

# Warrumbungle Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2012

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*"excellence in local government"*



# Warrumbungle Shire Council

## General Purpose Financial Statements for the financial year ended 30 June 2012

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	<b>2</b>
<b>2. Statement by Councillors &amp; Management</b>	<b>3</b>
<b>3. Primary Financial Statements:</b>	
- Income Statement	4
- Statement of Comprehensive Income	5
- Balance Sheet	6
- Statement of Changes in Equity	7
- Statement of Cash Flows	8
<b>4. Notes to the Financial Statements</b>	<b>9</b>
<b>5. Independent Auditor's Reports:</b>	
- On the Financial Statements (Sect 417 [2])	
- On the Conduct of the Audit (Sect 417 [3])	

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated 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 (LGA) 1993 of NSW.

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
  - (iv) These financial statements were authorised for issue by the Council on 28/09/12.  
Council has the power to amend and reissue the financial statements.
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# Warrumbungle Shire Council

## General Purpose Financial Statements

for the financial year ended 30 June 2012

## Understanding Council's Financial Statements

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### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited Financial Statements to their Council & Community.

### What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2012.

The format of the Financial Statements is standard across all NSW Councils and complies with both the accounting & reporting requirements of Australian Accounting Standards and requirements as set down by the NSW Division 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 & ownership of the Financial Statements.

### About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

#### 1. An Income Statement

A summary of Council's financial performance for the year, listing all income & expenses.

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

#### 2. A Statement of Comprehensive Income

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant & Equip.

#### 3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.

#### 4. A Statement of Changes in Equity

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

### 5. A Statement of Cash Flows

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 5 Primary Financial Statements.

### About the Auditor's Reports

Council's Financial Statements are required to be audited by external accountants (that generally specialize 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 & position, &
2. Their observations on the conduct of the Audit including the Council's financial performance & financial position.

### Who uses the Financial Statements ?

The Financial Statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the Financial Statements.

Council is required to forward an audited set of Financial Statements to the Division of Local Government.

## Warrumbungle Shire Council

### General Purpose Financial Statements for the financial year ended 30 June 2012

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

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

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

To the best of our knowledge and belief, these Financial Statements:

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

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

Signed in accordance with a resolution of Council made on 16 August 2012.

  
Peter Shinton  
MAYOR  
Murray Coe  
COUNCILLOR  
Steve Loane  
GENERAL MANAGER  
Steve Loane  
RESPONSIBLE ACCOUNTING OFFICER

# Warrumbungle Shire Council

## Income Statement

for the financial year ended 30 June 2012

Budget <sup>(1)</sup> 2012 \$ '000		Notes	Actual 2012	Actual 2011
<b>Income from Continuing Operations</b>				
<b>Revenue:</b>				
10,811	Rates & Annual Charges	3a	10,040	9,659
6,800	User Charges & Fees	3b	5,715	4,462
373	Interest & Investment Revenue	3c	780	1,328
441	Other Revenues	3d	774	800
12,245	Grants & Contributions provided for Operating Purposes	3e,f	15,835	14,873
3,459	Grants & Contributions provided for Capital Purposes	3e,f	1,166	2,410
<b>Other Income:</b>				
-	Net gains from the disposal of assets	5	-	211
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
<b>34,129</b>	<b>Total Income from Continuing Operations</b>		<b>34,310</b>	<b>33,743</b>
<b>Expenses from Continuing Operations</b>				
11,383	Employee Benefits & On-Costs	4a	12,561	13,500
137	Borrowing Costs	4b	200	153
13,888	Materials & Contracts	4c	8,154	7,671
9,989	Depreciation & Amortisation	4d	9,478	9,672
-	Impairment	4d	-	831
767	Other Expenses	4e	5,965	5,019
-	Net Losses from the Disposal of Assets	5	285	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	24	34
<b>36,164</b>	<b>Total Expenses from Continuing Operations</b>		<b>36,667</b>	<b>36,880</b>
<b>(2,035)</b>	<b>Operating Result from Continuing Operations</b>		<b>(2,357)</b>	<b>(3,137)</b>
<b>Discontinued Operations</b>				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<b>(2,035)</b>	<b>Net Operating Result for the Year</b>		<b>(2,357)</b>	<b>(3,137)</b>
(2,035)	Net Operating Result attributable to Council		(2,357)	(3,137)
-	Net Operating Result attributable to Minority Interests		-	-
<b>(5,494)</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>(3,523)</b>	<b>(5,547)</b>

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

# Warrumbungle Shire Council

## Statement of Comprehensive Income for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		<b>(2,357)</b>	<b>(3,137)</b>
<b>Other Comprehensive Income</b>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	<u>43,795</u>	<u>34,158</u>
Total Other Comprehensive Income for the year		<b>43,795</b>	<b>34,158</b>
Total Comprehensive Income for the Year		<u>41,438</u>	<u>31,021</u>
Total Comprehensive Income attributable to Council		41,438	31,021
Total Comprehensive Income attributable to Minority Interests		<u>-</u>	<u>-</u>

# Warrumbungle Shire Council

## Balance Sheet as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	10,796	8,468
Investments	6b	3,317	-
Receivables	7	3,685	4,381
Inventories	8	573	527
<b>Total Current Assets</b>		<b>18,371</b>	<b>13,376</b>
<b>Non-Current Assets</b>			
Investments	6b	2,520	6,247
Receivables	7	-	-
Inventories	8	451	451
Infrastructure, Property, Plant & Equipment	9	441,195	399,603
Investments accounted for using the equity method	19	286	310
<b>Total Non-Current Assets</b>		<b>444,452</b>	<b>406,611</b>
<b>TOTAL ASSETS</b>		<b>462,823</b>	<b>419,987</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	2,137	1,130
Borrowings	10	153	189
Provisions	10	3,446	3,051
<b>Total Current Liabilities</b>		<b>5,736</b>	<b>4,370</b>
<b>Non-Current Liabilities</b>			
Borrowings	10	1,585	1,719
Provisions	10	1,292	1,126
<b>Total Non-Current Liabilities</b>		<b>2,877</b>	<b>2,845</b>
<b>TOTAL LIABILITIES</b>		<b>8,613</b>	<b>7,215</b>
<b>Net Assets</b>		<b>454,210</b>	<b>412,772</b>
<b>EQUITY</b>			
Retained Earnings	20	358,618	360,975
Revaluation Reserves	20	95,592	51,797
Council Equity Interest		454,210	412,772
Minority Equity Interest		-	-
<b>Total Equity</b>		<b>454,210</b>	<b>412,772</b>

# Warrumbungle Shire Council

## Statement of Changes in Equity for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
<b>2012</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		339,166	51,797	<b>390,963</b>	-	<b>390,963</b>
a. Correction of Prior Period Errors	20 (c)	21,809	-	<b>21,809</b>		<b>21,809</b>
b. Changes in Accounting Policies (prior year effects)	20 (d)	-		-		-
<b>Revised Opening Balance</b> (as at 1/7/11)		<b>360,975</b>	<b>51,797</b>	<b>412,772</b>	-	<b>412,772</b>
<b>c. Net Operating Result for the Year</b>		<b>(2,357)</b>		<b>(2,357)</b>	-	<b>(2,357)</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)		43,795	<b>43,795</b>		<b>43,795</b>
- Impairment (loss) reversal relating to I,PP&E	20b (ii)		-	-		-
<b>Other Comprehensive Income</b>		-	<b>43,795</b>	<b>43,795</b>	-	<b>43,795</b>
<b>Total Comprehensive Income</b> (c&d)		<b>(2,357)</b>	<b>43,795</b>	<b>41,438</b>	-	<b>41,438</b>
e. Distributions to/(Contributions from) Minority Interests				-	-	-
f. Transfers between Equity		-	-	-		-
<b>Equity - Balance at end of the reporting period</b>		<b>358,618</b>	<b>95,592</b>	<b>454,210</b>	-	<b>454,210</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
<b>2011</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		342,131	17,639	<b>359,770</b>	-	<b>359,770</b>
a. Correction of Prior Period Errors	20 (c)	21,981	-	<b>21,981</b>	-	<b>21,981</b>
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/10)		<b>364,112</b>	<b>17,639</b>	<b>381,751</b>	-	<b>381,751</b>
<b>c. Net Operating Result for the Year</b>		<b>(3,137)</b>	-	<b>(3,137)</b>	-	<b>(3,137)</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	34,158	<b>34,158</b>	-	<b>34,158</b>
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	<b>34,158</b>	<b>34,158</b>	-	<b>34,158</b>
<b>Total Comprehensive Income</b> (c&d)		<b>(3,137)</b>	<b>34,158</b>	<b>31,021</b>	-	<b>31,021</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>360,975</b>	<b>51,797</b>	<b>412,772</b>	-	<b>412,772</b>



# Warrumbungle Shire Council

## Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012 \$ '000		Notes	Actual 2012	Actual 2011
<b>Cash Flows from Operating Activities</b>				
<b><u>Receipts:</u></b>				
10,812	Rates & Annual Charges		10,015	9,095
6,800	User Charges & Fees		6,602	3,158
372	Investment & Interest Revenue Received		786	1,049
15,703	Grants & Contributions		17,883	17,146
-	Bonds, Deposits & Retention amounts received		10	5
441	Other		1,467	1,739
<b><u>Payments:</u></b>				
(11,383)	Employee Benefits & On-Costs		(12,226)	(13,664)
(13,888)	Materials & Contracts		(8,650)	(7,595)
(137)	Borrowing Costs		(140)	(131)
-	Bonds, Deposits & Retention amounts refunded		-	-
(767)	Other		(6,362)	(5,654)
<b>7,953</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>9,385</b>	<b>5,148</b>
<b>Cash Flows from Investing Activities</b>				
<b><u>Receipts:</u></b>				
-	Sale of Investment Securities		500	9,181
-	Sale of Real Estate Assets		-	41
-	Sale of Infrastructure, Property, Plant & Equipment		981	1,132
-	Deferred Debtors Receipts		4	4
<b><u>Payments:</u></b>				
-	Purchase of Investment Securities		-	(6,000)
(8,353)	Purchase of Infrastructure, Property, Plant & Equipment		(8,372)	(6,750)
-	Purchase of Real Estate Assets		-	(168)
-	Contributions Paid to Joint Ventures & Associates		-	(5)
<b>(8,353)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(6,887)</b>	<b>(2,565)</b>
<b>Cash Flows from Financing Activities</b>				
<b><u>Receipts:</u></b>				
500	Proceeds from Borrowings & Advances		-	-
-	Proceeds from Finance Leases		-	-
<b><u>Payments:</u></b>				
(94)	Repayment of Borrowings & Advances		(130)	(373)
	Repayment of Finance Lease Liabilities		(40)	(60)
<b>406</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(170)</b>	<b>(433)</b>
<b>6</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>2,328</b>	<b>2,150</b>
15,452	plus: Cash & Cash Equivalents - beginning of year	11a	8,468	6,318
<b>15,458</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>10,796</b>	<b>8,468</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
<b>1</b>	Summary of Significant Accounting Policies	10
<b>2(a)</b>	Council Functions / Activities - Financial Information	28
<b>2(b)</b>	Council Functions / Activities - Component Descriptions	30
<b>3</b>	Income from Continuing Operations	31
<b>4</b>	Expenses from Continuing Operations	37
<b>5</b>	Gains or Losses from the Disposal of Assets	41
<b>6(a)</b>	Cash & Cash Equivalent Assets	42
<b>6(b)</b>	Investment Securities	43
<b>6(c)</b>	Restricted Cash, Cash Equivalents & Investments - Details	44
<b>7</b>	Receivables	46
<b>8</b>	Inventories & Other Assets	47
<b>9(a)</b>	Infrastructure, Property, Plant & Equipment	49
<b>9(b)</b>	Externally Restricted Infrastructure, Property, Plant & Equipment	50
<b>9(c)</b>	Infrastructure, Property, Plant & Equipment - Current Year Impairments	51
<b>10(a)</b>	Payables, Borrowings & Provisions	52
<b>10(b)</b>	Description of (& movements in) Provisions	53
<b>11</b>	Statement of Cash Flows - Additional Information	54
<b>12</b>	Commitments for Expenditure	56
<b>13a</b>	Statements of Performance Measures:	59
	(i) Local Government Industry Indicators (Consolidated)	59
	(ii) Local Government Industry Graphs (Consolidated)	60
<b>13b</b>	Statement of Performance Measures - Industry Indicators (by Fund)	61
<b>14</b>	Investment Properties	62
<b>15</b>	Financial Risk Management	62
<b>16</b>	Material Budget Variations	67
<b>17</b>	Statement of Developer Contributions	70
<b>18</b>	Contingencies and Other Liabilities/Assets not recognised	73
<b>19</b>	Controlled Entities, Associated Entities & Interests in Joint Ventures	75
<b>20</b>	Equity - Retained Earnings and Revaluation Reserves	78
<b>21</b>	Financial Result & Financial Position by Fund	81
<b>22</b>	"Held for Sale" Non Current Assets & Disposal Groups	82
<b>23</b>	Events occurring after Balance Sheet Date	82
<b>24</b>	Discontinued Operations	83
<b>25</b>	Intangible Assets	83
<b>26</b>	Reinstatement, Rehabilitation & Restoration Liabilities	84

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### 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.

