

Warrumbungle Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

"excellence in local government"



Warrumbungle Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

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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 detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 19 November 2015. Council has the power to amend and reissue these financial statements.
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Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Understanding Council's Financial Statements

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 2015.

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 Office of Local Government.

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Summarises 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. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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 commentary on 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 Office of Local Government.

Warrumbungle Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

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:

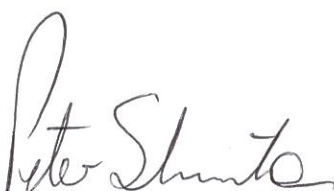
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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 20 August 2015.



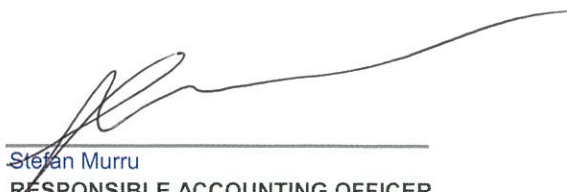
Peter Shinton
MAYOR



Murray Coe
COUNCILLOR



Steve Loane
GENERAL MANAGER



Stefan Murru
RESPONSIBLE ACCOUNTING OFFICER

Income Statement

for the financial year ended 30 June 2015

Budget ¹ 2015	\$ '000	Notes	Actual 2015	Actual 2014
Income from Continuing Operations				
Revenue:				
11,289	Rates & Annual Charges	3a	11,156	11,002
7,184	User Charges & Fees	3b	7,349	7,413
899	Interest & Investment Revenue	3c	377	838
1,089	Other Revenues	3d	862	1,024
15,906	Grants & Contributions provided for Operating Purposes	3e,f	16,531	11,605 ²
725	Grants & Contributions provided for Capital Purposes	3e,f	2,374	1,210
Other Income:				
59	Net gains from the disposal of assets	5	169	93
	Net Share of interests in Joint Ventures &			
10	Associates using the equity method	19	6	26
37,161	Total Income from Continuing Operations		38,824	33,211
Expenses from Continuing Operations				
13,931	Employee Benefits & On-Costs	4a	14,718	13,662
451	Borrowing Costs	4b	383	371
6,963	Materials & Contracts	4c	7,683	7,878
10,022	Depreciation & Amortisation	4d	10,206	10,061
6,466	Other Expenses	4e	7,422	7,098
37,833	Total Expenses from Continuing Operations		40,412	39,070
(672)	Operating Result from Continuing Operations		(1,588)	(5,859)
Discontinued Operations				
	Net Profit/(Loss) from Discontinued Operations	24	-	-
(672)	Net Operating Result for the Year		(1,588)	(5,859)
(672)	Net Operating Result attributable to Council		(1,588)	(5,859)
	Net Operating Result attributable to Non-controlling Interests		-	-
(1,397)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(3,962)	(7,069)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting a one off timing difference due to a change in how the grant was paid in prior years - refer Note 3

Statement of Comprehensive Income
for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		(1,588)	(5,859)
Other Comprehensive Income:			
<i>Amounts which will not be reclassified subsequently to the Operating Result</i>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(7,451)	13,919
Adjustment to correct prior period errors		-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements		-	-
Total Items which will not be reclassified subsequently to the Operating Result		(7,451)	13,919
<i>Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met</i>			
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Movement in share of JV net assets	20b (ii)	(30)	(31)
Revaluation of Non-Current Inventory	20b (ii)	-	25
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		(30)	(6)
Total Other Comprehensive Income for the year		(7,481)	13,913
Total Comprehensive Income for the Year		(9,069)	8,054
Total Comprehensive Income attributable to Council		(9,069)	8,054
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Statement of Financial Position

