodes	2038	7	5
Cloven Hills	2028	14	12
Connemarra	2028	21	19
Coolah Crk	2028	5	4
Edenmore	2028	26	23
Lochneil	2038	12	10
Pipers	2038	7	6
Quondory	2028	48	42
Wyoming	2038	29	24
A Becketts	2038	4	3
Arkabah	2038	4	3
Avas 1	2038	4	3
Baradine Aerodro	2038	16	13
Barwidgee South	2038	28	23
Barwon	2038	3	2
Bellerive	2038	3	2
Beni	2038	22	17
Bobella	2038	1	1
Boomely	2038	3	3
Borambitty	2038	11	9
Brains	2038	2	2
Bretni Rd	2038	15	12
Burrawong Park	2038	6	5
Burton	2038	8	7
Caledonia	2038	11	9

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000			
Cheriton	2038	3	3
Cobbora	2038	14	11
Coleraine	2038	8	7
Coolie Camp	2038	10	8
Coonabarabran	2038	5	4
Cossington	2038	11	9
Cromarty Park	2038	1	1
Curteis	2038	8	6
Danabar	2038	14	11
Danlo	2038	75	61
Dowd Rd	2038	6	5
Duces	2038	49	40
Dunedoo	2038	7	6
Ewendale	2038	6	5
Forans Lane	2038	43	35
Foster	2038	39	32
Frost	2038	19	15
Galashields	2038	19	15
Gamble Crk	2038	2	1
Glendale	2038	16	13
Glenrowan	2038	54	44
Goally	2038	64	51
Gunnedah	2038	50	40
Hawthorne	2038	40	32
Haynes	2038	5	4
Hazelmere	2038	4	4
Hereford Park	2038	2	2
Hillgrove	2038	7	6
Hollymount	2038	5	4
Inchmoor	2038	17	14
Johnsons	2038	27	21
Kallara	2038	5	4
Kentuckey	2038	5	4
Kiah	2038	5	4
Kindalyn	2038	33	26
Koroa	2018	21	20
Kroobit Cadell	2038	46	37
Kurrajong Park 2	2038	10	8
Kurravale	2038	6	5
Kybeyan	2038	5	4
Lanbre	2038	19	16
Liamena	2038	15	12
Lockerbie	2028	5	5
Loloma	2038	17	14
Lynwood	2018	7	7

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000			
Maduba	2038	2	2
Marombi Rd 2	2038	2	1
Maronga	2038	7	5
Maroo	2038	24	20
Mendooran 1	2038	22	18
Mendooran 2	2038	9	7
Merrygoen	2038	4	4
Millings	2038	6	5
Morton Bay	2038	4	3
Mt Hope	2038	4	3
Mt Marlow	2038	13	10
Murrumbong	2038	11	9
Narangarie	2038	16	13
Neible	2038	7	5
North Pine	2038	15	12
O Neills	2038	2	2
Oban	2038	23	19
Old Castle	2038	28	22
Orana	2038	16	13
Pandora	2038	1	1
Peridot	2038	4	3
Pine Ridge	2018	52	49
Pound	2028	8	7
Rawlinsons Old	2028	9	8
Rawlinsons Pit	2038	9	7
Round Mountain	2038	8	6
Saltwater	2038	8	6
Sandy Crk Rd	2038	1	1
Scotts	2038	7	5
Silentdale	2038	6	5
Skidders	2038	2	1
Sleightholmes	2038	41	33
Spring Ridge Rd	2038	6	5
The Pinnacles	2038	41	33
Thompsons	2038	5	4
Timbali	2038	25	20
Todds	2038	11	9
Tonniges Rd	2038	1	1
Turee	2038	20	16
Tv Tower	2038	28	23
Warrawonga	2038	1	1
Watsons	2038	35	28
Wattlegrove	2038	14	11
Weetaliba	2038	3	2
Witta Coola	2038	17	13

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

Woodlands	2038	5	4
Yellow Cutting	2038	37	30
Beamsfield North	2038	—	16
Deep Creek	2038	2	2
Hathway	2038	7	5
Leaders	2038	6	5
Phyllisdale	2038	6	5
Quilpie	2038	3	2
Rodgers	2038	5	4
Three Miles	2038	9	7
Yarrandale	2038	9	7
Lumeah	2038	1	0
Maldannia	2038	1	0
Ulunggra	2038	5	4
Kerr's Pit	2038	5	4
Beamsfield East	2038	1	16
Dromore	2038	5	5
Ulamambri Tip	2038	5	17
Binnaway Tip	2038	5	37
Baradine Tip	2038	19	28
Dunedoo Tip	2038	6	34
Mendooran Tip	2038	21	40
Coolah Tip	2038	45	30
Coonabarabran Tip	2038	34	190
Balance at end of the reporting period	10(a)	<u>2,472</u>	<u>2,039</u>

Reconciliation of movement in provision for year:

Balance at beginning of year	2,039	1,691
Amounts capitalised to new or existing assets:		
– Quarries	—	26
Effect of a change in discount rates used in PV calculations	351	236
Amortisation of discount (expensed to borrowing costs)	82	77
Total – reinstatement, rehabilitation and restoration provision	<u>2,472</u>	<u>2,039</u>

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Provisions for close down and restoration and for environmental clean up costs – tips and quarries

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and 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. The 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 and restoration 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.