#### (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 Interpretations issued by the Australian Accounting Standards Board;
- the Local Government Act (1993) & 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)

As Australian Accounting Standards 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 IFRS's; 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), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with Australian Accounting Standards.

##### (iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

##### (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 2011.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

##### (v) Basis of Accounting

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

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

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

#### (vii) Critical Accounting Estimates

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

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 the entity 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 investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated quarry remediation provisions.
- (iv) Estimations and assumptions around depreciation calculations, including estimates of useful lives and residual values.

#### **Critical judgements in applying the entity's accounting policies**

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

#### (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 the entity 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 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 conditions were undischarged at balance date, the

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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

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

#### (c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/12) and (ii) all the related operating results (for the financial year ended the 30th June 2012).

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

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

#### (i) The Consolidated Fund

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

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

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

- **General Purpose Operations**
- **Warrumbungle Water Fund**
- **Warrumbungle Sewerage Fund**

#### (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

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these 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) Joint Ventures

##### Jointly Controlled Assets & Operations

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

##### Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and are carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

#### (iv) Associated Entities

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

Such entities are usually termed Associates.

#### (v) County Councils

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

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

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

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

#### (vi) Additional Information

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

#### (d) Leases

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

##### Finance Leases

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

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

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

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

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



# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

#### Operating Leases

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

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

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

#### (e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

#### (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**;
- **held-to-maturity investments**; and
- **available-for-sale financial assets**.

Each classification depends on the purpose/intention for which the investment 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.

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

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

In contrast to the “Loans & Receivables” classification, these investments are generally quoted in an active market.

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

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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

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

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

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

#### Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### General Accounting & 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.

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



# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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.

#### (iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money 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

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

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

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

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

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

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 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.

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

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

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

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

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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

##### 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.

##### 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)

##### Initial Recognition

On initial recognition, an assets 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 (ie. 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)

Council's non current assets have been progressively revalued to fair value in accordance

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

with a staged implementation as advised by the Division of Local Government.

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**  
(External Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**  
(External Valuation)
- **Plant and Equipment**  
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**  
(External Valuation)
- **Drainage Assets** (External Valuation)
- **Community Land** (External Valuation)
- **Land Improvements**  
(as approximated by depreciated historical cost)
- **Other Structures** (External Valuation)
- **Other Assets**  
(as approximated by depreciated historical cost)

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

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

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 financial year ended 30 June 2012

### 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	100% Capitalised

##### Plant & Equipment

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

##### Buildings & Land Improvements

Park Furniture & Equipment	> \$10,000
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##### Buildings:

- construction/extensions	100% Capitalised
- renovations	> \$20,000

Other Structures	> \$5,000
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##### Water & Sewer Assets

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

##### Stormwater Assets

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

##### Transport Assets

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

#### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

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

##### Plant & Equipment

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

##### Other Equipment

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

##### Buildings

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

##### Stormwater Drainage

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

##### Transportation Assets

- Sealed Roads: Surface	12 years
- Sealed Roads: Pavement	50 to 60 years
- Unsealed roads Pavement	10 to 18 years
- Earthworks	Unlimited life
- Bridges	100 years
- Kerb, Gutter & Paths	30 to 70 years

##### Water & 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

All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

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

#### Disposal and De-recognition

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

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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 service, direct payroll and payroll related costs of employees' time spent on the project.

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

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical

feasibility and where Council has an intention and ability to use the asset.

#### (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 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

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council. Council does not hold any investment properties.



## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### 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 which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

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

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

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

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

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 relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

##### **(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

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

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

A Discontinued Operation is a component of the entity that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

#### **(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 circumstances indicate that the carrying amount may not be recoverable.

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

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

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

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill & 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 which are unpaid.

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

#### **(u) Borrowings**

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are 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.

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

##### (v) Borrowing costs

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

##### (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.

##### (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 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.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

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

###### (ii) 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 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



# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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.

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

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities.

As a result, they have asked for significant increases in future contributions to recover that deficiency.

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

For this reason, no liability for the deficiency has been recognised in 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 30/6/12.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

#### (y) Self insurance

Council does not self insure.

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.

#### (z) Allocation between current and non-current assets & 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.

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

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

#### Exceptions

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

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

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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

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

#### (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).

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

#### Applicable to Local Government with implications:

#### Goods & Services Tax (GST)

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

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

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

***AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)***

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2013 but is available for early adoption.

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

***AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, revised AASB 127 - Separate Financial Statements and AASB 128 - Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)***

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary

and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

***AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)***

AASB 13 was released in September 2011.

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

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

None

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

***Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)***

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

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

None

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### **(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.

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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##### **(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 financial year ended 30 June 2012

### 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 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012	Actual 2011
	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2011	2012	2011
Governance	-	-	-	302	299	799	(302)	(299)	(799)	-	-	-	-
Administration	3,674	680	1,080	8,324	4,193	6,692	(4,650)	(3,513)	(5,612)	419	545	28,891	27,586
Public Order & Safety	2,440	2,568	1,930	2,686	3,681	2,337	(246)	(1,113)	(407)	2,494	1,964	4,651	4,954
Health	62	63	39	200	196	106	(138)	(133)	(67)	5	60	2,288	2,217
Environment	1,662	1,598	1,388	1,716	2,142	2,088	(54)	(544)	(700)	57	-	-	-
Community Services & Education	2,496	2,886	2,941	2,325	2,912	2,854	171	(26)	87	1,895	2,428	6,671	6,467
Housing & Community Amenities	224	206	269	817	831	1,017	(593)	(625)	(748)	63	-	20,155	20,575
Water Supplies	2,170	2,230	2,454	2,261	2,622	2,579	(91)	(392)	(125)	40	-	31,123	22,877
Sewerage Services	1,294	1,231	1,449	1,141	1,276	1,139	153	(45)	310	29	-	25,034	15,815
Recreation & Culture	191	203	197	2,748	2,894	2,594	(2,557)	(2,691)	(2,397)	106	63	28,463	27,535
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	83	56	70	218	301	914	(135)	(245)	(844)	-	-	862	2
Transport & Communication	6,852	8,044	8,993	12,819	14,588	13,076	(5,967)	(6,544)	(4,083)	1,978	3,998	313,122	269,952
Economic Affairs	143	135	78	607	708	651	(464)	(573)	(573)	93	77	1,277	1,240
<b>Total Functions &amp; Activities</b>	<b>21,291</b>	<b>19,900</b>	<b>20,888</b>	<b>36,164</b>	<b>36,643</b>	<b>36,846</b>	<b>(14,873)</b>	<b>(16,743)</b>	<b>(15,958)</b>	<b>7,179</b>	<b>9,135</b>	<b>462,537</b>	<b>399,220</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)					24	34	-	(24)	(34)		-	286	310
General Purpose Income <sup>1</sup>	12,838	14,410	12,855			-	12,838	14,410	12,855	7,340	5,764		20,457
<b>Operating Result from Continuing Operations</b>	<b>34,129</b>	<b>34,310</b>	<b>33,743</b>	<b>36,164</b>	<b>36,667</b>	<b>36,880</b>	<b>(2,035)</b>	<b>(2,357)</b>	<b>(3,137)</b>	<b>14,519</b>	<b>14,899</b>	<b>462,823</b>	<b>419,987</b>

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



## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### 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 & 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 & EDUCATION**

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

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

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

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

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

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

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

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

Building control, quarries & pits, other.

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

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RTA works, 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 financial year ended 30 June 2012

### Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		1,727	1,664
Farmland		4,265	4,153
Business		517	500
<b>Total Ordinary Rates</b>		<b>6,509</b>	<b>6,317</b>
<b>Special Rates</b>			
Water Supplies		-	-
Sewerage Services		-	-
<b>Total Special Rates</b>		<b>-</b>	<b>-</b>
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		1,026	830
Water Supply Services		1,193	1,206
Sewerage Services		1,015	1,024
Waste Management Services (non-domestic)		297	282
<b>Total Annual Charges</b>		<b>3,531</b>	<b>3,342</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>10,040</b>	<b>9,659</b>

Council has used 2011 year valuations provided by the NSW Valuer General in calculating its rates.



# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Water Supply Services		884	794
Sewerage Services		108	129
<b>Total User Charges</b>		<b>992</b>	<b>923</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Building Regulation		17	19
Planning Regulation		30	33
Private Works - Section 67		129	110
Registration Fees		12	2
Regulatory Fees		36	38
Section 149 Certificates (EPA Act)		25	24
Section 603 Certificates		2	-
Statutory Fees		3	10
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>254</b>	<b>236</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Aged Care		129	127
Cemeteries		76	89
Child Care		768	464
Lease Rentals		14	31
Leaseback Fees - Council Vehicles		51	42
Park Rents		10	3
Quarry Revenues		7	6
RMS (formerly RTA) Charges (State Roads not controlled by Council)		3,234	2,326
Sundry Sales		10	17
Swimming Centres		70	87
Tourism		37	27
Waste Disposal Tipping Fees		36	38
Other		27	46
<b>Total Fees &amp; Charges - Other</b>		<b>4,469</b>	<b>3,303</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>5,715</b>	<b>4,462</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges		172	96
- Interest earned on Investments (interest & coupon payment income)		515	978
<b>Impairment Losses/Reversals</b>			
- Impairment (Losses)/Reversals - Investments other than AFS		90	254
<b>Other</b>		3	-
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>780</u></b>	<b><u>1,328</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		98	93
General Council Cash & Investments		561	1,028
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		11	-
- Section 64		3	2
Water Fund Operations		55	61
Sewerage Fund Operations		52	144
<b>Total Interest &amp; Investment Revenue Recognised</b>		<b><u>780</u></b>	<b><u>1,328</u></b>
<b>(d). Other Revenues</b>			
Rental Income - Other Council Properties		84	94
Legal Fees Recovery - Rates & Charges (Extra Charges)		109	55
Commissions & Agency Fees		122	135
Diesel Rebate		90	89
Insurance Claims Recoveries & Rebates		150	214
Recycling Income (non domestic)		159	131
Sales - General		-	39
Other		60	43
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>774</u></b>	<b><u>800</u></b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	4,493	3,552	-	-
Financial Assistance - Local Roads Component	2,756	2,119	-	-
Pensioners' Rates Subsidies - General Component	91	93	-	-
<b>Total General Purpose</b>	<b>7,340</b>	<b>5,764</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Water	40	42	-	-
- Sewerage	29	1	-	-
- Domestic Waste Management	57	52	-	-
Water Supplies	-	-	-	394
Aged Care	660	645	-	-
Bushfire & Emergency Services	1,968	1,515	575	392
Child Care	1,214	1,073	-	336
Community Care	45	67	-	-
Economic Development	94	84	-	-
Employment & Training Programs	56	39	-	-
Flood Restoration	53	-	-	23
Heritage & Cultural	10	2	20	-
Library	57	56	-	-
Recreation & Culture	31	15	-	24
Transport (Roads to Recovery)	690	1,095	-	-
Transport (Other Roads & Bridges Funding)	1,071	2,386	482	667
Other	15	-	12	227
<b>Total Specific Purpose</b>	<b>6,090</b>	<b>7,072</b>	<b>1,089</b>	<b>2,063</b>
<b>Total Grants</b>	<b>13,430</b>	<b>12,836</b>	<b>1,089</b>	<b>2,063</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	8,818	8,429	-	1,078
- State Funding	4,612	4,407	1,089	985
- Other Funding	-	-	-	-
	<b>13,430</b>	<b>12,836</b>	<b>1,089</b>	<b>2,063</b>

## Warrumbungle Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(f). Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b>				
S 94 - Contributions towards amenities/services	-	-	-	57
S 94A - Fixed Development Consent Levies	-	-	63	36
<b>Total Developer Contributions</b> 17	<b>-</b>	<b>-</b>	<b>63</b>	<b>93</b>
<b>Other Contributions:</b>				
Kerb & Gutter	-	-	14	42
RMS Contributions (Regional Roads, Block Grant)	2,405	2,037	-	212
<b>Total Other Contributions</b>	<b>2,405</b>	<b>2,037</b>	<b>14</b>	<b>254</b>
<b>Total Contributions</b>	<b>2,405</b>	<b>2,037</b>	<b>77</b>	<b>347</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>15,835</b>	<b>14,873</b>	<b>1,166</b>	<b>2,410</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