as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	13,909	8,017
Investments	6b	1,484	1,551
Receivables	7	4,487	3,530
Inventories	8	715	618
Other	8	107	-
Total Current Assets		20,702	13,716
Non-Current Assets			
Investments	6b	-	1,444
Receivables	7	30	50
Inventories	8	344	344
Infrastructure, Property, Plant & Equipment	9	471,592	442,871
Investments accounted for using the equity method	19	286	291
Intangible Assets	25	472	283
Total Non-Current Assets		472,724	445,283
TOTAL ASSETS		493,426	458,999
LIABILITIES			
Current Liabilities			
Payables	10	2,378	2,160
Borrowings	10	1,351	440
Provisions	10	4,023	3,650
Total Current Liabilities		7,752	6,250
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	7,259	4,464
Provisions	10	2,127	1,777
Total Non-Current Liabilities		9,386	6,241
TOTAL LIABILITIES		17,138	12,491
Net Assets		476,288	446,508
EQUITY			
Retained Earnings	20	389,030	351,799
Revaluation Reserves	20	87,258	94,709
Council Equity Interest		476,288	446,508
Non-controlling Equity Interests		-	-
Total Equity		476,288	446,508

Statement of Changes in Equity

for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council controlling Interest	Non-Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		351,799	94,709	446,508	-	446,508
a. Correction of Prior Period Errors	20 (c)	38,849	-	38,849	-	38,849
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/14)		390,648	94,709	485,357	-	485,357
c. Net Operating Result for the Year		(1,588)		(1,588)	-	(1,588)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	(7,451)	(7,451)	-	(7,451)
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Reserves Movements (reval of inventory)	20b (ii)	-	-	-	-	-
- Other Reserves Movements (share of JV)	20b (ii)	(30)		(30)	-	(30)
Other Comprehensive Income		(30)	(7,451)	(7,481)	-	(7,481)
Total Comprehensive Income (c&d)		(1,618)	(7,451)	(9,069)	-	(9,069)
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		389,030	87,258	476,288	-	476,288

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council controlling Interest	Non-Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		357,689	80,765	438,454	-	438,454
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		357,689	80,765	438,454	-	438,454
c. Net Operating Result for the Year		(5,859)	-	(5,859)	-	(5,859)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	13,919	13,919	-	13,919
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Reserves Movements (reval of inventory)	20b (ii)	-	25	25	-	25
- Other Reserves Movements (share of JV)	20b (ii)	(31)	-	(31)	-	(31)
Other Comprehensive Income		(31)	13,944	13,913	-	13,913
Total Comprehensive Income (c&d)		(5,890)	13,944	8,054	-	8,054
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		351,799	94,709	446,508	-	446,508

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
<u>Receipts:</u>				
11,289	Rates & Annual Charges		11,423	11,128
7,184	User Charges & Fees		8,059	8,264
817	Investment & Interest Revenue Received		501	661
16,631	Grants & Contributions		18,981	12,815
2,023	Other		853	2,670
<u>Payments:</u>				
(13,931)	Employee Benefits & On-Costs		(14,606)	(13,590)
(7,036)	Materials & Contracts		(8,791)	(8,458)
(451)	Borrowing Costs		(284)	(168)
	Bonds, Deposits & Retention amounts refunded		-	(94)
(7,400)	Other		(7,959)	(9,067)
9,126	Net Cash provided (or used in) Operating Activities	11b	8,177	4,161
Cash Flows from Investing Activities				
<u>Receipts:</u>				
1,500	Sale of Investment Securities		1,551	-
	Sale of Investment Property		-	-
	Sale of Real Estate Assets		-	-
859	Sale of Infrastructure, Property, Plant & Equipment		659	1,051
	Sale of Shares in Companies		-	-
	Sale of Interests in Joint Ventures & Associates		-	-
	Sale of Disposal Groups		-	-
	Deferred Debtors Receipts		21	-
	Distributions Received from Joint Ventures & Associates		-	-
	Other Investing Activity Receipts		11	-
<u>Payments:</u>				
	Nil			
(10,088)	Purchase of Infrastructure, Property, Plant & Equipment		(8,233)	(10,928)
	Deferred Debtors & Advances Made		-	(44)
(7,729)	Net Cash provided (or used in) Investing Activities		(5,991)	(9,921)
Cash Flows from Financing Activities				
<u>Receipts:</u>				
	Proceeds from Borrowings & Advances		4,146	-
<u>Payments:</u>				
(675)	Repayment of Borrowings & Advances		(440)	(389)
	Repayment of Finance Lease Liabilities		-	(5)
(675)	Net Cash Flow provided (used in) Financing Activities		3,706	(394)
722	Net Increase/(Decrease) in Cash & Cash Equivalents		5,892	(6,154)
11,180	plus: Cash & Cash Equivalents - beginning of year	11a	8,017	14,171
11,902	Cash & Cash Equivalents - end of the year	11a	13,909	8,017
Additional Information:				
	plus: Investments on hand - end of year	6b	1,484	2,995
	Total Cash, Cash Equivalents & Investments		15,393	11,012