Other movements in the provisions for close down and restoration 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.

Rehabilitation

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 reporting 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 reporting 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 unwinding 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.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

		Fair value measurement hierarchy			Total
		Level 1	Level 2	Level 3	
2016	Date	Quoted	Significant	Significant	
Recurring fair value measurements	of latest valuation	prices in active mkts	observable inputs	unobservable inputs	
Infrastructure, property, plant and equipment					
Plant and equipment	N/A			9,033	9,033
Office equipment	N/A			43	43
Furniture and fittings	N/A			136	136
Land	30/06/13			6,916	6,916
Land improvements – depreciable	30/06/16			1,403	1,403
Buildings	30/06/13			41,995	41,995
Other structures	30/06/16			13,114	13,114
Roads	30/06/15			203,048	203,048
Bridges	30/06/15			51,295	51,295
Footpaths	30/06/15			3,612	3,612
Bulk earthworks	30/06/15			87,998	87,998
Stormwater drainage	30/06/15			4,758	4,758
Water supply network	30/06/13			27,829	27,829
Sewerage network	30/06/13			21,251	21,251
Tip assets	30/06/14			387	387
Quarry assets	30/06/14			1,161	1,161
Total infrastructure, property, plant and equipment		–	–	473,979	473,979

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

Infrastructure, property, plant and equipment

Plant and equipment, office equipment and furniture, fixtures and fittings

Plant and equipment, office equipment and furniture, and fixtures and fittings are all valued at depreciated cost (original purchase price) as this assessment is considered to approximate fair value.

Roads, bulk earthworks, bridges, footpaths and stormwater drainage

The values currently displayed are based on the following

The current replacement cost for these asset classes has been derived from a 2014/15 valuation survey undertaken, for this purpose, by APV Valuers. Roads are componentised into road pavement and road seal assets and differentiated between long and short life components, with pavements split into sealed and unsealed road. Bridges are componentised into bridges Long Life and Short Life and major culverts, and culverts and drainage assets include both pits and pipes. All asset components are assigned useful lives and are condition rated at the time of valuation. Council has increased significantly the amount of available information on its road network, but still lacks some historical information such as rehabilitation dates for components such as road seals and pavements, and is in the final processes of segmenting its local road network. Other information that is currently being sourced includes traffic volumes, more accurate dimensions and topography information, and better information on soil types.

Quarry and tip remediation liabilities

Council recognises remediation assets for quarries and tips under its control. These assets are based on the estimated cost to remediate the sites at the end of their useful life. Estimated remediation costs are based on engineering assessments and take into account the inputs needed to rehabilitate the quarry/tip sites. As the final remediation will not happen for several years the input costs are indexed out to the estimated remediation date through the use of CPI, and then discounted back to arrive at the present value, with the discount rate being the ten year government bond rate. No estimate is made for potential increases in rehabilitation scope in future years as such changes can not be reliably measured. Further details on these assets can be found in note 26 and note 9.

Operational and community land

Land has been valued at market value, having regard to the "highest and best use", after identifying elements that would be taken into account by buyers and sellers in settling the price. These elements include: land description and dimensions, planning and other constraints on development and the potential for alternative use (Valued by Scott Fullarton Valuations [SFV] in 2012/13). Community land is valued at Valuer General unimproved capital value (UCV) which takes into account highest and best use values.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

Other structures and land improvements (depreciable)

The value of structures and depreciable land improvements have been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for preliminaries and professional fees. These values have been derived from a valuation by Australis Asset Advisory Group for 30/6/2016.

This asset class includes Aerodromes, Pools, landscaping, gardens, sport change rooms, grand stands etc. Major components include pool structures, walls, roofs, pumps, fences, sheds, garden beds etc. Each component is assigned a useful life and long life component, based on engineering estimates and are condition rated at the time of valuation. In some cases Council has limited data for this asset class in relation to original construction date, age, and past maintenance and renewals history.

Water and sewer network

Current replacement costs for water and sewer assets have been derived by Modern Engineering Equivalent Replacement Asset (MEERA) unit costs and lump sums. Water and sewer assets are componentised into mains, treatment plants, pumping stations, and reservoirs. All asset components are assigned a long life component, useful life and remaining useful life, and were condition rated at time of revaluation, with the condition rating determining the remaining useful life. Valuations require a level of professional judgement from both the valuer and Council engineers and the valuation was carried out through the use of condition assessments including through the use of cameras and maintenance/break histories for assets that could not be accessed through a simple inspection. Limitation on current valuations include further data issues around Council mains break historical data, and a lack of long term historical data on renewals.