	Actual 2012	Actual 2011
<b>\$ '000</b>		
<b>(g). Restrictions relating to Grants and Contributions</b>		
<b>Certain grants &amp; contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the Close of the Previous Reporting Period	2,825	2,497
<b>add:</b> Grants & contributions recognised in the current period but not yet spent:	663	2,006
<b>less:</b> Grants & contributions recognised in a previous reporting period now spent:	(1,585)	(1,678)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>(922)</b>	<b>328</b>
<b>Unexpended and held as Restricted Assets</b>	<b>1,903</b>	<b>2,825</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	1,420	2,395
- Developer Contributions	483	430
- Other Contributions	-	-
	<b>1,903</b>	<b>2,825</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		9,456	10,676
Employee Leave Entitlements (ELE)		2,059	1,707
Superannuation		1,058	1,034
Workers' Compensation Insurance		627	508
Fringe Benefit Tax (FBT)		19	21
Training Costs (other than Salaries & Wages)		139	106
Protective Clothing		46	46
<b>Total Employee Costs</b>		<b>13,404</b>	<b>14,098</b>
less: Capitalised Costs		(843)	(598)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>12,561</b>	<b>13,500</b>
Number of "Equivalent Full Time" Employees at year end		175	192
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		207	244
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		113	126
Charges relating to Finance Leases		26	4
<b>Total Interest Bearing Liability Costs</b>		<b>139</b>	<b>130</b>
less: Capitalised Costs		-	-
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>139</b>	<b>130</b>
<b>(ii) Other Borrowing Costs</b>			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	61	23
<b>Total Other Borrowing Costs</b>		<b>61</b>	<b>23</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>200</b>	<b>153</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		3,053	4,217
Contractor & Consultancy Costs		4,808	3,235
Auditors Remuneration <sup>(1)</sup>		22	74
Legal Expenses:			
- Legal Expenses: Planning & Development		5	2
- Legal Expenses: Debt Recovery		125	68
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>(2)</sup>		141	65
Other		-	10
<b>Total Materials &amp; Contracts</b>		<b>8,154</b>	<b>7,671</b>
less: Capitalised Costs		-	-
<b><u>TOTAL MATERIALS &amp; CONTRACTS</u></b>		<b><u>8,154</u></b>	<b><u>7,671</u></b>
<b>1. Auditor Remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
<b>(i) Audit and Other Assurance Services</b>			
- Audit & review of financial statements: Council's Auditor		22	57
- Audit of regulatory returns		-	-
- Due diligence services		-	-
<b>Remuneration for audit and other assurance services</b>		<b>22</b>	<b>57</b>
<b>(ii) Taxation Services</b>			
- Tax compliance services		-	-
- Other tax services (provide details)		-	-
<b>Remuneration for taxation services</b>		<b>-</b>	<b>-</b>
<b>(iii) Other Services</b>			
- Other Services: Council's Auditor Water & Sewer Amalgamation		-	17
<b>Remuneration for other services</b>		<b>-</b>	<b>17</b>
<b>Total Auditor Remuneration</b>		<b>22</b>	<b>74</b>
<b>2. Operating Lease Payments are attributable to:</b>			
Buildings		-	65
Computers		141	-
		<b>141</b>	<b>65</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,909	2,025
Office Equipment		-	-	43	58
Furniture & Fittings		-	-	24	28
Property, Plant & Equipment - Leased		-	-	47	47
Land Improvements (depreciable)		-	-	36	36
Buildings - Non Specialised		-	-	47	94
Buildings - Specialised		-	-	472	973
Other Structures		-	-	341	245
Infrastructure:					
- Roads, Bridges & Footpaths		-	831	5,277	4,886
- Stormwater Drainage		-	-	139	135
- Water Supply Network		-	-	721	800
- Sewerage Network		-	-	386	288
Other Assets					
- Other		-	-	-	5
Asset Reinstatement Costs	9 & 26	-	-	36	52
<b>Total Depreciation &amp; Impairment Costs</b>		<b>-</b>	<b>831</b>	<b>9,478</b>	<b>9,672</b>
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>-</b>	<b>831</b>	<b>9,478</b>	<b>9,672</b>



## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		97	77
Bad & Doubtful Debts		188	2
Bank Charges		28	21
Computer Software Charges		-	33
Conferences		19	9
- Noxious Weeds		88	86
- NSW Fire Brigade Levy		42	42
- NSW Rural Fire Service Levy		2,602	1,808
- Orana Arts		9	9
Councillor Expenses - Mayoral Fee		22	20
Councillor Expenses - Councillors' Fees		90	84
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		107	120
Donations, Contributions & Assistance to other organisations (Section 356)		162	218
- Community Development Co-ordinators		81	75
- Regional Library Contributions		426	413
Electricity & Heating		482	490
Insurance		597	713
Postage		44	20
Printing & Stationery		53	47
Registration & Licences		264	258
Street Lighting		94	84
Subscriptions & Publications		22	31
Telephone & Communications		204	186
Tourism Expenses (excluding employee costs)		142	132
Valuation Fees		45	41
Other		57	-
<b>Total Other Expenses</b>		<b>5,965</b>	<b>5,019</b>
less: Capitalised Costs		-	-
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>5,965</u></b>	<b><u>5,019</u></b>

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal - Property		981	-
less: Carrying Amount of Property Assets Sold / Written Off		(789)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>192</b>	<b>-</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		-	1,132
less: Carrying Amount of P&E Assets Sold / Written Off		-	(915)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>217</b>
<b>Infrastructure</b>			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(477)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>(477)</b>	<b>-</b>
<b>Real Estate Assets Held For Sale</b>			
Proceeds from Disposal - Real Estate Assets		-	41
less: Carrying Amount of Real Estate Assets Sold / Written Off		-	(47)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>(6)</b>
<b>Financial Assets</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		500	9,181
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(500)	(9,181)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(285)</b>	<b>211</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		585	-	868	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		5,961	-	2,350	-
- Short Term Deposits		4,250	-	5,250	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>10,796</b>	<b>-</b>	<b>8,468</b>	<b>-</b>
Investment Securities (Note 6b)					
- NCD's, FRN's (with Maturities > 3 months)		3,317	2,520	-	5,782
- CDO's		-	-	-	465
<b>Total Investment Securities</b>		<b>3,317</b>	<b>2,520</b>	<b>-</b>	<b>6,247</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>14,113</b>	<b>2,520</b>	<b>8,468</b>	<b>6,247</b>

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

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

#### Cash & Cash Equivalents

a. "Held to Maturity"	<b>10,796</b>	<b>-</b>	<b>8,468</b>	<b>-</b>
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#### Investments

##### a. "At Fair Value through the Profit & Loss"

- "Designated at Fair Value on Initial Recognition" 6(b-i)	3,317	2,520	-	6,247
<b>Investments</b>	<b>3,317</b>	<b>2,520</b>	<b>-</b>	<b>6,247</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 6b. Investments (continued)

	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
\$ '000				
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	-	6,247	3,181	5,993
Revaluations (through the Income Statement)	-	90	-	254
Additions	-	-	-	6,000
Disposals (sales & redemptions)	(500)	-	(3,181)	(6,000)
Transfers between Current/Non Current	3,817	(3,817)	-	-
<b>Balance at End of Year</b>	<b>3,317</b>	<b>2,520</b>	<b>-</b>	<b>6,247</b>
<b>Comprising:</b>				
- NCD's, FRN's (with Maturities > 3 months)	3,317	2,520	-	5,747
- CDO's	-	-	-	500
<b>Total</b>	<b>3,317</b>	<b>2,520</b>	<b>-</b>	<b>6,247</b>

## Warrumbungle Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
\$ '000				
<b>Total Cash, Cash Equivalents and Investment Securities</b>	<b>14,113</b>	<b>2,520</b>	<b>8,468</b>	<b>6,247</b>
<b>attributable to:</b>				
External Restrictions (refer below)	3,418	2,520	389	6,247
Internal Restrictions (refer below)	946	-	911	-
Unrestricted	9,749	-	7,168	-
	<b>14,113</b>	<b>2,520</b>	<b>8,468</b>	<b>6,247</b>

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

## Details of Restrictions

## External Restrictions - Included in Liabilities

Trust	148	9		157
<b>External Restrictions - Included in Liabilities</b>	<b>148</b>	<b>9</b>	<b>-</b>	<b>157</b>

## External Restrictions - Other

Developer Contributions - General (A)	324	74	(24)	374
Developer Contributions - Water Fund (A)	81	2	-	83
Developer Contributions - Sewer Fund (A)	25	1	-	26
Specific Purpose Unexpended Grants (B)	2,395	586	(1,561)	1,420
Water Supplies (C)	876	2,291	(2,299)	868
Sewerage Services (C)	2,739	1,327	(1,056)	3,010
Domestic Waste Management (C)	48	-	(48)	-
<b>External Restrictions - Other</b>	<b>6,488</b>	<b>4,281</b>	<b>(4,988)</b>	<b>5,781</b>
<b>Total External Restrictions</b>	<b>6,636</b>	<b>4,290</b>	<b>(4,988)</b>	<b>5,938</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Employees Leave Entitlement	674	258	(223)	709
Bio Solid Provision Coolah	100	-	-	100
Bio Solid Provision Dunedoo	100	-	-	100
L.E.P.	20	-	-	20
Town Improvement	17	-	-	17
Other	-	-	-	-
<b>Total Internal Restrictions</b>	<b>911</b>	<b>258</b>	<b>(223)</b>	<b>946</b>
<b>TOTAL RESTRICTIONS</b>	<b>7,547</b>	<b>4,548</b>	<b>(5,211)</b>	<b>6,884</b>

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

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		1,464	-	1,444	-
Interest & Extra Charges		229	-	286	-
User Charges & Fees		1,897	-	2,390	-
Private Works		84	-	66	-
Accrued Revenues					
- Interest on Investments		40	-	86	-
- Other Income Accruals		32	-	9	-
Government Grants & Subsidies		2	-	174	-
Deferred Debtors		10	-	14	-
Other Debtors		13	-	8	-
<b>Total</b>		<b>3,771</b>	<b>-</b>	<b>4,477</b>	<b>-</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		(62)	-	(67)	-
Interest & Extra Charges		-	-	(7)	-
User Charges & Fees		(24)	-	(22)	-
Other Debtors		-	-	-	-
<b>Total Provision for Impairment - Receivables</b>		<b>(86)</b>	<b>-</b>	<b>(96)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>3,685</u></b>	<b><u>-</u></b>	<b><u>4,381</u></b>	<b><u>-</u></b>
<b>Externally Restricted Receivables</b>					
<b>Water Supply</b>					
- Specific Purpose Grants		-	-	163	-
- Rates & Availability Charges		639	-	989	-
- Other		15	-	-	-
<b>Sewerage Services</b>					
- Rates & Availability Charges		476	-	450	-
- Other		6	-	8	-
<b>Domestic Waste Management</b>		<b>152</b>	<b>-</b>	<b>145</b>	<b>-</b>
<b>Total External Restrictions</b>		<b>1,288</b>	<b>-</b>	<b>1,755</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>2,397</b>	<b>-</b>	<b>2,626</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>		<b>3,685</b>	<b>-</b>	<b>4,381</b>	<b>-</b>

#### Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.



# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Real Estate for resale (refer below)		-	451	-	451
Stores & Materials		451	-	405	-
Loose Tools		122	-	122	-
<b>Total Inventories</b>		<b>573</b>	<b>451</b>	<b>527</b>	<b>451</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>573</b>	<b>451</b>	<b>527</b>	<b>451</b>
<b>Externally Restricted Assets</b>					
<b>Water</b>					
Stores & Materials		37	-	70	-
<b>Total Water</b>		<b>37</b>	<b>2,683</b>	<b>70</b>	<b>-</b>
<b>Sewerage</b>					
Stores & Materials		4	-	4	-
<b>Total Sewerage</b>		<b>4</b>	<b>782</b>	<b>4</b>	<b>-</b>
<b>Total Externally Restricted Assets</b>		<b>41</b>	<b>3,465</b>	<b>74</b>	<b>-</b>
<b>Total Internally Restricted Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Unrestricted Assets</b>		<b>532</b>	<b>(3,014)</b>	<b>453</b>	<b>451</b>
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>		<b>573</b>	<b>451</b>	<b>527</b>	<b>451</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	2012		2011	
	Current	Non Current	Current	Non Current
<b>(i) Other Disclosures</b>				
<b>(a) Details for Real Estate Development</b>				
Residential	-	165	-	165
Industrial/Commercial		286	-	286
<b>Total Real Estate for Resale</b>	<b>-</b>	<b>451</b>	<b>-</b>	<b>451</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition Costs	-	451	-	451
<b>Total Costs</b>	<b>-</b>	<b>451</b>	<b>-</b>	<b>451</b>
less: Provision for Under Recovery			-	-
<b>Total Real Estate for Resale</b>	<b>-</b>	<b>451</b>	<b>-</b>	<b>451</b>
<b>Movements:</b>				
Real Estate assets at beginning of the year	-	451	-	330
- WDV of Sales (exp) 5	-	-	(36)	(47)
- Transfer between Current/Non Current	-	-	-	-
- Reclassification	-	-	36	168
- Other	-	-	-	-
<b>Total Real Estate for Resale</b>	<b>-</b>	<b>451</b>	<b>-</b>	<b>451</b>
<b>(c) Inventories recognised as an expense for the year included:</b>				
- Stores & Materials			6	-

\$5,906.70 was recognised as an expense relating to the write down of Inventory balances held during the year.