Please refer to Note 11 for information on the following:

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

Notes to the Financial Statements

for the financial year ended 30 June 2015

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Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with 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 AASBs.

(iii) New and amended standards adopted by Council

During the current year, the following relevant accounting standards became mandatory and have been adopted by Council:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

The aforementioned new and amended standards specifically affect Councils disclosure of their joint venture with the Macquarie Regional Library. Council has always disclosed this venture, however with the adoption of these standards Council's disclosure requirements have become more stringent to enable users of the financial statements to evaluate the nature and effect of any associated risks on Council's financial position, performance and cash flow.

Council must now disclose the risks associated with its interest in the Macquarie Regional Library including commitments, provisions, contingent liabilities and contingent assets. Council has always consolidated this venture in the statement of financial position and hence there are not significant changes relating to the adoption of the above standards.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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 2014.

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) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

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

(vii) Critical Accounting Estimates

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

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that

may have a financial impact on Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying Council'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 it and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is measured at the fair value of the consideration received or receivable.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 unused grant or contribution is disclosed in Note 3(g).

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to

the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

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

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

User Charges, Fees and Other Income

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

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Other Income

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

(c) Principles of Consolidation

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and (ii) all the related operating results (for the financial year ended the 30th June 2015).

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**
- **Warrumbungle Quarry**

(ii) The Trust Fund

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

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

Joint Operations (controlled assets & operations)

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

The proportionate interests of Council in the assets, liabilities, income and expenses of all Joint Operation activities have been incorporated throughout the financial statements under the appropriate headings.

Joint Ventures

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

Any interests in Joint Ventures are accounted for using the equity method and are carried at cost.

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

(iv) Associates

Council has no interest in any 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 Council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(vi) Unconsolidated Structured Entities

Council has no interest in any Unconsolidated Structured Entities.

(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.

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

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

- cash **on hand**,
- deposits held **at call** with financial institutions,
- 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 & at the time it was acquired.

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

A financial asset is classified in the “held for trading” category if it is acquired principally for the purpose of selling in the short term.

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

Assets in this category are primarily classified as current assets as they are primarily held for trading &/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.

(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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

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

(iii) Types of Investments

Council has an approved Investment Policy in order to 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.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

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.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

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

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

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

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

- **Water and Sewerage Networks**
(External Valuation)
- **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)
- **Bulk Earthworks** (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)

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)

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

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

Capitalisation Thresholds

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

Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

Plant & 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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Building

- 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
- Buildings : Other	15 to 40 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

Stormwater Assets

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Transportation Assets

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

Other Infrastructure Assets

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

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

Disposal and De-recognition

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

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

(k) 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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(o) Rural Fire Service assets

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

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

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

(p) Investment property

Council does not currently hold any Investment Properties.

(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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Council does not currently have any Non – Current Assets "Held for Sale" or Discontinued Operations.

(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.

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

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

Goodwill & 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.

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 wholly settled within the 12 months after the reporting period.

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

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

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

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

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

(ii) Other Long Term Obligations

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

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20 February 2013.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2015 was \$221,132.57.