Buildings

Buildings are valued by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost. These rates are derived from substantial analysis of construction costs from over 120 Councils across NSW by Council's valuer (Valued by Scott Fullarton Valuations [SFV] in 2012/13). Buildings assets are componentised into structure, internal finishes, roofing, fire/security, electrical and mechanical components. Each component is assigned a long life component, useful life and remaining useful life with the remaining useful life based on the condition assessment at the time of valuation. Further improvements to the valuation could be achieved with further details on the level of componentisation, as well as more in-depth maintenance history.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Plant and equipment	Office equipment	Furniture and fittings	Land	Land imp depreciable	Buildings	Other structures	Roads	Total
Opening balance – 1/7/14	10,360	63	217	6,677	731	41,534	7,728	169,494	236,804
Adoption of AASB 13	–	–	–	–	–	–	–	–	–
Transfers from/(to) level 1 FV hierarchy 27 4(b)	–	–	–	–	–	–	–	–	–
Transfers from/(to) level 2 FV hierarchy 27 4(b)	–	–	–	–	–	–	–	–	–
Transfers from/(to) another asset class	–	–	–	–	–	121	2,068	(1,976)	213
Purchases (GBV)	1,729	8	–	141	15	388	266	2,863	5,410
Disposals (WDV)	(483)	–	–	–	–	–	–	(58)	(541)
Depreciation and impairment	(2,306)	(16)	(42)	–	(48)	(718)	(342)	(5,054)	(8,526)
FV gains – other comprehensive income	–	–	–	–	–	–	–	40,787	40,787
FV gains – Income Statement ¹	–	–	–	–	–	–	–	–	–
Closing balance – 30/6/15	9,300	55	175	6,818	698	41,325	9,720	206,056	274,147
Purchases (GBV)	2,588	–	–	–	351	1,394	736	1,358	6,427
Disposals (WDV)	(740)	–	–	–	–	–	–	(232)	(972)
Depreciation and impairment	(2,115)	(12)	(39)	–	(48)	(724)	(379)	(4,134)	(7,451)
FV gains – other comprehensive income	–	–	–	98	289	–	(3)	–	384
FV gains – Income Statement ¹	–	–	–	–	–	–	–	–	–
Adjustments & Transfers	–	–	–	–	113	–	3,040	–	3,153
Closing balance – 30/6/16	9,033	43	136	6,916	1,403	41,995	13,114	203,048	275,688

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) continued

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Tip asset	Quarry asset	Total
Opening balance – 1/7/14	40,107	3,600	103,239	5,385	27,722	21,094	290	755	202,192
Adoption of AASB 13	–	–	–	–	–	–	–	–	–
Transfers from/(to) level 1 FV hierarchy 27 4(b)	–	–	–	–	–	–	–	–	–
Transfers from/(to) level 2 FV hierarchy 27 4(b)	–	–	–	–	–	–	–	–	–
Transfers from/(to) another asset class	–	–	–	–	441	–	–	–	441
Purchases (GBV)	1,980	140	–	23	102	39	–	26	2,310
Disposals (WDV)	–	–	–	–	–	–	–	–	–
Depreciation and impairment	(191)	(123)	–	(144)	(780)	(314)	(12)	(40)	(1,604)
FV gains – other comprehensive income	5,637	(6)	(15,241)	(495)	404	312	–	–	(9,389)
FV gains – Income Statement ¹	–	–	–	–	–	–	–	–	–
Remediation adjustment	–	–	–	–	–	–	49	196	245
Closing balance – 30/6/15	47,533	3,611	87,998	4,769	27,889	21,131	327	937	194,195
Purchases (GBV)	4,095	172	–	94	308	128	–	–	4,797
Disposals (WDV)	–	(53)	–	–	–	–	–	–	(53)
Depreciation and impairment	(333)	(117)	–	(105)	(774)	(320)	(14)	(54)	(1,717)
FV gains – other comprehensive income	–	–	–	–	406	312	–	–	718
FV gains – Income Statement ¹	–	–	–	–	–	–	–	–	–
Remediation adjustment	–	–	–	–	–	–	74	278	352
Closing balance – 30/6/16	51,295	3,613	87,998	4,758	27,829	21,251	387	1,161	198,292

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Financial assets			
Investments		Market approach	<ul style="list-style-type: none"> * Risk rating * Value of underlying assets * Change in interest rates and yields * Off market bids
I,PP&E			
Plant and equipment		Cost approach	<ul style="list-style-type: none"> * Gross Replacement Cost (purchase price) * Remaining Useful Life
Office equipment		Cost approach	<ul style="list-style-type: none"> * Gross Replacement Cost (purchase price) * Remaining Useful Life
Furniture and fittings		Cost approach	<ul style="list-style-type: none"> * Gross Replacement Cost (purchase price) * Remaining Useful Life
Operational land		Market approach	<ul style="list-style-type: none"> * Similar local property prices * Alternative use

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

Community land		Market approach	* Unimproved capital value from Valuer General
Land Imp (depreciable)		Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Buildings		Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Other structures		Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Roads		Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Bridges		Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Footpaths		Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Bulk earthworks		Cost approach (Replacement Cost)	* Gross Replacement Cost
Stormwater drainage		Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Water supply network		Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

Sewer supply network		Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Other		Cost approach	* Asset Condition * Remaining Useful Life
Tip assets		Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes
Quarry assets		Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

d. The valuation process for level 3 fair value measurements

Warrumbungle Shire Council undertakes to recognise its assets at fair value. Whilst this method does not suit some asset categories such as Plant & Equipment or Office furniture it is the best available method to determine the value of assets such as roads and Buildings.