## Warrumbungle Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

	as at 30/6/2011					Asset Movements during the Reporting Period						as at 30/6/2012					
	At Cost	At Fair Value	Accumulated Dep'n	Impairment	Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated Dep'n	Impairment	Carrying Value	
\$ '000	Capital Work in Progress	1,381	-	-	1,381	4,327	-	-	(2,483)	-	-	-	3,225	-	-	-	3,225
	Plant & Equipment	-	22,341	12,041	-	2,230	(789)	(1,909)	70	-	-	-	-	22,826	12,924	-	9,902
	Office Equipment	-	1,644	1,506	-	-	-	(43)	-	-	-	-	-	1,644	1,549	-	95
	Furniture & Fittings	-	536	419	-	9	-	(24)	-	-	-	-	-	546	444	-	102
	Plant & Equipment (under Finance Lease)	-	378	152	-	-	-	(47)	-	-	-	-	-	378	199	-	179
	Land:																
	- Operational Land	-	4,778	-	-	4,778	-	-	-	-	-	(13)	-	4,765	-	-	4,765
	- Community Land	-	1,409	-	-	1,409	-	-	-	-	-	(114)	-	1,295	-	-	1,295
	Land Improvements - non depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Land Improvements - depreciable	-	766	106	-	660	25	-	(36)	25	-	-	-	816	142	-	674
	Buildings - Non Specialised	-	3,498	983	-	2,515	-	-	(47)	-	-	-	-	3,498	1,030	-	2,468
	Buildings - Specialised	-	48,143	7,289	-	40,854	8	-	(472)	104	-	-	-	48,255	7,761	-	40,494
	Other Structures	-	11,345	3,137	-	8,208	15	-	(341)	201	-	-	-	11,561	3,478	-	8,083
	Infrastructure:																
	- Roads, Bridges, Footpaths	-	326,975	40,500	-	286,475	1,745	(477)	(5,277)	1,900	(103,239)	31,741	-	245,990	33,122	-	212,868
	- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	103,239	-	-	103,239	-	-	103,239
	- Stormwater Drainage	-	8,072	2,550	-	5,522	-	-	(139)	94	-	-	-	8,166	2,689	-	5,477
- Water Supply Network	-	52,644	31,766	-	20,878	2	-	(721)	73	-	6,526	-	56,138	29,380	-	26,758	
- Sewerage Network	-	29,346	13,916	-	15,430	11	-	(386)	16	-	5,655	-	33,661	12,935	-	20,726	
Other Assets:																	
- Other	-	91	91	-	-	-	-	-	-	-	-	-	-	91	91	-	-
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																	
- Quarry Asset	-	919	207	-	712	-	-	(36)	-	169	-	-	-	1,057	212	-	845
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,381	512,885	114,663	-	399,603	8,372	(1,266)	(9,478)	-	169	43,795	3,225	543,926	105,956	-	441,195	

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$3,125m) and New Assets (\$2,854m). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

Class of Asset	Actual 2012				Actual 2011			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
<b>Water Supply</b>								
WIP	688	-	-	<b>688</b>	358	-	-	<b>358</b>
Plant & Equipment	-	128	88	<b>40</b>	-	108	78	<b>30</b>
Office Equipment	-	33	33	-	-	33	33	-
Furniture & Fittings	-	-	-	-	-	-	-	-
Land								
- Operational Land	-	296	-	<b>296</b>	-	382	-	<b>382</b>
- Community Land	-	-	-	-	-	-	-	-
- Improvements non-depreciable	-	-	-	-	-	-	-	-
- Improvements - depreciable	-	5	5	-	-	5	5	-
Buildings	-	1,417	159	<b>1,258</b>	-	1,417	149	<b>1,268</b>
Other Structures	-	537	96	<b>441</b>	-	537	86	<b>451</b>
Infrastructure	-	56,138	29,380	<b>26,758</b>	421	52,223	31,766	<b>20,878</b>
<b>Total Water Supply</b>	<b>688</b>	<b>58,554</b>	<b>29,761</b>	<b>29,481</b>	<b>779</b>	<b>54,705</b>	<b>32,117</b>	<b>23,367</b>
<b>Sewerage Services</b>								
WIP	-	-	-	-	-	-	-	-
Plant & Equipment	-	184	180	<b>4</b>	184	-	167	<b>17</b>
Office Equipment	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-
Land								
- Operational Land	-	406	-	<b>406</b>	-	422	-	<b>422</b>
- Community Land	-	-	-	-	-	-	-	-
- Improvements non-depreciable	-	-	-	-	-	-	-	-
- Improvements - depreciable	-	-	-	-	-	-	-	-
Buildings	-	183	30	<b>153</b>	-	183	29	<b>154</b>
Other Structures	-	367	144	<b>223</b>	220	147	132	<b>235</b>
Infrastructure	-	33,661	12,935	<b>20,726</b>	142	29,204	13,916	<b>15,430</b>
<b>Total Sewerage Services</b>	<b>-</b>	<b>34,801</b>	<b>13,289</b>	<b>21,512</b>	<b>546</b>	<b>29,956</b>	<b>14,244</b>	<b>16,258</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>688</b>	<b>93,355</b>	<b>43,050</b>	<b>50,993</b>	<b>1,325</b>	<b>84,661</b>	<b>46,361</b>	<b>39,625</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

\$ '000	Notes	Actual 2012	Actual 2011
(i) Impairment Losses recognised in the Income Statement include:			
- Road impairment as a result of Flood Damage during 2010/11		-	(831)
<b>Total Impairment Losses</b>		<b>-</b>	<b>(831)</b>
(ii) Reversals of Impairment Losses previously recognised in the Income Statement include:			
- Not applicable		-	-
<b>Total Impairment Reversals</b>		<b>-</b>	<b>-</b>
<b><u>IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L</u></b>	4(d)	<b><u>-</u></b>	<b><u>(831)</u></b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		1,416	-	516	-
Accrued Expenses:					
- Borrowings		18	-	19	-
- Salaries & Wages		255	-	188	-
- Other Expenditure Accruals		132	-	150	-
Security Bonds, Deposits & Retentions		158	-	148	-
ATO - Net GST Payable		124	-	97	-
Other		34	-	12	-
<b>Total Payables</b>		<b>2,137</b>	<b>-</b>	<b>1,130</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		96	1,580	130	1,676
Finance Lease Liabilities		57	5	59	43
<b>Total Borrowings</b>		<b>153</b>	<b>1,585</b>	<b>189</b>	<b>1,719</b>
<b>Provisions</b>					
Employee Benefits;					
Annual Leave		1,163	-	1,055	-
Long Service Leave		1,778	77	1,639	72
Other Leave		101	-	101	-
ELE On-Costs		332	7	256	4
Sub Total - Aggregate Employee Benefits		3,374	84	3,051	76
Asset Remediation/Restoration (Future Works)	26	72	1,208	-	1,050
<b>Total Provisions</b>		<b>3,446</b>	<b>1,292</b>	<b>3,051</b>	<b>1,126</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>5,736</b>	<b>2,877</b>	<b>4,370</b>	<b>2,845</b>

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

	2012		2011	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Water	320	865	291	916
Sewer	118	1	56	2
Other	157	-	148	-
<b>Liabilities relating to externally restricted assets</b>	<b>595</b>	<b>866</b>	<b>495</b>	<b>918</b>
<b>Internally Restricted Assets</b>				
Nil				
<b>Total Liabilities relating to restricted assets</b>	<b>595</b>	<b>866</b>	<b>495</b>	<b>918</b>

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

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

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	2012	2011
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	2,164	2,387
	<b>2,164</b>	<b>2,387</b>

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

Class of Provision	2011	2012			
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Closing Balance as at 30/6/12
Annual Leave	1,055	723	(638)	23	1,163
Long Service Leave	1,711	355	(290)	79	1,855
Other Leave	101	-	-	-	101
ELE On-Costs	260	-	-	79	339
Asset Remediation	1,050	-	-	230	1,280
<b>TOTAL</b>	<b>4,177</b>	<b>1,078</b>	<b>(928)</b>	<b>411</b>	<b>4,738</b>

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

b. Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.

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



# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	10,796	8,468
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>10,796</b>	<b>8,468</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>(2,357)</b>	<b>(3,137)</b>
Adjust for non cash items:			
Depreciation & Amortisation		9,478	9,672
Net Losses/(Gains) on Disposal of Assets		285	(211)
Impairment Losses Recognition - I,PP&E		-	831
Impairment (Reversal of previous losses) - I,PP&E		-	-
Impairment Losses / (Prior Period Reversals) - Financial Investments		(90)	(254)
Correction of prior year error		-	36
Unwinding of Discount Rates on Reinstatement Provisions		61	3
Share of Net (Profits) or Losses of Associates/Joint Ventures		24	34
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		702	(2,047)
Increase/(Decrease) in Provision for Doubtful Debts		(10)	22
Decrease/(Increase) in Inventories		(46)	67
Decrease/(Increase) in Other Assets		-	-
Increase/(Decrease) in Payables		900	40
Increase/(Decrease) in accrued Interest Payable		(1)	(4)
Increase/(Decrease) in other accrued Expenses Payable		49	97
Increase/(Decrease) in Other Liabilities		59	(59)
Increase/(Decrease) in Employee Leave Entitlements		331	(197)
Increase/(Decrease) in Other Provisions		-	255
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>9,385</b>	<b>5,148</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Nil			
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>-</b>	<b>-</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		500	500
<b>Total Financing Arrangements</b>		<b>500</b>	<b>500</b>
<b>Amounts utilised as at Balance Date:</b>			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
<b>Total Financing Arrangements Utilised</b>		<b>-</b>	<b>-</b>

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

#### **(ii) Secured Loan Liabilities**

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

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

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

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Plant & Equipment		886	411
Buildings - New Admin and Chambers		2,411	3,000
Bridges - Timber Bridge Replacement Program		5,630	-
<b>Total Commitments</b>		<b>8,927</b>	<b>3,411</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		3,997	1,911
Later than one year and not later than 5 years		3,910	1,500
Later than 5 years		1,020	-
<b>Total Payable</b>		<b>8,927</b>	<b>3,411</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		3,297	1,911
Internally Restricted Reserves		-	1,500
New Loans (to be raised)		5,630	-
<b>Total Sources of Funding</b>		<b>8,927</b>	<b>3,411</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(b) Finance Lease Commitments</b>			
<b>(i) Commitments under Finance Leases at the Reporting Date are payable as follows:</b>			
Within the next year		60	65
Later than one year and not later than 5 years		5	44
Later than 5 years		-	-
<b>Total Minimum Lease Payments</b>		<b>65</b>	<b>109</b>
less: Future Finance Charges		(3)	(7)
<b>Amount Recognised as a Liability</b>		<b>62</b>	<b>102</b>
<b>(ii) Finance Lease Liability Recognised represent;</b>			
Current Liabilities		57	59
Non-Current Liabilities		5	43
<b>Total Finance Lease Liabilities Disclosed</b>		<b>62</b>	<b>102</b>
<b>(iii) General Details</b>			
Council Leases the following Property, Plant & Equipment under Finance Leases:			
	Term (Years)	Option to Purchase	Contingent Rent Clauses
Heavy Plant - Carrying Value	4	Y/N	Y/N
<b>Total Carrying Value at Year End</b>			
		62	102
		<b>62</b>	<b>102</b>
<b>(c) Operating Lease Commitments (Non Cancellable)</b>			
<b>a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:</b>			
Within the next year		150	-
Later than one year and not later than 5 years		194	-
Later than 5 years		-	-
<b>Total Non Cancellable Operating Lease Commitments</b>		<b>344</b>	<b>-</b>
<b>b. Non Cancellable Operating Leases include the following assets:</b>			
IT Equipment			

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

		Actual	Actual
\$ '000	Notes	2012	2011

##### Conditions relating to Finance & Operating Leases:

- All Finance & 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 Associates / Joint Ventures - Commitments

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

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 20112010	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions <sup>(1)</sup>	13,624	4.58 : 1	7.62	4.08
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	2,977			
2. Debt Service Ratio				
Debt Service Cost	326	1.32%	1.84%	2.09%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	24,649			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	10,040	29.26%	28.63%	29.24%
Income from Continuing Operations	34,310			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	1,631	13.62%	15.13%	11.09%
Rates, Annual & Extra Charges Collectible	11,977			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals <sup>(4)</sup>	3,125	44.38%	41.41%	18.11%
Depreciation, Amortisation & Impairment	7,042			

#### Notes

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

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

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

<sup>(3)</sup> Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

<sup>(4)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 13a(ii). Statement of Performance Measurement - Graphs (Consolidated)