The amount of additional contributions included in the total employer contribution advised above is \$138,852.96.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 363,715.80 as at 30 June 2015.

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

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/06/15.

(y) Self insurance

Council does not self insure.

(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.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

Operating cash flows within the Cash Flow Statement are on a gross basis, 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.

(ab) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

Council has not adopted any of these standards early.

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

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

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

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

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

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

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

AASB 15 - Revenue from contracts with customers and associated amending standards

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

The full impact of AASB 15 has not yet been ascertained or quantified. AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

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

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

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

AASB 2014 - 10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture

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

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

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

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

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

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

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

The amendments require:

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

This Standard also makes an editorial correction to AASB 11.

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

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

Not applicable to Local Government per se;

None

(ac) Rounding of amounts

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(ad) Comparative Figures

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

(ae) Disclaimer

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2015	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014
Governance	6	9	2	1,003	1,082	333	(997)	(1,073)	(331)	375	-	-	-
Administration	769	707	656	5,218	5,151	5,202	(4,449)	(4,444)	(4,546)	-	130	31,923	27,313
Public Order & Safety	2,408	3,633	2,717	3,123	4,231	3,854	(715)	(598)	(1,137)	3,586	2,686	3,390	3,630
Health	72	79	82	164	178	215	(92)	(99)	(133)	-	20	1,940	1,976
Environment	1,921	1,923	2,034	2,530	2,536	2,567	(609)	(613)	(533)	-	51	5,228	5,965
Community Services & Education	2,946	2,987	3,038	3,170	3,196	3,198	(224)	(209)	(160)	2,069	1,876	6,438	6,661
Housing & Community Amenities	253	272	238	786	831	754	(533)	(559)	(516)	-	70	4,657	4,861
Water Supplies	2,813	2,809	3,193	2,737	3,190	2,923	76	(381)	270	12	368	33,025	33,096
Sewerage Services	1,357	1,358	1,362	1,291	1,428	1,449	66	(70)	(87)	-	12	25,237	25,029
Recreation & Culture	248	479	257	3,142	3,128	3,325	(2,895)	(2,650)	(3,068)	358	125	26,203	25,939
Mining, Manufacturing & Construction	3,081	3,082	1,627	1,482	1,832	1,886	1,600	1,250	(259)	1,398	-	1,689	1,647
Transport & Communication	7,459	7,634	6,887	12,684	13,107	12,683	(5,225)	(5,473)	(5,796)	1,839	1,580	352,351	321,511
Economic Affairs	82	93	195	502	520	681	(420)	(427)	(486)	238	114	1,059	1,080
Total Functions & Activities	23,416	25,065	22,288	37,833	40,412	39,070	(14,417)	(15,347)	(16,782)	9,876	7,032	493,140	458,708
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)		6	26	-	-	-	-	6	26		-	286	291
General Purpose Income ¹	13,745	13,753	10,897	-	-	-	13,745	13,753	10,897	6,378	3,204		-
Operating Result from Continuing Operations	37,161	38,824	33,211	37,833	40,412	39,070	(672)	(1,588)	(5,859)	16,254	10,236	493,426	458,999

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 2015

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,

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.

AGRICULTURE

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		1,873	1,846
Farmland		4,695	4,570
Business		553	542
Total Ordinary Rates		7,121	6,958
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		1,373	1,418
Water Supply Services		1,250	1,231
Sewerage Services		1,059	1,104
Waste Management Services (non-domestic)		353	291
Total Annual Charges		4,035	4,044
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>11,156</u>	<u>11,002</u>