The process by council determines is through:

- * A re examination of the fair value of the relevant asset classes as specified by the OLG on a five year rotation;
- * Seek an external valuer with good knowledge and reputation to undertake the valuation;
- * The "Valuer" selects a sample of assets and in conjunction with Council Staff will then examine the sample to determine any adjustments required;
- * During this process the adequacy and accuracy of costing and usage assumptions are analysed and addressed as required;
- * After the physical examination the Valuer goes over the findings with Council and invites questions and feedback;
- * In conjunction with Council's input the Valuer will then make a determination on which Council will act.

(5). Highest and best use

All of Council's non-financial assets are considered to being utilised for their highest and best use.

INDEPENDENT AUDIT REPORT **Report on the general purpose financial statements**

To Warrumbungle Shire Council

SCOPE

The financial statements comprises the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, 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 2016.

Councils' responsibility for the financial statements

The Council is responsible for the preparation and fair presentation of the financial statements 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 statements 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 statements 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 statements 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 and 16 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 statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

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 statements:
 - (i) have been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
 - (ii) are consistent with the Council's accounting records; and
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30th June 2016 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 statements were detected in the course of the audit.

Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul Cornall

Principal

25th October 2016

92 Rusden Street Armidale

25 October 2016

The Mayor
Warrumbungle Shire Council
PO Box 120
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Forsyths Business Services Pty Ltd
ABN 66 182 781 401

Dear Mayor

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

We are pleased to report that we have completed the audit of Council's financial statements and records for the year ended 30 June 2016 and have issued an audit opinion on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

Under Section 417(3) of the *Local Government Act 1993* we are also required to report on the conduct of the audit.

Council's responsibilities

The Council is responsible for preparing financial statements that give a true and fair view of the financial position and performance of Council, and comply 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 statements.

Audit Objectives

We conducted an independent audit of the financial statements 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 statements are free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 to the financial statements and accordingly, we express no opinion on them.

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

We 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 statements; 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 statements. 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.

We have issued our unqualified audit opinion as required by Section 417(2) of the *Local Government Act 1993* on the basis of the foregoing comments.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

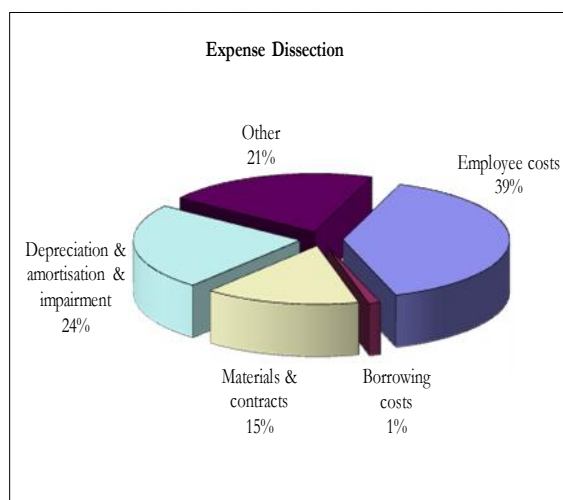
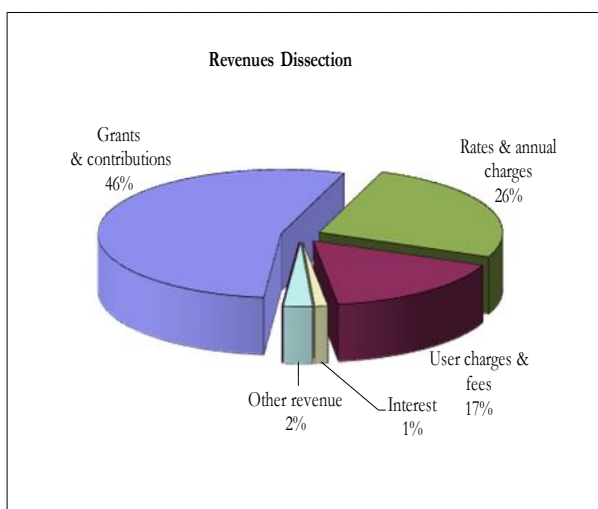
This auditor's report relates to the financial statements of Warrumbungle Shire Council for the year ended 30 June 2016 included on Warrumbungle Shire Council's web site. Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Additional Reporting Requirements