\$ '000

<p><b>1. Unrestricted Current Ratio</b></p> <table><tr><th>Year</th><th>Ratio : 1</th></tr><tr><td>2009</td><td>1.36</td></tr><tr><td>2010</td><td>4.08</td></tr><tr><td>2011</td><td>7.62</td></tr><tr><td>2012</td><td>4.58</td></tr></table>	Year	Ratio : 1	2009	1.36	2010	4.08	2011	7.62	2012	4.58	<p><b>Purpose of Unrestricted Current Ratio</b></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><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio</b>    <b>4.58 : 1</b></p> <p>Decrease due to increased payables as a result of improvement in year end accruals processing, and reduced receivables due to improved debt recovery</p>
Year	Ratio : 1											
2009	1.36											
2010	4.08											
2011	7.62											
2012	4.58											
<p><b>2. Debt Service Ratio</b></p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2009</td><td>1.34%</td></tr><tr><td>2010</td><td>2.09%</td></tr><tr><td>2011</td><td>1.84%</td></tr><tr><td>2012</td><td>1.32%</td></tr></table>	Year	Ratio %	2009	1.34%	2010	2.09%	2011	1.84%	2012	1.32%	<p><b>Purpose of Debt Service Ratio</b></p> <p>To assess the impact of loan principal &amp; interest repayments on the discretionary revenue of council.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio</b>    <b>1.32%</b></p> <p>Council repaid its loan on staff houses in 2010/11 and has now repaid the Coolah pool loan. This reduction in outstanding loans has reduced Council's interest and loan principal repayments.</p>
Year	Ratio %											
2009	1.34%											
2010	2.09%											
2011	1.84%											
2012	1.32%											
<p><b>3. Rates &amp; Annual Charges Coverage Ratio</b></p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2009</td><td>26.83%</td></tr><tr><td>2010</td><td>29.24%</td></tr><tr><td>2011</td><td>28.63%</td></tr><tr><td>2012</td><td>29.26%</td></tr></table>	Year	Ratio %	2009	26.83%	2010	29.24%	2011	28.63%	2012	29.26%	<p><b>Purpose of Rates &amp; Annual Charges Coverage Ratio</b></p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio</b>    <b>29.26%</b></p> <p>Rates and annual charges have increased by \$381k (4%) while Council's other major revenue item - grants, has actually decreased by \$282k due to reduced flood damage grants in the 2011/12 financial year.</p>
Year	Ratio %											
2009	26.83%											
2010	29.24%											
2011	28.63%											
2012	29.26%											
<p><b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Ratio</b></p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2009</td><td>9.03%</td></tr><tr><td>2010</td><td>11.09%</td></tr><tr><td>2011</td><td>15.13%</td></tr><tr><td>2012</td><td>13.62%</td></tr></table>	Year	Ratio %	2009	9.03%	2010	11.09%	2011	15.13%	2012	13.62%	<p><b>Purpose of Rates &amp; Annual Charges Outstanding Ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio</b>    <b>13.62%</b></p> <p>Council's emphasis on debt recovery and improved debt recovery processes has resulted in a significant reduction (10%) in Council's rates and annual charges outstanding ratio.</p>
Year	Ratio %											
2009	9.03%											
2010	11.09%											
2011	15.13%											
2012	13.62%											
<p><b>5. Building &amp; Infrastructure Renewals Ratio</b></p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2009</td><td>155.51%</td></tr><tr><td>2010</td><td>18.11%</td></tr><tr><td>2011</td><td>41.41%</td></tr><tr><td>2012</td><td>44.38%</td></tr></table>	Year	Ratio %	2009	155.51%	2010	18.11%	2011	41.41%	2012	44.38%	<p><b>Purpose of Asset Renewals Ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on Result</b></p> <p><b>2011/12 Ratio</b>    <b>44.38%</b></p> <p>Council's capital expenditure in the 2011/12 financial year was in excess of \$8.34m, a significant portion of which related to capital expansion which is not captured by this ratio.</p>
Year	Ratio %											
2009	155.51%											
2010	18.11%											
2011	41.41%											
2012	44.38%											



## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2012	Sewer 2012	General <sup>1</sup> 2012
<b>Local Government Industry Indicators</b>			
<b>1. Unrestricted Current Ratio</b>			
<u>Current Assets less all External Restrictions <sup>(1)</sup></u>	<b>3.77 : 1</b>	<b>21.37 : 1</b>	<b>3.90 : 1</b>
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>			
prior period:			
<b>2. Debt Service Ratio</b>			
<u>Debt Service Cost</u>	<b>3.69%</b>	<b>0.00%</b>	<b>1.15%</b>
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
prior period:			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>			
<u>Rates &amp; Annual Charges</u>	<b>53.52%</b>	<b>82.45%</b>	<b>25.39%</b>
Income from Continuing Operations			
prior period:			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>			
<u>Rates, Annual &amp; Extra Charges Outstanding</u>	<b>18.02%</b>	<b>39.70%</b>	<b>10.37%</b>
Rates, Annual & Extra Charges Collectible			
prior period:			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>			
<u>Asset Renewals (Building &amp; Infrastructure assets)</u>	<b>10.96%</b>	<b>0.78%</b>	<b>51.27%</b>
Depreciation, Amortisation & Impairment			
prior period:			

#### Notes

<sup>(1)</sup> General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 14. Investment Properties

\$ '000	Notes	Actual 2012	Actual 2011
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Council has not classified any Land or Buildings as "Investment Properties"

#### Note 15. Financial Risk Management

\$ '000
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##### 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 & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2012	2011	2012	2011
<b>Financial Assets</b>				
Cash and Cash Equivalents	10,796	8,468	10,796	8,036
Investments				
- "Designated At Fair Value on Initial Recognition"	5,837	6,247	5,837	6,500
Receivables	3,685	4,381	3,685	4,417
<b>Total Financial Assets</b>	<b>20,318</b>	<b>19,096</b>	<b>20,318</b>	<b>18,953</b>
<b>Financial Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	2,137	1,130	2,137	1,208
Loans / Advances	1,676	1,806	1,350	1,789
Lease Liabilities	62	102	61	163
<b>Total Financial Liabilities</b>	<b>3,875</b>	<b>3,038</b>	<b>3,548</b>	<b>3,160</b>

Fair Value is determined as follows:

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

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

#### (a) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated in accordance with Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets & liabilities can be broken up into 3 distinct measurement hierarchies:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

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

The following table presents the financial assets and financial liabilities that have been measured & recognised at fair values:

2012	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Investments				
- "Designated At Fair Value on Initial Recognition"		5,837		5,837
<b>Total Financial Assets</b>	-	<b>5,837</b>	-	<b>5,837</b>
<b>2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Investments				
- "Designated At Fair Value on Initial Recognition"	-	6,247	-	6,247
<b>Total Financial Assets</b>	-	<b>6,247</b>	-	<b>6,247</b>

The following table presents the movement in Level 3 financial instruments

	Liabilities 2012	Liabilities 2011	Assets 2012	Assets 2011
<b>Opening Balance</b> (of Level 3 fair values)	-	-	-	-
Transfer to/(from) Level 3		-		-
Gains/(Losses) recognised in the Income Statement		-		-
Gains/(Losses) recognised in Other Comprehensive Income		-		-
Disposals		-		-
<b>Closing Balance</b>	-	-	-	-

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

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

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

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

A further risk associated with Cash & Investments is credit risk - the risk that the 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 & Investments.

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 in

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2012</b>				
Possible impact of a 10% movement in Market Values	583	583	583	583
Possible impact of a 1% movement in Interest Rates	113	113	113	113
<b>2011</b>				
Possible impact of a 10% movement in Market Values	650	650	650	650
Possible impact of a 1% movement in Interest Rates	145	145	145	145

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

#### (c) Receivables

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

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

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

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

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

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

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

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

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
<b>(i) Ageing of Receivables</b>				
Current (not yet overdue)	440	1,617	169	2,798
Past due by up to 30 days	203	145	296	123
Past due between 31 and 180 days	157	215	334	2
Past due between 181 and 365 days	120	60	96	6
Past due by more than 1 year	544	270	549	104
	<b>1,464</b>	<b>2,307</b>	<b>1,444</b>	<b>3,033</b>

#### **(ii) Movement in Provision for Impairment of Receivables**

	2012	2011
Balance at the beginning of the year	96	74
+ new provisions recognised during the year	86	22
- amounts already provided for & written off this year		-
- amounts provided for but recovered during the year		-
- previous impairment losses reversed	(96)	-
<b>Balance at the end of the year</b>	<b>86</b>	<b>96</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

##### (d) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2012									
Bank Overdraft	-							-	-
Trade/Other Payables	158	1,979						2,137	2,137
Loans & Advances		209	201	197	192	188	1,627	2,614	1,676
Lease Liabilities		66	8					74	62
Total Financial Liabilities	158	2,254	209	197	192	188	1,627	4,825	3,875
2011									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	148	1,205	-	-	-	-	-	1,353	1,130
Loans & Advances	-	95	130	96	920	660	-	1,901	1,806
Lease Liabilities	-	101	75	-	-	-	-	176	102
Total Financial Liabilities	148	1,401	205	96	920	660	-	3,430	3,038

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

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-		-	
Trade/Other Payables	2,137	0.1%	1,130	0.1%
Loans & Advances - Fixed Interest Rate	1,676	6.6%	1,806	6.6%
Loans & Advances - Variable Interest Rate	-		-	
Lease Liabilities	62	9.0%	102	9.0%
	<b>3,875</b>		<b>3,038</b>	

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 16 June 2011.

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

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

**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	2012 Budget	2012 Actual	2012 Variance* -----	
<b>REVENUES</b>				
<b>Rates &amp; Annual Charges</b>	<b>10,811</b>	<b>10,040</b>	<b>(771)</b>	<b>(7%) U</b>
<b>User Charges &amp; Fees</b>	<b>6,800</b>	<b>5,715</b>	<b>(1,085)</b>	<b>(16%) U</b>
Council's original private works budget was over optimistic (\$137k unfavourable), Council also misclassified the Baby Creek bridge loan as a revenue line item in the original budget (\$500k).				
<b>Interest &amp; Investment Revenue</b>	<b>373</b>	<b>780</b>	<b>407</b>	<b>109% F</b>
Initial budget did not factor in \$90k impairment reversal, and Council's final investments performance was \$211k above the initial budget due to improved management of investments.				
<b>Other Revenues</b>	<b>441</b>	<b>774</b>	<b>333</b>	<b>76% F</b>
Initial budget did not provide for insurance claim recoveries (\$150k) and legal fees recoveries (\$109k). Final recyclables revenue figure was \$43k over budget and the final diesel fuel rebate was also \$25k over budget.				
<b>Operating Grants &amp; Contributions</b>	<b>12,245</b>	<b>15,835</b>	<b>3,590</b>	<b>29% F</b>
Initial budget classified several operating grants as capital grants. Final combined grants position is \$1.297m higher than budget due to early receipt of FAGs grants (\$1.492m) offset by unfavourable variances against other grant line items such as flood damage grants.				
<b>Capital Grants &amp; Contributions</b>	<b>3,459</b>	<b>1,166</b>	<b>(2,293)</b>	<b>(66%) U</b>
Initial budget classified several operating grants as capital grants. Final combined grants position is \$1.297m higher than budget due to early receipt of FAGs grants (\$1.492m) offset by unfavourable variances against other grant line items such as flood damage grants.				



# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	2012 Budget	2012 Actual	2012 Variance*	
<b>EXPENSES</b>				
<b>Employee Benefits &amp; On-Costs</b>	<b>11,383</b>	<b>12,561</b>	<b>(1,178)</b>	<b>(10%) U</b>
Overspend due to an unrealistically low budget for super contributions that also excluded additional super contribution requirements for the defined benefits plan (\$360k), higher than budget ELE expenditure due partially to increased AASB 119 adjustments resulting from a reduced discount rate (\$173k), and re-prioritisation of works from capital to recurrent jobs the cost of which is picked up in the income statement.				
<b>Borrowing Costs</b>	<b>137</b>	<b>200</b>	<b>(63)</b>	<b>(46%) U</b>
Initial budget did not include line item for discount adjustments relating to movements in provisions (\$61k).				
<b>Materials &amp; Contracts</b>	<b>13,888</b>	<b>8,154</b>	<b>5,734</b>	<b>41% F</b>
Classification issue between materials and contracts and other expenses. Total underspend for these two items combined is \$536k.				
<b>Depreciation &amp; Amortisation</b>	<b>9,989</b>	<b>9,478</b>	<b>511</b>	<b>5% F</b>
<b>Impairment Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0% F</b>
<b>Other Expenses</b>	<b>767</b>	<b>5,965</b>	<b>(5,198)</b>	<b>(678%) U</b>
Classification issue between materials and contracts and other expenses. Total underspend for these two items combined is \$536k.				
<b>Net Losses from Disposal of Assets</b>	<b>-</b>	<b>285</b>	<b>(285)</b>	<b>0% U</b>
Line item not included in the original budget				
<b>Share of Net Losses - Joint Ventures &amp; Associates</b>	<b>-</b>	<b>24</b>	<b>(24)</b>	<b>0% U</b>
Line item not included in the original budget				

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

	2012	2012	2012	
\$ '000	Budget	Actual	Variance*	

#### Budget Variations relating to Council's Cash Flow Statement include:

<b>Cash Flows from Operating Activities</b>	<b>7,953</b>	<b>9,385</b>	<b>1,432</b>	<b>18.0%</b>	<b>F</b>
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Favourable operating activities variance against budget is predominantly due to the early receipt of FAGS grants (\$1.492m), offset by unfavourable variances against other grants. Several other cash flow line items also varied significantly from budget, and explanations are generally per income statement explanations above.