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 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		1,330	1,382
Sewerage Services		85	91
Total User Charges		1,415	1,473
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Regulation		61	18
Planning Regulation		61	37
Private Works - Section 67		214	142
Registration Fees		13	29
Regulatory Fees		24	40
Section 149 Certificates (EPA Act)		39	32
Section 603 Certificates		19	16
Statutory Fees		-	4
Total Fees & Charges - Statutory/Regulatory		431	318
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aged Care		149	175
Cemeteries		82	65
Child Care		726	842
Lease Rentals		16	24
Leaseback Fees - Council Vehicles		80	81
Park Rents		3	5
Quarry Revenues		1,116	1,555
RMS (formerly RTA) Charges (State Roads not controlled by Council)		3,045	2,665
Sundry Sales		34	17
Swimming Centres		115	110
Tourism		92	46
Waste Disposal Tipping Fees		44	36
Other		1	1
Total Fees & Charges - Other		5,503	5,622
TOTAL USER CHARGES & FEES		7,349	7,413

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		93	143
- Interest earned on Investments (interest & coupon payment income)		213	345
- Interest on Deferred Debtors		-	-
- Interest & Dividend Income (Other)		-	-
Impairment Losses/Reversals			
- Impairment (Losses)/Reversals - Investments other than AFS		40	235
- Impairment (Losses)/Reversals - Available for Sale Investments	20b(ii)	-	-
Available for Sale Revaluation Reserves realised on Investment sale		-	-
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		-	-
Other		31	115
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>377</u>	<u>838</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		33	83
General Council Cash & Investments		96	486
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		6	5
- Section 64		3	4
Water Fund Operations		81	114
Sewerage Fund Operations		145	146
Domestic Waste Management operations		14	-
Total Interest & Investment Revenue Recognised		<u>377</u>	<u>838</u>
(d) Other Revenues			
Rental Income - Other Council Properties		169	125
Legal Fees Recovery - Rates & Charges (Extra Charges)		142	218
Commissions & Agency Fees		120	116
Diesel Rebate		147	142
Insurance Claim Recoveries		97	121
Recycling Income (non domestic)		89	218
Other		98	84
<u>TOTAL OTHER REVENUE</u>		<u>862</u>	<u>1,024</u>

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component ¹	3,966	1,973	-	-
Financial Assistance - Local Roads Component ¹	2,304	1,130	-	-
Pensioners' Rates Subsidies - General Component	104	101	-	-
Other Grants	4	-	-	-
Total General Purpose	6,378	3,204	-	-
 Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	41	41	-	-
- Sewerage	59	12	-	-
- Domestic Waste Management	50	51	-	-
Water Supplies	-	-	12	325
Aged Care	660	702	-	-
Bushfire & Emergency Services	3,528	2,255	58	363
Child Care	1,157	1,174	-	-
Community Care	-	55	-	-
Economic Development	94	100	-	-
Employment & Training Programs	83	116	-	-
Heritage & Cultural	7	8	-	-
Library	70	55	199	-
LIRS Subsidy	80	-	-	-
Recreation & Culture	11	93	34	-
Transport (Roads to Recovery)	1,087	1,027	-	-
Transport (Other Roads & Bridges Funding)	61	33	455	485
Cobbora Transition Fund	497	-	1,398	-
Other	79	137	156	-
Total Specific Purpose	7,564	5,859	2,312	1,173
Total Grants	13,942	9,063	2,312	1,173
 Grant Revenue is attributable to:				
- Commonwealth Funding	7,870	5,302	-	-
- State Funding	3,107	3,626	1,832	1,173
- Other Funding	2,965	135	480	-
	13,942	9,063	2,312	1,173

¹ The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000		2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions					
Developer Contributions:					
(s93 & s94 - EP&A Act, s64 of the LGA):					
S 94A - Fixed Development Consent Levies		-	-	62	28
Total Developer Contributions	17	-	-	62	28
Other Contributions:					
Kerb & Gutter		-	-	-	9
RMS Contributions (Regional Roads, Block Grant)		2,589	2,542	-	-
Total Other Contributions		2,589	2,542	-	9
Total Contributions		2,589	2,542	62	37
TOTAL GRANTS & CONTRIBUTIONS		16,531	11,605	2,374	1,210