In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

The Income Statement for the year ended 30 June 2016 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2016	2016	2015	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	11,643	11,669	11,156	4.6%	0.2%
User charges & fees	7,883	7,528	7,349	2.4%	-4.5%
Interest	716	513	377	36.1%	-28.4%
Other revenues from ordinary activities	797	1,151	862	33.5%	44.4%
Grants & contributions for operating purposes	17,940	17,501	16,531	5.9%	-2.4%
Grants & contributions for capital purposes	12,226	7,046	2,374	196.8%	-42.4%
Gain from sale of assets	59	0	169	0.0%	0.0%
Gain from interests in joint ventures & associates	10	6	6	0.0%	-40.0%
Total income from continuing operations	51,274	45,414	38,824	17.0%	-11.4%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	14,126	15,304	14,718	4.0%	8.3%
Borrowing costs	378	435	383	13.6%	15.1%
Materials and contracts	7,367	5,874	7,683	-23.5%	-20.3%
Depreciation & amortisation	9,065	9,286	10,206	5.3%	2.4%
Other expenses from ordinary activities	7,333	7,817	7,422	-9.0%	6.6%
Loss from sale of assets	0	209	0	0.0%	0.0%
Total Expenses from continuing operations	38,269	38,925	40,412	-3.7%	1.7%
OPERATING RESULT FROM CONTINUING OPERATIONS	13,005	6,489	(1,588)	-508.6%	-50.1%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	779	(557)	(3,962)	-85.9%	-171.5%



Council has reported an operating surplus of \$6.5m for the year compared with a deficit of \$1.6m in the previous year. This result includes grants for capital purposes of \$7.0m. The expenditure of these grants is not recorded in the income statement but capitalised in the Statement of Financial Position. When these capital grants are excluded, Council achieved a deficit of \$0.6m (2015: deficit \$4.0m).

Income overall increased by \$6.6m or 17% compared to 2015 due to increases in the following:

- Grants and contributions for operating purposes of \$1.0m – the increase was due an increase in roads to recovery funding allocated to Council;
- Grants and contributions for capital purposes of \$4.6m – additional Cobbora Transition Fund grants utilised for new infrastructure (including Robinson Oval, Skate Park and Multipurpose Centre), additional grants for timber bridge replacements and new Rural Fire Service grants to assist with the construction of the Regional Fire Control Centre building;
- Rates and annual charges of \$0.5m – due to rate pegging increases and impacts of ad valorem rate calculation on land values;
- User charges and fees of \$0.2m- due to higher water usage and fees charged;
- Interest and investment revenue of \$0.1m - higher cash balances generating interest income during the year; and
- Other revenues of \$0.2m - general revenue increases and insurance claim recoveries.

Expenditure decreased by \$1.5m or 3.7% on the previous year due mainly to lower materials and contract costs of \$1.8m due to Council conducting more infrastructure renewal and new asset construction works rather than a focus on infrastructure maintenance expenditure, lower depreciation of \$0.9m due to a revision in depreciation rates, which was partially offset by higher employment costs of \$0.6m as a result of increase in employee leave provisions additional accruals, award wage rates and increase in staff numbers.

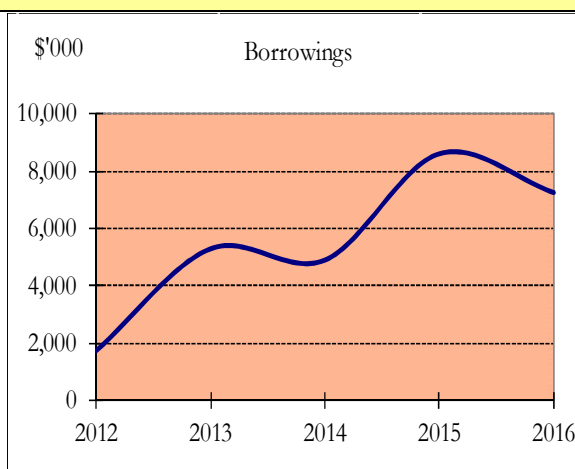
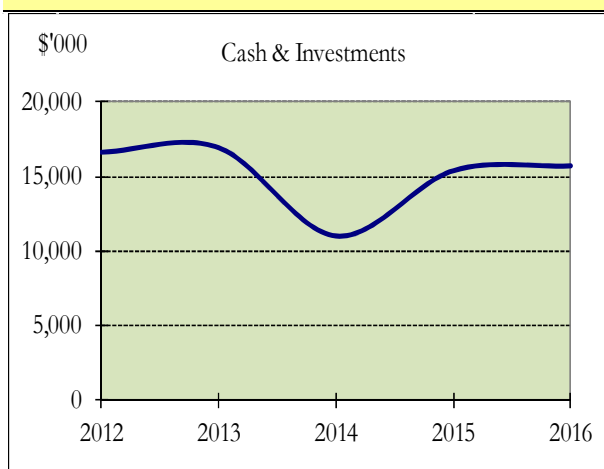
Comparison of actual to budget performance

The actual operating surplus for the year of \$6.5m compares with the original budget surplus of \$13.0m. The variation of \$6.5m between the actual results and the original budget (excluding revotes) is primarily due to the following:

- Other revenues (favourable \$0.4m) – Council obtained better than expected diesel rebate revenues and insurance claim reimbursements not included in the original budget;
- Operating and capital grants and contributions (unfavourable \$5.6m) – grants were below budget mainly due to Council being unable to complete some capital work projects by year end and therefore not able to accrue the grants associated with these projects;
- Employee costs (unfavourable \$1.2m) – employment costs were higher than budget due to less payroll costs being capitalised into infrastructure projects than was expected to occur in the budget plus additional expense as a result of increase in employees leave entitlement provisions;
- Materials and Contracts (favourable \$1.5m) – actual costs were lower than budgeted due Council focusing on infrastructure renewal and new works rather than maintenance activity; and
- Other minor budget variances totalling \$1.6m across various income and expense categories.

The following schedule of assets and liabilities has been extracted from the Statement of Financial Position as at 30 June 2016. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2016 \$'000	2015 \$'000	Variance %
CURRENT ASSETS			
Cash and cash equivalents	15,712	13,909	13.0%
Investments	-	1,484	-100.0%
Receivables	5,030	4,487	12.1%
Inventories	785	715	9.8%
Other	108	107	0.9%
TOTAL CURRENT ASSETS	21,635	20,702	4.5%
CURRENT LIABILITIES			
Payables	2,707	2,378	13.8%
Borrowings	788	1,351	-41.7%
Provisions	4,860	4,023	20.8%
TOTAL CURRENT LIABILITIES	8,355	7,752	7.8%
NET CURRENT ASSETS	13,280	12,950	2.5%
NON-CURRENT ASSETS			
Inventories	299	344	-13.1%
Receivables	10	30	-66.7%
Intangible assets	353	472	-25.2%
Investments accounted for using equity method	294	286	2.8%
Infrastructure, Property Plant & Equipment	481,795	471,592	2.2%
TOTAL NON-CURRENT ASSETS	482,751	472,724	2.1%
NON-CURRENT LIABILITIES			
Provisions	2,590	2,127	21.8%
Borrowings	6,471	7,259	-10.9%
TOTAL NON-CURRENT LIABILITIES	9,061	9,386	-3.5%
NET ASSETS	486,970	476,288	2.2%



The increase in cash and investment (current and non-current) of \$0.3m is due to strong surpluses from operations, mainly as a result of higher grants and contributions (capital and operating) as well as the proceeds from the sale of property, plant and equipment being spent on infrastructure asset renewals and loan repayments.

Total borrowings decreased by \$1.4m due to scheduled loan repayments.

The increase in infrastructure, property, plant and equipment of \$10.2m is mainly due to the revaluation of infrastructure assets (community land, land improvements and other structures) of \$3.5m as well as water and sewer asset CPI indexation increases of \$0.7 during the year. The remaining net increase in the infrastructure, property, plant and equipment value of \$6m is due to asset additions and renewals of \$16.2m offset by annual depreciation of \$9.2m and asset disposals of \$1.0m.

Other major balance sheet movements include:

- Increase in receivables – There was an increase in unpaid grants and contributions debtors at the end of 2016; and
- Increase in provisions (current and non-current) – Due to adjustments in the tip and quarry rehabilitation estimates and higher employee entitlement provisions as a result of increases in employee numbers, award pay rate increases on unused balances and higher accrued entitlements.

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. The following table provides a reconciliation of unrestricted assets:

	Water	Sewerage	Domestic Waste Management	General	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets	3,312	3,036	361	14,926	21,635
Current Liabilities	265	73	-	8,017	8,355
Net Current Assets	3,047	2,963	361	6,909	13,280
Plus: Net Liabilities Payable >12mths	-	-	-	1,367	1,367
Total Funds before Restrictions	3,047	2,963	361	8,276	14,647
LESS: Restricted Cash & Investments (Included in Revenue)					
Developer Contributions	94	29	-	199	322
Specific Purpose Grants & Contributions	40	-	-	3,512	3,552
	134	29	-	3,711	3,874
NET FUNDS AVAILABLE	2,913	2,934	361	4,565	10,773
LESS Internal Restrictions	-	-	-	4,439	4,439
Net Funds After All Restrictions	2,913	2,934	361	126	6,334

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	1,227	101	-	1,328
Carry over works	3,506	-	2,949	557
Plant replacement fund	1,922	5,509	5,124	2,307
Quarry restoration	72	175	-	247
	6,727	5,785	8,073	4,439

The above table shows that the general function has available funds of \$4.6m before setting aside funds in reserves (internal restrictions). After funding \$4.4m of internal restrictions, Council has only a small reserve surplus to fund day to day working capital requirements. Council should consider rebuilding its unrestricted cash reserves in future years.

Internal restrictions are funds Council has earmarked for particular projects or to fund specific operating needs. Council has internally restricted \$1.3m to fund employee leave entitlements. This restriction represents 27% of all leave entitlements. This reserve is considered satisfactory given leave payments expected in the 2016 financial year are included in Council's current year budgets.