<b>Cash Flows from Investing Activities</b>	<b>(8,353)</b>	<b>(6,887)</b>	<b>1,466</b>	<b>(17.6%)</b>	<b>F</b>
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Original budget did not factor in receipts from the sale of investment securities (\$500k) and netted the gain on sale of assets against the capital budget. Council underspent its capital budget by \$793k against the original budget due to recurrent work on the repair of prior year flood damage continuing to take precedence over capital works.

<b>Cash Flows from Financing Activities</b>	<b>406</b>	<b>(170)</b>	<b>(576)</b>	<b>(141.9%)</b>	<b>U</b>
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Council originally planned to enter into a \$500k loan for work on Baby Creek Bridge, and included the proceeds from this loan into its original budget. Council later decided to include the works on this bridge into its LIRS application in order to take advantage of the favourable interest rate subsidy in this scheme. As a result, Council's actual cash flows from financing activities are \$500k less than budget.

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 17. Statement of Developer Contributions

\$ '000

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

The following tables detail the receipt, interest and use of the above contributions & levies and the value of all remaining funds which are "restricted" in their future use.

#### SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	216	3	-	7	-	-	226	-	(226)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Open Space	6	-	-	-	-	-	6	-	(6)	-	-
Community Facilities	4	-	-	-	-	-	4	-	(4)	-	-
Bushfire	33	-	-	1	(24)	-	10	-	(10)	-	-
Other	2	-	-	-	-	-	2	-	(2)	-	-
<b>S94 Contributions - under a Plan</b>	<b>261</b>	<b>3</b>	<b>-</b>	<b>8</b>	<b>(24)</b>	<b>-</b>	<b>248</b>	<b>-</b>	<b>(248)</b>	<b>-</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>63</b>	<b>60</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>126</b>				<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>324</b>	<b>63</b>	<b>-</b>	<b>11</b>	<b>(24)</b>	<b>-</b>	<b>374</b>				<b>-</b>
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	-	-	-	-	-	-	-	-	-	-	-
S64 Contributions	106	-	-	3	-	-	109	-	-	-	-
<b>Total Contributions</b>	<b>430</b>	<b>63</b>	<b>-</b>	<b>14</b>	<b>(24)</b>	<b>-</b>	<b>483</b>	<b>-</b>	<b>(248)</b>	<b>-</b>	<b>-</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

##### CONTRIBUTION PLAN - WARRUMBUNGLE SHIRE COUNCIL

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-						-				
Roads	216	3		7			226		(226)		
Traffic Facilities	-						-				
Parking	-						-				
Open Space	6						6		(6)		
Community Facilities	4						4		(4)		
Bushfire	33			1	(24)		10		(10)		
Other	2						2		(2)		
<b>Total</b>	<b>261</b>	<b>3</b>	<b>-</b>	<b>8</b>	<b>(24)</b>	<b>-</b>	<b>248</b>	<b>-</b>	<b>(248)</b>	<b>-</b>	<b>-</b>

#### S94A LEVIES - UNDER A PLAN

##### CONTRIBUTION PLAN - WARRUMBUNGLE SHIRE COUNCIL SECTION 94A LEVY PLAN 2009

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-						-				
Roads	-						-				
Traffic Facilities	-						-				
Parking	-						-				
Open Space	-						-				
Community Facilities	-						-				
Other	63	60		3			126		(126)		
<b>Total</b>	<b>63</b>	<b>60</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>126</b>				<b>-</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

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

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category 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 \$986,919 as at 30 June 2012.

###### (ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Councils contributions to the pool and the result of insurance claims within each of the Fund Years.

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

###### (iii) StateCover Limited

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

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

Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the company's past performance and/or claims experience or as a 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 financial year ended 30 June 2012

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

\$ '000

#### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other Liabilities

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

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

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

###### (ii) S94 Plans

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

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

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

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

###### (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 (& 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 & including 30/6/08.

###### (ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils 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 financial year ended 30 June 2012

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

\$ '000

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

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

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

#### Subsidiaries

**Note 19(a)**

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

#### Associated Entities & Joint Venture Entities

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

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

#### Joint Venture Operations

**Note 19(c)**

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

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

**Note 19(d)**

#### Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Balance Sheet.

(ii) Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Balance Sheet.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Associated Entities	-	-	-	-
Joint Venture Entities	(24)	(34)	286	310
<b>Total</b>	<b>(24)</b>	<b>(34)</b>	<b>286</b>	<b>310</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

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

Council has no interest in any Subsidiaries.

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

##### (i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

##### (ii) JOINT VENTURE ENTITIES

##### (a) Carrying Amounts

Name of Entity	Principal Activity	2012	2011
Macquarie Regional Library	Community Library Services	286	310
<b>Total Carrying Amounts - Joint Venture Entities</b>		<b>286</b>	<b>310</b>

##### (b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2012	2011	2012	2011	2012	2011
Macquarie Regional Library	19%	20%	19%	20%	25%	25%

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

	Macquarie Regional Library	
	2012	2011
Opening Balance	310	339
Share in Operating Result	(7)	(34)
Adjustments to Equity	(17)	5
<b>Council's Equity Share in the Joint Venture Entity</b>	<b>286</b>	<b>310</b>



# Warrumbungle Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

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

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

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
<b>2012</b>					
Macquarie Regional Library	258	183	146	9	286
<b>Totals</b>	<b>258</b>	<b>183</b>	<b>146</b>	<b>9</b>	<b>286</b>
<b>2011</b>					
Macquarie Regional Library	205	217	109	3	310
<b>Totals</b>	<b>205</b>	<b>217</b>	<b>109</b>	<b>3</b>	<b>310</b>

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

	2012			2011		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Macquarie Regional Library	451	458	(7)	415	449	(34)
<b>Totals</b>	<b>451</b>	<b>458</b>	<b>(7)</b>	<b>415</b>	<b>449</b>	<b>(34)</b>

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

	2012	2011
Capital Commitments	-	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-

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

	2012	2011
Share of Contingent Liabilities incurred jointly with other Participants	-	-
Share of Contingent Liabilities for which Council is severally liable	-	-

No material losses are anticipated in respect of any of the above contingent liabilities

#### 19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

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

All Subsidiaries, Associated Entities & Joint Ventures have been recognised in this Financial Report as required.

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
---------	-------	----------------	----------------

#### a. Retained Earnings

##### Movements in Retained Earnings were as follows:

Balance at beginning of Year (from previous years audited accounts)		339,166	342,131
a. Correction of Prior Period Errors	20 (c)	21,809	21,981
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		(2,357)	(3,137)
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes (disclosure required)		-	-
<b>Balance at End of the Reporting Period</b>		<b>358,618</b>	<b>360,975</b>

#### b. Reserves

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

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	95,592	51,797
<b>Total</b>	<b>95,592</b>	<b>51,797</b>

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

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

- Opening Balance	51,797	17,639
- Revaluations for the year	43,795	34,158
<b>- Balance at End of Year</b>	<b>95,592</b>	<b>51,797</b>

##### TOTAL VALUE OF RESERVES

<b>95,592</b>	<b>51,797</b>
---------------	---------------

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

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

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

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
---------	-------	----------------	----------------

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

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

During the process of completing Council's Asset Management Plan, Council identified 48 Bridge Size Culverts, and 36.4km of roads that were previously not recognised in Council's asset register.

These assets have now been recognised in this year's financial statements as a prior period error, and the 2010/11 opening roads and retained earnings balances have been restated to capture the value of these assets.

The total value of this adjustment is as follows:

- Roads asset value	22,486	-
- Depreciation for the year ended 30/6/2011	(217)	-

The completion of Council's asset management plan also resulted in the identification of several parcels of land that were incorrectly double counted in Council's asset register. These assets have now been derecognised, and the derecognition treated as a prior period error. Council has restated the 2010/11 opening land and retained earnings balances as a result.

The total value of this adjustment is as follows:

- Land	(460)	-
--------	-------	---

In the 2010/11 financial year Council incorrectly classified a portion of its annual charges for water and sewerage services as special rates. These items have been correctly classified as annual charges this financial year and the prior year balance has also been adjusted to reflect the correct classification of these items.

##### Correction of errors as disclosed in last year's financial statements:

During the 2010/11 financial year, Council conducted revaluations on community land. This resulted in the discovery of assets within Council's records that did not belong to Council and were therefore written off.

Council also reviewed its quarries and noted a number of quarries had not been recognised in prior years.

Council reviewed the valuation of land inventory, and again noted errors in the prior year valuation of these assets.

The value of these prior period adjustments are as follows:

- Land Asset Write Off	-	(184)
- Asset Reinstatement - Quarries	-	152
- Inventory Revaluation	-	204

**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 - 1/7/10 (relating to adjustments for the 30/6/10 reporting year end and prior periods)	22,026	172
- Adjustments to Closing Equity - 30/6/11 (relating to adjustments for the 30/6/11 year end)	(217)	-
<b>Total Prior Period Adjustments - Prior Period Errors</b>	<b>21,809</b>	<b>172</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
<b>Continuing Operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from Continuing Operations</b>			
Rates & Annual Charges	1,193	1,015	7,832
User Charges & Fees	884	108	4,723
Interest & Investment Revenue	55	55	670
Other Revenues	57	24	693
Grants & Contributions provided for Operating Purposes	40	29	15,766
Grants & Contributions provided for Capital Purposes	-	-	1,166
<b>Other Income</b>			
Net Gains from Disposal of Assets	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method			-
<b>Total Income from Continuing Operations</b>	<b>2,229</b>	<b>1,231</b>	<b>30,850</b>
<b>Expenses from Continuing Operations</b>			
Employee Benefits & on-costs	659	441	11,461
Borrowing Costs	48	-	152
Materials & Contracts	776	345	7,033
Depreciation & Amortisation	751	412	8,315
Impairment			-
Other Expenses	388	79	5,498
Interest & Investment Losses			-
Net Losses from the Disposal of Assets	-	-	285
Share of interests in Joint Ventures & Associates using the Equity Method			24
<b>Total Expenses from Continuing Operations</b>	<b>2,622</b>	<b>1,277</b>	<b>32,768</b>
<b>Operating Result from Continuing Operations</b>	<b>(393)</b>	<b>(46)</b>	<b>(1,918)</b>
<b>Discontinued Operations</b>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
<b>Net Operating Result for the Year</b>	<b>(393)</b>	<b>(46)</b>	<b>(1,918)</b>
<b>Net Operating Result attributable to each Council Fund</b>	<b>(393)</b>	<b>(46)</b>	<b>(1,918)</b>
<b>Net Operating Result attributable to Minority Interests</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>(393)</b>	<b>(46)</b>	<b>(3,084)</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water, Sewer & Other

\* Other represents ADD DESCRIPTION HERE...

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

# Warrumbungle Shire Council

## Notes to the Financial Statements as at 30 June 2012

### Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current Assets</b>			
Cash & Cash Equivalents	132	780	9,884
Investments	465	1,281	1,571
Receivables	655	482	2,548
Inventories	37	4	532
Other	-	-	-
Non-current assets classified as 'held for sale'	-	-	-
<b>Total Current Assets</b>	<b>1,289</b>	<b>2,547</b>	<b>14,535</b>
<b>Non-Current Assets</b>			
Investments	354	974	1,192
Receivables	-	-	-
Inventories	-	-	451
Infrastructure, Property, Plant & Equipment	29,481	21,512	390,202
Investments Accounted for using the equity method	-	-	286
<b>Total Non-Current Assets</b>	<b>29,835</b>	<b>22,486</b>	<b>392,131</b>
<b>TOTAL ASSETS</b>	<b>31,124</b>	<b>25,033</b>	<b>406,666</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	82	48	2,007
Borrowings	36	-	117
Provisions	202	70	3,174
<b>Total Current Liabilities</b>	<b>320</b>	<b>118</b>	<b>5,298</b>
<b>Non-Current Liabilities</b>			
Payables	-	-	-
Borrowings	860	-	725
Provisions	5	1	1,286
<b>Total Non-Current Liabilities</b>	<b>865</b>	<b>1</b>	<b>2,011</b>
<b>TOTAL LIABILITIES</b>	<b>1,185</b>	<b>119</b>	<b>7,309</b>
<b>Net Assets</b>	<b>29,939</b>	<b>24,914</b>	<b>399,357</b>
<b>EQUITY</b>			
Retained Earnings	20,447	12,075	326,096
Revaluation Reserves	9,492	12,839	73,261
Council Equity Interest	29,939	24,914	399,357
Minority Interests	-	-	-
<b>Total Equity</b>	<b>29,939</b>	<b>24,914</b>	<b>399,357</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water, Sewer & Other

\* Other represents ADD DESCRIPTION HERE...

NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 22. "Held for Sale" Non Current Assets & Disposal Groups

	2012	2012	2011	2011
\$ '000	Current	Non Current	Current	Non Current

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

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

Events that occur after the reporting date of 30 June 2012, up to and including 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 appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 28/09/12.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

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

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

Council is aware of the following "non adjusting events" that merit disclosure;

The passage of the Clean Air Legislation (Clean Energy Act 2011 and supporting legislation) will have an impact on Council's operating results going forward.

Council expects to pay more for its energy usage including electricity, gas, water and fuel but will be compensated to some extent through additional rate revenue. The operation of Council's landfill sites is not expected to result in Council being liable for a carbon tax on gas emissions.