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2015	Actual 2014
(g) Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	1,009	2,009
add: Grants & contributions recognised in the current period but not yet spent:	1,805	975
less: Grants & contributions recognised in a previous reporting period now spent:	(552)	(1,975)
Net Increase (Decrease) in Restricted Assets during the Period	1,253	(1,000)
Unexpended and held as Restricted Assets	2,262	1,009
Comprising:		
- Specific Purpose Unexpended Grants	1,857	674
- Developer Contributions	405	335
	2,262	1,009

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		11,677	10,752
Employee Leave Entitlements (ELE)		2,074	1,879
Superannuation		1,221	1,222
Workers' Compensation Insurance		500	556
Fringe Benefit Tax (FBT)		41	34
Training Costs (other than Salaries & Wages)		176	237
Protective Clothing		79	46
Total Employee Costs		15,768	14,726
less: Capitalised Costs		(1,050)	(1,064)
TOTAL EMPLOYEE COSTS EXPENSED		14,718	13,662
Number of "Equivalent Full Time" Employees at year end		183	185
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		208	208
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		306	302
Total Interest Bearing Liability Costs		306	302
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		306	302
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)		-	-
- Remediation Liabilities	26	77	69
Total Other Borrowing Costs		77	69
TOTAL BORROWING COSTS EXPENSED		383	371

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Materials & Contracts			
Raw Materials & Consumables		3,624	3,432
Contractor & Consultancy Costs		4,553	3,546
Auditors Remuneration ⁽¹⁾		47	58
Legal Expenses:			
- Legal Expenses: Planning & Development		2	75
- Legal Expenses: Debt Recovery		122	251
- Legal Expenses: Other		18	-
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Paymen ⁽²⁾		95	150
Other		599	366
Total Materials & Contracts		9,060	7,878
less: Capitalised Costs		(1,377)	-
TOTAL MATERIALS & CONTRACTS		7,683	7,878

1. Auditor Remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):

(i) Audit and Other Assurance Services

- Audit & review of financial statements: Council's Auditor
- Internal Audit

Remuneration for audit and other assurance services

(ii) Taxation Services

- Tax compliance services

Remuneration for taxation services

(iii) Other Services

- Remuneration advice
- Benchmarking advice

Remuneration for other services

Total Auditor Remuneration

2. Operating Lease Payments are attributable to:

Computers

33	31
14	27
47	58
-	-
-	-
-	-
-	-
-	-
47	58
95	150
95	150

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	2,306	2,286
Office Equipment		-	-	16	88
Furniture & Fittings		-	-	42	20
Land Improvements (depreciable)		-	-	48	47
Buildings - Non Specialised		-	-	242	241
Buildings - Specialised		-	-	476	476
Other Structures		-	-	342	333
Infrastructure:					
- Roads		-	-	5,054	4,957
- Bridges		-	-	191	185
- Footpaths		-	-	123	108
- Stormwater Drainage		-	-	144	141
- Water Supply Network		-	-	780	756
- Sewerage Network		-	-	314	378
Other Assets					
Asset Reinstatement Costs	9 & 26	-	-	53	45
Intangible Assets	25	-	-	75	-
Total Depreciation & Impairment Costs		-	-	10,206	10,061
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	10,206	10,061

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		159	84
Bad & Doubtful Debts		(59)	157
Bank Charges		25	49
Conferences		51	32
Contributions/Levies to Other Levels of Government			
- Noxious Weeds		97	95
- NSW Fire Brigade Levy		42	42
- NSW Rural Fire Service Levy		3,351	2,524
- Orana Arts		12	10
Councillor Expenses - Mayoral Fee		24	23
Councillor Expenses - Councillors' Fees		97	95
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		17	119
Donations, Contributions & Assistance to other organisations (Section 356)		182	227
- Community Development Co-ordinators		81	80
- Regional Library Contributions		486	447
Electricity & Heating		609	629
Insurance		745	505
Postage		32	22
Printing & Stationery		115	43
Quarry product cost of goods sold		355	1,118
Registration & Licences		329	184
Street Lighting		97	88
Subscriptions & Publications		134	31
Telephone & Communications		197	254
Valuation Fees		54	50
Other		190	190
Total Other Expenses		7,422	7,098
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		7,422	7,098