The internal restrictions for carry over works decreased due to Council being able to complete infrastructure works carried over from the prior year.

LOCAL GOVERNMENT INDUSTRY 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	2016	2015	2014	2013	2012	Benchmarks
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating reveune.	-0.9%	-11.4%	-22.6%	-3.9%	-9.7%	>0%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	46%	51%	61%	55%	50.4%	>60%
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	1.78	2.53	2.55	3.88	4.58	>1.5
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principal and lease payments.	5.2	7.8	4.2	17.0	20.62	>2 & <20
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	8.3%	8.4%	11.4%	13.3%	13.6%	<10%
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	5.88	5.21	3.03	5.82	4.43	>3

Operating performance

An operating performance deficit of 0.9% indicates that Councils operating revenue, excluding capital grants and contributions are almost sufficient to cover operating expenditure, especially depreciation of infrastructure assets. This compares to the State average deficit of 0.6% and Group 10 average deficit of 2.7% for 2015. The significant improvement in this ratio for 2016 is due to the increase in revenues mainly arising from operating grants and contributions and lower expenditure mainly materials and contracts and depreciation and amortisation. The benchmark is that councils should average breakeven or better over a three year period.

The ratio shows that in the current year, Council is able to fund most its infrastructure needs (as represented by depreciation expense) and that in the long term Council needs to continue the current improvement its financial performance.

Owned source operating revenue

A ratio of 46% highlights that Council has a dependence on grants and contributions and compares to a Group 10 average of 59% and a State average of 67% for 2015. The reduction in the ratio is due to higher grants and contributions (capital and operating) for the 2016 including the higher Cobbora Transition Fund and Roads to Recovery grants in the current year.

The benchmark for sustainability is to have a ratio of greater than 60%.

Unrestricted Ratio

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 and adjusting for employee entitlements not expected to be settled within 12 months. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 1.76 indicates that there is \$1.76 of unrestricted current assets for every \$1.00 of current liabilities. Council's ratio of 1.76 compares to the average of 4.29 for Group 10 Councils and the State average of 3.92 for 2015. The ratio is above the benchmark of greater than 1.5.

Debt service cover ratio

The debt service cover ratio of 5.24 times indicates that council has \$5.24 before interest and depreciation to pay interest and principal repayments on current borrowings. This compares to the Group 10 average of 27.7 and the State average of 104.1 for 2015. The benchmark for sustainability is to have a ratio of greater than 2 but below 20. The reduction in this ratio for 2016 is due to improvements in the operating result before capital grants, interest and depreciation being offset by higher loan repayments in the current year.

Outstanding rate ratio

The outstanding rates and charges ratio of 8.3% is similar to the previous year and indicates that Council has maintained its debt collection performance compared to the prior year. Council's outstanding rates ratio is still higher than the Group 10 average of 6.74% and the State average of 5.85% for 2015 but is still lower than the benchmark for rural Council's of less than 10%.

Cash expense ratio

The ratio indicates that Council can pay 5.88 months of its expenses without additional cash inflows. This compares to the Group 10 average of 11.4 and the State average of 9.80 for 2015. The benchmark is to have reserves to meet at least 3 months of operating expenditure

Key performance indicators by fund

The key financial indicators by fund disclosed in the Financial Statements are:

RATIO	PURPOSE	Water	Sewer	General				
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating reveune.	3.62%	-14.01%	-6.75%	-5.15%	-1.10%	-11.44%	■ 2016 ■ 2015
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	97.60%	98.11%	98.18%	95.66%	39.72%	45.50%	■ 2016 ■ 2015
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	12.51	13.58	43.58	71	1.75	2.53	■ 2016 ■ 2015
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principal and lease payments.	14.49	12.82	0	6.67	4.65	7.64	■ 2016 ■ 2015
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	16.50%	15.84%	9.23%	15.49%	7.24%	6.86%	■ 2016 ■ 2015
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	11.85	9.63	24.9	25.5	4.5	4.03	■ 2016 ■ 2015

Operating performance

An operating performance ratio by fund shows that the sewer and general funds have been unable to cover all of their operating expenses, especially depreciation expense. The ratio improvement in 2016 in the water and general fund is due to improvements in operating revenue, especially water user charges and general fund roads to recovery grants. The deterioration in the sewer fund performance ratio is due to increases in costs during the 2016 year.

Owned source operating revenue

The ratios show the Councils reliance on grant and contribution funding within the general fund.

Unrestricted Ratio

The unrestricted ratios show that the water and sewer funds have sufficient working capital. The general fund unrestricted ratio fell below the benchmark due to the increase in restricted grant funds received during the current year that will be required to be spent on infrastructure renewal in the coming year.

Debt service cover ratio

The debt service cover ratio by fund shows that Council may have potential to increase borrowings within all of its funds.

Outstanding rate ratio

The outstanding rate ratio by fund shows that the outstanding rates for the water fund than higher than the sewer and general functions due to the timing of water bills being issued during the year compared to the beginning of the year for the other functions.