Council also expects construction materials such as concrete and asphalt to increase in price but is unable to quantify the effect of these increases at the present time.

The financial effects of the Clean Air Legislation have not been brought to account at 30 June 2012.

## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 24. Discontinued Operations

	Actual	Actual
\$ '000	2012	2011

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

#### Note 25. Intangible Assets

\$ '000
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Intangible Assets represent identifiable non-monetary asset without physical substance.

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



## Warrumbungle Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2012	2011
Allandale	2013	1	1
Beamsfield	2013	35	33
Caradoc Park	2013	3	3
Cooks	2013	4	3
Dromore	2013	-	-
Glenmore	2013	8	8
Lemonwood	2013	5	4
Naparoo	2013	6	6
Wanloch	2013	9	8
Avis 2	2018	6	6
Box Hill	2018	7	6
Carlyons	2018	16	15
Coolah Tsr	2018	2	2
Kirban	2018	6	6
Lumeah	2018	-	-
Pidgee	2018	15	13
Barrier Gates	2023	17	14
Rhodes	2023	6	5
Cloven Hills	2028	10	8
Connemarra	2028	15	13
Coolah Crk	2028	3	3
Edenmore	2028	19	16
Lochneil	2028	9	8
Pipers	2028	5	5
Quondory	2028	35	29
Wyoming	2028	22	19
A Becketts	2038	2	2
Arkabah	2038	2	2
Avas 1	2038	3	2
Baradine Aerodro	2038	10	8
Barwidgee South	2038	18	14
Barwon	2038	2	2
Bellerive	2038	2	1
Beni	2038	14	11
Bobella	2038	1	1
Boomely	2038	2	2
Borambitty	2038	7	6
Brains	2038	1	1

Bretni Rd	2038	10	8
Burrawong Park	2038	4	3
Burton	2038	5	4
Caledonia	2038	7	6
Cheriton	2038	2	2
Cobbora	2038	9	7
Coleraine	2038	5	4
Coolie Camp	2038	7	5
Coonabarabran	2038	3	2
Cossington	2038	7	5
Cromarty Park	2038	-	-
Curteis	2038	5	4
Danabar	2038	9	7
Danlo	2038	48	39
Dowd Rd	2038	4	3
Duces	2038	32	25
Dunedoo	2038	5	4
Ewendale	2038	4	3
Forans Lane	2038	28	22
Foster	2038	25	20
Frost	2038	12	10
Galashields	2038	12	10
Gamble Crk	2038	1	1
Glendale	2038	10	8
Glenrowan	2038	35	28
Goally	2038	41	33
Gunnedah	2038	32	26
Hawthorne	2038	26	21
Haynes	2038	3	2
Hazelmere	2038	3	2
Hereford Park	2038	2	1
Hillgrove	2038	4	4
Hollymount	2038	3	3
Inchmoor	2038	11	9
Johnsons	2038	17	14
Kallara	2038	3	2
Kentuckey	2038	3	3
Kiah	2038	3	2
Kindalyn	2038	21	17
Kinross	2038	-	-
Koroa	2038	12	10
Kroobit Cadell	2038	29	24
Kurrajong Park 1	2038	-	-
Kurrajong Park 2	2038	7	5
Kurravale	2038	4	3
Kybeyan	2038	3	3
Lanbre	2038	12	10
Liamena	2038	10	8
Lockerbie	2038	3	3
Loloma	2038	11	9
Lynwood	2038	4	3
Maduba	2038	2	1
Maldannia	2038	-	-
Marombi Rd 1	2038	-	-
Marombi Rd 2	2038	1	1
Maronga	2038	4	3

Maroo	2038	16	12
Mendooran 1	2038	14	11
Mendooran 2	2038	6	4
Merrygoen	2038	3	2
Millings	2038	4	3
Morton Bay	2038	3	2
Mt Hope	2038	3	2
Mt Marlow	2038	8	7
Murrumbong	2038	7	6
Narangarie	2038	10	8
Neible	2038	4	3
North Pine	2038	10	8
Nullen	2038	-	-
O Neills	2038	1	1
Oban	2038	15	12
Old Castle	2038	18	14
Orana	2038	10	8
Pandora	2038	1	1
Peridot	2038	2	2
Pine Ridge	2038	31	25
Pound	2038	5	4
Rawlinsons Old	2038	5	4
Rawlinsons Pit	2038	6	5
Round Mountain	2038	5	4
Saltwater	2038	5	4
Sandy Crk Rd	2038	1	1
Scotts	2038	4	3
Silentdale	2038	4	3
Skinnners	2038	1	1
Sleightholmes	2038	27	21
Spring Ridge Rd	2038	4	3
The Pinnacles	2038	26	21
Thompsons	2038	3	3
Timbali	2038	16	13
Todds	2038	7	6
Tonniges Rd	2038	1	1
Turee	2038	13	10
Tv Tower	2038	18	15
Warrawonga	2038	1	1
Watsons	2038	22	18
Wattlegrove	2038	9	7
Weetaliba	2038	2	2
Witta Coola	2038	11	9
Woodlands	2038	3	3
Yellow Cutting	2038	24	19
<b>Balance at End of the Reporting Period</b>	<b>10(a)</b>	<b>1,280</b>	<b>1,050</b>

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

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

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

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

Balance at beginning of year	1,050	792
Amounts capitalised to new or existing assets:		
- Additional provision raised	-	387
- Correction of error	-	(152)
- Other	-	46
Effect of a change in discount rates used in PV calculations	169	-
Effect of a change in other calculation estimates used	-	-
Amortisation of discount (expensed to borrowing costs)	61	(23)
Expenditure incurred attributable to Provisions	-	-
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<b>1,280</b>	<b>1,050</b>

**Amount of Expected Reimbursements**

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

**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, balance sheet, 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 30<sup>th</sup> June 2012.

***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 30<sup>th</sup> June 2012 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

28<sup>th</sup> September 2012

92 Rusden Street Armidale

28 September 2012

The Mayor  
Warrumbungle Shire Council  
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COONABARABRAN NSW 2843

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Forsyths Business Services Pty Ltd  
ABN 66 182 781 401

Dear Mayor

**AUDIT OF ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012**

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2012 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 the 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***

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

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

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

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



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

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial 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 2012 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 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.

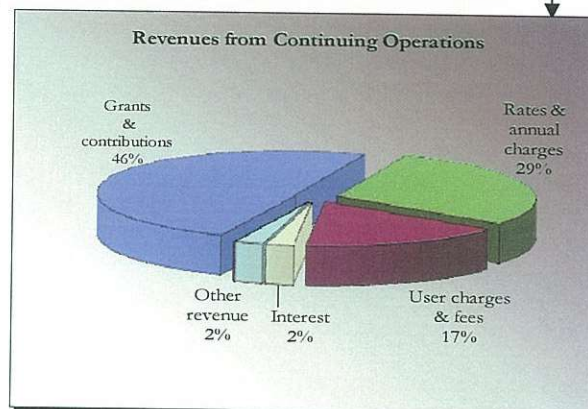
The Income Statement for the year ended 30 June 2012 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2012	2012	2011	Actual	Budget
	\$'000	\$'000	\$'000	%	%
<b>INCOME FROM CONTINUING OPERATIONS</b>					
Rates & annual charges	10,811	10,040	9,659	3.9%	-7.1%
User charges & fees	6,800	5,715	4,462	28.1%	-16.0%
Interest	373	780	1,328	-41.3%	109.1%
Other revenues from ordinary activities	441	774	800	-3.3%	75.5%
Grants & contributions for operating purposes	12,245	15,835	14,873	6.5%	29.3%
Grants & contributions for capital purposes	3,459	1,166	2,410	-51.6%	-66.3%
Gain from sale of assets	0	0	211	0.0%	0.0%
Total income from continuing operations	34,129	34,310	33,743	1.7%	0.5%
<b>EXPENSES FROM CONTINUING OPERATIONS</b>					
Employee benefits & oncosts	11,383	12,561	13,500	-7.0%	10.3%
Borrowing costs	137	200	153	30.7%	46.0%
Materials and contracts	13,888	8,154	7,671	6.3%	-41.3%
Depreciation & amortisation	9,989	9,478	9,672	18.8%	-5.1%
Impairment	0	0	831	0.0%	0.0%
Other expenses from ordinary activities	767	5,965	5,019	-2.0%	677.7%
Loss from sale of assets	0	285	0	0.0%	0.0%
Loss from interests in joint ventures & associates	0	24	34	-29.4%	0.0%
Total Expenses from continuing operations	36,164	36,667	36,880	-0.6%	1.4%
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>	(2,035)	(2,357)	(3,137)	-24.9%	15.8%
<b>NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	(5,494)	(3,523)	(5,547)	-36.5%	-35.9%

The financial statements report an operating deficit of \$2.4m for the year compared with a deficit of \$3.1m in the previous year. This result includes grants for capital purposes of \$1.2m. The expenditure of these grants is not recorded in the income statement but capitalised in the Balance Sheet. When these capital grants are excluded, Council achieved a deficit of \$3.5m (2011: deficit \$5.5m).

Income overall increased by 1.7% compared to 2011 due mainly to increases in grants & contributions for operating purposes, rates and annual charges (rate pegging allowances) as well as user charges & fees, being partially offset by lower interest, capital grants and gains on sale of assets (net loss for 2012).

Grants and contributions for operating purposes increased by \$0.9m due to additional grants for the Rural Fire Service and early receipt the first quarter financial assistance grant for the 2013 financial year. These increases were partially offset by lower flood damage grants, the majority of this activity occurred in the 2011 year, and lower roads to recovery due to delays in works nominated for this grant.





User charges and fees increased due to reclassification of child care grants (considered fee subsidies) and increased Roads and Maritime Services (RMS) revenues for state road maintenance.

Interest income was lower as there was a larger recovery in the market value adjustment for Council's investments in the 2011 year, lower interest rates due to reserve bank rates cuts and lower cash reserves during the year.

Grants and contributions for capital purpose reduced by \$1.2m compared to 2011 due to reclassification of child care grants to user charges and fees, lower capital flood damage works and lower RMS contributions to regional roads and block grants (redistribution of money to maintenance).

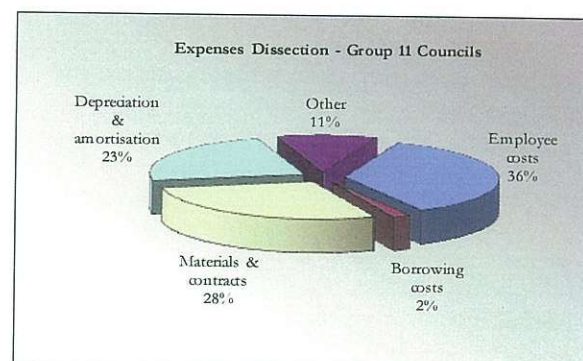
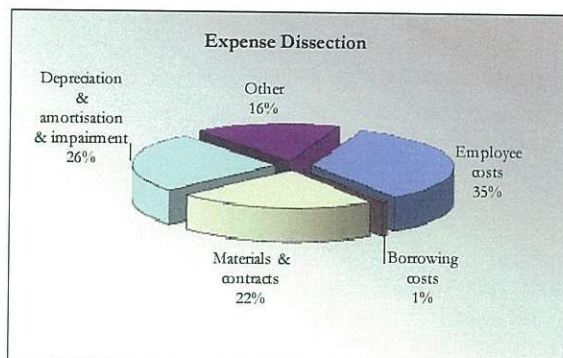
Expenditure decreased marginally on the previous year as the following movements cancelled each other out:

- Lower employment costs (\$1m favourable) – decrease in employee numbers, lower overtime levels required for flood damage works and one-off termination payments in the 2011 year;
- Higher materials and contracts (\$0.5m unfavourable)– related to RMS works and increased maintenance activity;
- No impairment costs for 2012 (\$0.8m favourable) - the asset impairment in the 2011 year was the write off of infrastructure assets destroyed by flood damaged; and
- Higher other costs (\$1m unfavourable) – Higher Rural Fire Service levies and bad debt expenses.

The actual operating deficit for the year of \$2.4m compares with the original budget deficit of \$2m. The variation of \$0.4m between the actual results and the original budget (excluding revotes) is primarily due to the following:

- Interest and investment revenue (favourable \$0.4m) – higher than expected improvements in investment market values and interest returns;
- User charges and fees (unfavourable \$1.1m) – budget was over optimistic regarding level of private works and an error in the original budget with a loan advance being treated as revenue;
- Operating and capital grants and contributions (net favourable \$1.3m) – Council obtained additional financial assistance grants of \$1.5m from the early receipt of the first quarter of the 2013 year allocation;
- Employee costs (unfavourable \$1.2m) – Budget did not set aside sufficient superannuation costs, there was also adjustments to leave provision calculations not anticipated in the budget. Finally, there was a re-prioritisation of the workforce to maintenance rather than capital works;
- Materials and Contracts (favourable \$5.7m) – Misallocation of other expenditure as materials and contract costs in the original budget;
- Other expenses (unfavourable \$5.2m) – Error in original budget with other costs included in materials and contracts.