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2015	Actual 2014
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	-
less: Carrying Amount of Property Assets Sold / Written Off		-	-
Net Gain/(Loss) on Disposal		-	-
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		659	1,051
less: Carrying Amount of P&E Assets Sold / Written Off		(483)	(755)
Net Gain/(Loss) on Disposal		176	296
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(58)	(203)
Net Gain/(Loss) on Disposal		(58)	(203)
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		1,551	-
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(1,500)	-
Net Gain/(Loss) on Disposal		51	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		169	93
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments designated "Held to Maturity"		51	-
Net Gain/(Loss) on Disposal of Financial Instruments		51	-

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		829	-	896	-
Cash-Equivalent Asset ¹					
- Deposits at Call		4,980	-	4,103	-
- Short Term Deposits		8,100	-	3,018	-
Total Cash & Cash Equivalents		13,909	-	8,017	-
Investments (Note 6b)					
- NCD's, FRN's (with Maturities > 3 months)		1,484	-	1,551	1,444
Total Investments		1,484	-	1,551	1,444
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		15,393	-	9,568	1,444

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		13,909	-	8,017	-
--	--	---------------	----------	--------------	----------

Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	-	-	-	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	1,484	-	1,551	1,444
b. "Held to Maturity"	6(b-ii)		-	-	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		1,484	-	1,551	1,444

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 6b. Investments (continued)

\$ '000	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as				
"At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	1,551	1,444	-	2,760
Adjustment on adoption of AASB 132/139	-	-	-	-
Revaluations (through the Income Statement)	40	-	126	109
Additions	-	-	-	-
Disposals (sales & redemptions)	(1,551)	-	-	-
Transfers between Current/Non Current	1,444	(1,444)	1,425	(1,425)
Balance at End of Year	1,484	-	1,551	1,444
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	1,484	-	1,551	1,144
Total	1,484	-	1,551	1,144

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

\$ '000	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
Total Cash, Cash Equivalents and Investments	15,393	-	9,568	1,444
attributable to:				
External Restrictions (refer below)	7,950	-	4,735	1,444
Internal Restrictions (refer below)	6,727	-	2,936	-
Unrestricted	716	-	1,897	-
	15,393	-	9,568	1,444

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Trust	551	15	-	566
External Restrictions - Included in Liabilities	551	15	-	566

External Restrictions - Other

Developer Contributions - General (D)	219	68	-	287
Developer Contributions - Water Fund (D)	89	2	-	91
Developer Contributions - Sewer Fund (D)	27	1	-	28
Specific Purpose Unexpended Grants (F)	676	1,182	-	1,858
Water Supplies (G)	2,037	2,813	(2,852)	1,998
Sewerage Services (G)	2,508	1,617	(1,164)	2,961
Domestic Waste Management (G)	72	89	-	161
External Restrictions - Other	5,628	5,772	(4,016)	7,384
Total External Restrictions	6,179	5,787	(4,016)	7,950

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement (Fleet Fund)	1,117	5,076	(4,271)	1,922
Employees Leave Entitlement	1,121	106	-	1,227
Carry Over Works (excl Fleet Carry Overs)	406	3,506	(406)	3,506
Bio Solid Provision Coolah	100	-	(100)	-
Bio Solid Provision Dunedoo	100	-	(100)	-
L.E.P.	20	-	(20)	-
Quarry Remediation Fund	72	-	-	72
Other	-	-	-	-
Total Internal Restrictions	2,936	8,688	(4,897)	6,727
TOTAL RESTRICTIONS	9,115	14,475	(8,913)	14,677