Cash expense ratio

The ratio indicates that all funds have sufficient cash reserves to fund short term operations.

Infrastructure Asset Performance Indicators (unaudited)

With the emphasis on “Fit for the Future” we have included comments on unaudited infrastructure asset performance measures disclosed in the Special Schedule 7 are as follows:

RATIO	PURPOSE	2016	2015	2014	2013	2012	Benchmarks
INFRASTRUCTURE RENEWALS RATIO	To assess the proportion spent on infrastructure renewals vs infrastructure deterioration.	118.1%	42.2%	59.8%	63.3%	44.38%	>100%
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	0.2%	5%	6%	20%	27%	<2%
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	101%	133%	108%	100%	100%	>100%

Infrastructure Renewals Ratio

The infrastructure renewals ratio outlines Council’s performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2016 Council spent \$1.18 for every \$1 in estimated asset deterioration. The Group 10 ratio was \$1.06 and the State average ratio was \$0.92 for the 2015 year. The benchmark is to have a three year average of greater than \$1.00.

The trend in the ratio highlights that Council expended less on asset renewals compared to the estimated reduction in asset condition over the past five years. However, it should be noted that Special Schedule 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring infrastructure assets to a satisfactory standard is \$5.0m.

Infrastructure backlog ratio

An infrastructure backlog ratio 0% indicates that Council effectively has no infrastructure backlog and compares to a Group 10 average of 7.4% and State average of 4.4% for 2015. The benchmark is a ratio less than 2%. The ratio has continued to improve over the past five years due to changes in asset backlog calculation methodology including assessment of asset condition, changes in valuation approach, improved asset componentisation and adjustments to backlog factors arising from changes in community expectations over infrastructure service needs.

Asset maintenance ratio

The asset maintenance ratio of 101% indicates that Council has undertaken sufficient maintenance to keep pace with required maintenance requirements as determined by Council's engineers and maintenance staff. This compares positively to the Group 10 average of 97.6% and the State average of 101% for 2015. A ratio of greater than 1.0 is considered acceptable.

Overall the infrastructure asset performance indicators show that Council's asset management performance has improved and that Council considers its asset management performance to be acceptable.

The increase in current cash and investments is evident in the following table extracted from the Statement of Cash Flows.

CASH MOVEMENTS	Actual 2016	Actual 2015	Variance
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	47,403	39,817	19.1%
Proceeds from Assets Sales	800	659	21.4%
Proceeds from sale of investments	1,500	1,551	-3.3%
Repayment from Deferred Debtors	20	21	-4.8%
Other investing activity receipts	0	11	0.0%
Proceeds from Borrowings	0	4,146	0.0%
TOTAL RECEIPTS	49,723	46,205	7.6%
CASH OUTFLOWS			
Operating Payments	30,708	31,640	-2.9%
Purchase of Assets	15,842	8,233	92.4%
Repayment of Loans	1,351	440	207.0%
Other payments	19	0	0.0%
TOTAL PAYMENTS	47,920	40,313	18.9%
TOTAL CASH MOVEMENT	1,803	5,892	-69.4%
Cash assets	15,712	13,909	
Investments (current and non-current)	0	1,484	
Total Cash & Investments on Hand	15,712	15,393	2.1%

Council's cash and investments have increased by \$0.3m after expending \$15.8m on infrastructure and assets and \$1.4m on scheduled repayments of borrowings. This was funded by positive cash flows from operations and proceeds from some sale of assets.

Cash Outflows for "Purchase of Assets" of \$15.8m included road and bridge construction totalling \$12.3m. This compares with the \$4.5m annual rate of depreciation of these assets. The other major asset purchases related to plant and equipment of \$2.6m.

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, Sewerage and Quarry operations as Category 2 Business Units.

Water supply function

The Special Purpose Financial Reports disclose that the Water Supply function recorded an operating surplus (before capital funding) of \$119,000 after allowing for depreciation of \$801,000.

The Net Current Asset position of \$3,051,000 provides a satisfactory working capital balance to meet short to medium to longer term operational requirements. We note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that Council does not presently have a water infrastructure backlog.

Sewerage services

The Sewerage function recorded an operating deficit (before capital funding) of \$104,000 after allowing for depreciation of \$334,000.

The Net Current Assets of \$3,108,000 provides a satisfactory working capital base to meet short to long term operational requirements. 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 approximately \$1.5m.

Quarry operations

Council recorded an operating surplus of \$115,000 compared to a deficit of \$16,000 in 2015. Council has managed to improve quarry sales and improve overall operating costs resulting in an increase in profits. The net current assets of \$244,000 is satisfactory for the size of operations.

GENERAL

Reporting obligations under the Local Government Act

Council's systems and records have been well maintained during the year and Council's audited accounts will be submitted to the Office of Local Government within the prescribed time provide for in Division 2 of the *Local Government Act 1993*.

Matters of a technical nature have been documented in a management letter to the General Manager.

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