Below is a comparison of expense dissections for the Council for 2012 compared to the average of Group 11 Councils for 2010.

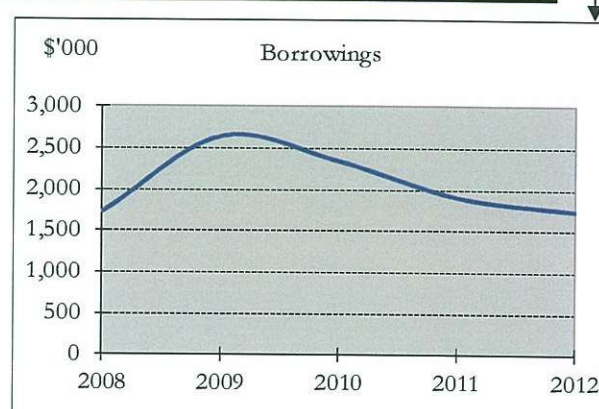
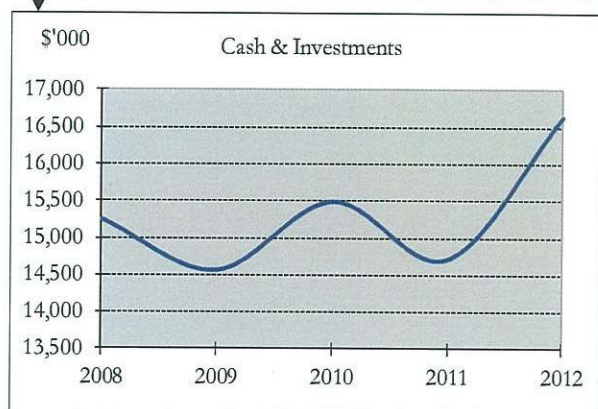




The major variation in Council expenditure mix compared to the benchmark relates to materials and contracts compared to depreciation and impairment costs. Given council has re-valued all of its assets, the impact of higher depreciation costs would be expected compared to the 2010 comparative figures where the roads, bridges and footpath revaluation and resulting depreciation costs have not occurred. Please note that at the date of this report the DLG has not released its 2011 comparative data which would have improved our benchmarking analysis.

The following schedule of assets and liabilities has been extracted from the Balance Sheet as at 30 June 2012. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2012 \$'000	2011 \$'000	Variance %
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10,796	8,468	27.5%
Investments	3,317	-	0.0%
Receivables	3,685	4,381	-15.9%
Inventories	573	527	8.7%
<b>TOTAL CURRENT ASSETS</b>	<b>18,371</b>	<b>13,376</b>	<b>37.3%</b>
<b>CURRENT LIABILITIES</b>			
Payables	2,137	1,130	89.1%
Borrowings	153	189	-19.0%
Provisions	3,446	3,051	12.9%
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,736</b>	<b>4,370</b>	<b>31.3%</b>
<b>NET CURRENT ASSETS</b>	<b>12,635</b>	<b>9,006</b>	<b>40.3%</b>
<b>NON-CURRENT ASSETS</b>			
Investments	2,520	6,247	-59.7%
Inventories	451	451	0.0%
Investments accounted for using equity method	286	310	-7.7%
Infrastructure, Property Plant & Equipment	441,195	399,603	10.4%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>444,452</b>	<b>406,611</b>	<b>9.3%</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	1,292	1,126	14.7%
Borrowings	1,585	1,719	-7.8%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,877</b>	<b>2,845</b>	<b>1.1%</b>
<b>NET ASSETS</b>	<b>454,210</b>	<b>412,772</b>	<b>10.0%</b>



Higher cash and investment levels (current and non-current) are a reflection of higher cash flows from operations.

Total borrowings decreased by \$0.2m due to debt repayments.

The increase in infrastructure, property, plant and equipment of \$41m is mainly due to the rotational revaluation of water and sewer assets as required by the Code of Accounting Practice issued by the DLG as well as revaluation of bulk earthworks. The water and sewer revaluation increases reflect continued improvement in the knowledge of these assets physical condition and increases in the replacement costs of these assets. During the year it was also identified that the estimated costs used to value bulk earthworks in the 2011 had been understated. As a result, a new revaluation resulted in an increase of \$32m in bulk earthworks during the year.

As a result of error in the 2011 revaluation of roads, bridges and footpaths correction of the opening written down value of infrastructure, property, plant and equipment of \$22m. During the year Council identified that the previous revaluation had not brought to account 48 bridge size culverts and 36 kilometers of road and had also duplicated the value of several parcels of community land. Further details can be found in Note 20 of the financial statements.

## 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 \$'000	Sewerage \$'000	DWM \$'000	General \$'000	Total \$'000
Current Assets	1,289	2,547	152	14,383	18,371
Current Liabilities	320	118	157	5,141	5,736
<b>Net Current Assets</b>	969	2,429	(5)	9,242	12,635
<b>Plus: Non-Current Investments</b>	-	-	-	2,520	2,520
<b>Plus: Net Liabilities Payable &gt;12mths</b>	-	-	-	2,164	2,164
<b>Total Funds before Restrictions</b>	969	2,429	(5)	13,926	17,319
<b>LESS: Restricted Cash &amp; Investments</b> (Included in Revenue)					
Trust funds	-	-	-	157	157
Developer Contributions	83	26	-	374	483
Specific Purpose Grants & Contributions	-	-	-	1,420	1,420
	83	26	-	1,794	1,903
<b>NET FUNDS AVAILABLE</b>	886	2,403	(5)	12,132	15,416
<b>LESS Internal Restrictions</b>	-	-	-	946	946
<b>Net Funds After All Restrictions</b>	886	2,403	(5)	11,186	14,470

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	674	258	223	709
Bio Solid provision	200	-	-	200
Town improvement	17	-	-	17
Other	20	-	-	20
	911	258	223	946



The above table demonstrates that the General function has available funds of \$12m before setting aside funds in reserves (internal restrictions). After funding \$0.9m in internal restrictions, Council has \$11m to fund day to day working capital requirements. However, included in unrestricted funds is \$2.5m of illiquid non-current investments (FRN's and NCD's), which may not be realised at the same value as recorded in the financials if the cash was needed at short notice. If these investments are excluded Council still has unrestricted general funds of \$8.6m. The high level of unrestricted net current assets will be used by council to fund capital commitments of \$4m in the 2013 year and \$2.4m in the 2014 year (refer Note 12 of the financial statements).

Internal restrictions are funds Council has earmarked for particular projects or to fund specific operating needs. Council has internally restricted \$0.7m to fund employee leave entitlements. This restriction represents 20% of all leave entitlements. This reserve is low when compared to other council's where the reserve is usually as much as 40% of total leave entitlements.

Given the high level of unrestricted general funds we recommend that Council revisit the level of internal restrictions in order to convey to users of the financial statements how the working capital reserves are to be utilised. Other councils have internal reserves for plant replacement, building construction as well as nominated road works. Given the commitments outlined in Note 12 of the financial statements, we suggest that a portion of these commitments could have been included in the internal restrictions.

## 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	2012	2011	2010	2009	2008
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	4.58	7.62	4.08	1.36	2.39
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	1.3%	1.8%	2.1%	1.3%	1.3%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	29.3%	28.6%	29.2%	26.8%	29.6%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	13.3%	15.1%	11.1%	9.0%	14.2%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	0.44	0.41	0.18	1.56	0.87

### 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. This ratio is before setting aside cash to fund internal restrictions relative to the



general function. The ratio of 4.58 as at 30 June 2012 indicates that there is \$4.58 of unrestricted current assets for every \$1.00 of current liabilities. Council's ratio of 4.58 compares to the average of 3.84 (2010 data) for category 11 Councils and is higher than the State average of 2.71 (2010 data). The reduction in the ratio for 2012 is due to Council using unrestricted cash reserves to fund infrastructure asset replacements including beginning the construction of extensions to the Coonabarabran Council administration building.

#### *Debt Service Ratio*

The debt service ratio of 1.3% indicates the percentage of Council's operating revenues being utilised to fund debt servicing costs. This ratio is lower than the average of 3.5% for category 11 Councils and the State average of 4% (both ratios are 2010 data). Council has the ability to source additional bank loan funding if required to meet capital needs.

#### *Rate Coverage Ratio*

The rate coverage ratio shows that 29.3% of the council's revenue is derived from rates and annual charges. This compares to the category 11 Council average of 34.3% (2010 data). The ratio shows council's dependence on non-rate income.

#### *Outstanding Rates*

The outstanding rates and charges ratio of 13.3% has improved compared to the previous year. The benchmark for Council's is to have a outstanding rates ratio of less than 5%. As reported in our past three year's audit reports, we encourage Council to focus on collecting debts.

#### *Asset Renewal Ratio*

The asset 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 2012 Council spent \$0.44 for every \$1 in estimated asset deterioration. The Group 11 average for the asset renewal ratio was \$0.94 and the state average of \$0.84 (2010 figures).

The current trend in the ratio highlights that Council expended less on asset renewals, especially if you exclude the Mendooran Water Augmentation project in 2009, compared to the estimated reduction in asset condition over the past five years and therefore, based on this ratio, Council's overall infrastructure has deteriorated over that period.

Council should aim to ensure infrastructure spending keeps pace with "wear and tear" and Council should seek to improve asset condition.

Overall the financial indicators show that Council's financial standing is acceptable in the short to medium term. However, infrastructure management will need to be a continued focus for Council in the long term especially given the current low renewal ratio trends and high levels of works reported in Special Schedule 7 attached to the financial statements.

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

CASH MOVEMENTS	Actual 2012 \$'000	Actual 2011 \$'000	Variance %
<b>CASH INFLOWS</b>			
Operating Receipts	36,763	32,192	14.2%
Proceeds from Assets Sales	981	1,173	-16.4%
Proceeds from sale of investments	500	9,181	-94.6%
Repayment from Deferred Debtors	4	4	0.0%
<b>TOTAL RECEIPTS</b>	<b>38,248</b>	<b>42,550</b>	<b>-10.1%</b>
<b>CASH OUTFLOWS</b>			
Operating Payments	27,378	27,044	1.2%
Purchase of Assets	8,372	6,918	21.0%
Purchase of investments	0	6,000	0.0%
Repayment of Loans	170	433	-60.7%
Other payments	0	5	0.0%
<b>TOTAL PAYMENTS</b>	<b>35,920</b>	<b>40,400</b>	<b>-11.1%</b>
<b>TOTAL CASH MOVEMENT</b>	<b>2,328</b>	<b>2,150</b>	<b>8.3%</b>
Cash assets	10,796	8,468	
Investments (current and non-current)	5,837	6,247	
<b>Total Cash &amp; Investments on Hand</b>	<b>16,633</b>	<b>14,715</b>	<b>13.0%</b>

The increase in total cash and investments is a reflection of higher cash flows from operations especially with regard to the water and sewer funds.

Cash Outflows for "Purchase of Assets" of \$8.4m included road and bridge construction totalling \$1.7m. This compares with the \$5.3m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring roads and bridges to a satisfactory standard is \$28m.

With regard to the remaining \$6.7m, the other major asset purchases related to plant and equipment of \$2.2m and capital work in progress of \$4.3m including construction of the Coonabarabran Council administration office extensions.

## SPECIAL PURPOSE REPORTS

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

### *Water supply function*

The Special Purpose Financial Reports disclose that the Water Supply function recorded an operating deficit (before capital funding) of \$393,000 after allowing for depreciation of \$751,000.

The Net Current Asset position records a positive balance of \$969,000. The net current asset position provides a satisfactory working capital balance to meet short to medium operational requirements. We do note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring water assets to a satisfactory standard is \$32m.



### ***Sewerage services***

The Sewerage function recorded an operating deficit (before capital funding) of \$46,000 after allowing for depreciation of \$412,000.

The current level of Net Current Assets of \$2,429,000 is satisfactory in the short to medium term. 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 \$14m.

### **GENERAL**

#### ***Correction of error and infrastructure accounting***

The financial statements recorded a correction of error of \$22m to the 2011 comparatives for infrastructure, property, plant and equipment. Council identified during the development of the Integrated Planning and Reporting, that they had inadvertently missed 48 bridge size culverts and 36 kilometres of road in their 2011 revaluation of roads, bridges and footpaths. Due to the size of the correction Council has restated the 2011 comparatives (refer Note 20 (c)) to correct this error. The effect of this correction was to increase roads and related infrastructure by \$22m and increase retained earnings by \$22m.

Council depreciates its roads, bridges and footpaths on a "pattern of consumption" methodology provided by its independent valuer. Council are considering their depreciation approach, so that depreciation is applied on a straight basis with a pre-determined residual value based on when work is required to maintain serviceability. Council considers this approach would provide a more conservative depreciation expense in the financial statements and simplify the approach without significantly impacting on the material accuracy of the financial statements. We have recommend to Council that the roads, bridges and footpaths asset category be completely re-valued for the 2013 year to provide sufficient information to amend the depreciation methodology in order to satisfy accounting and audit standards.

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

It is pleasing to report that Council's systems and records have improved during the year and the audited accounts will be submitted to the Department 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