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Advances by Roads and Maritime Services for (RMS) works on the State's classified roads.
- C Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,017	-	1,346	-
Interest & Extra Charges		116	-	245	-
User Charges & Fees		972	-	1,241	-
Accrued Revenues					
- Interest on Investments		16	-	-	-
- Other Income Accruals		1,653	-	776	-
Government Grants & Subsidies		-	-	-	-
Deferred Debtors		-	30	1	50
Net GST Receivable		-	-	38	-
Other Debtors		780	-	9	-
Total		4,554	30	3,656	50
less: Provision for Impairment					
Rates & Annual Charges		(46)	-	(108)	-
User Charges & Fees		(21)	-	(18)	-
Total Provision for Impairment - Receivables		(67)	-	(126)	-
<u>TOTAL NET RECEIVABLES</u>		<u>4,487</u>	<u>30</u>	<u>3,530</u>	<u>50</u>
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		198	-	761	-
- Other		761	-	7	-
Sewerage Services					
- Rates & Availability Charges		67	-	587	-
- Other		238	-	-	-
Domestic Waste Management		221	-	-	-
Total External Restrictions		1,485	-	1,355	-
Internally Restricted Receivables					
Nil					
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		3,002	30	2,175	50
TOTAL NET RECEIVABLES		4,487	30	3,530	50

Notes on Debtors above:

- Rates & Annual Charges Outstanding are secured against the property.
- 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.
- Interest was charged on overdue rates & charges at 8.50% (2014 9.00%).
Generally all other receivables are non interest bearing.
- Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale		-	344	-	344
Stores & Materials		454	-	479	-
Loose Tools		22	-	22	-
Other (Quarry Product)		239	-	117	-
Total Inventories		715	344	618	344
Other Assets					
Prepayments		107	-	-	-
Total Other Assets		107	-	-	-
TOTAL INVENTORIES / OTHER ASSETS		822	344	618	344
Externally Restricted Assets					
Water					
Stores & Materials		6	-	6	-
Total Water		6	-	6	-
Sewerage					
Stores & Materials		-	-	-	-
Total Sewerage		-	-	-	-
Total Externally Restricted Assets		6	-	6	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		816	344	612	344
TOTAL INVENTORIES & OTHER ASSETS		822	344	618	344

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 8. Inventories & Other Assets (continued)

\$ '000	2015		2014	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	-	119	-	119
Industrial/Commercial	-	225	-	225
Total Real Estate for Resale	-	344	-	344
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	-	344	-	344
Total Costs	-	344	-	344
less: Provision for Under Recovery	-	-	-	-
Total Real Estate for Resale	-	344	-	344
Movements:				
Real Estate assets at beginning of the year	-	344	-	319
- Purchases and other costs	-	-	-	-
- Transfers in from (out to) Note 9	-	-	-	-
- WDV of Sales (exp) 5	-	-	-	-
- Transfer between Current/Non Current	-	-	-	-
- Other	-	-	-	25
Total Real Estate for Resale	-	344	-	344
(c) Inventories recognised as an expense for the year included:				
- Real Estate for Resale				-
- Stores & Materials			693	1,808
- Trading Stock			355	699

(d) Inventory Write Downs

\$(8,098) was recognised as an expense relating to the write down of Inventory balances held during the year.

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

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014					Asset Movements during the Reporting Period						as at 30/6/2015				
	At Cost	At Fair Value	Accumulated		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		Carrying Value
			Dep'n	Impairment										Dep'n	Impairment	
Capital Work in Progress	3,875	-	-	-	3,875	3,200	-	-	(3,614)	(210)	-	3,251	-	-	-	3,251
Plant & Equipment	-	24,190	13,830	-	10,360	1,729	(483)	(2,306)	-	-	-	-	24,736	15,436	-	9,300
Office Equipment	-	1,644	1,581	-	63	8	-	(16)	-	-	-	-	1,652	1,597	-	55
Furniture & Fittings	-	701	484	-	217	-	-	(42)	-	-	-	-	701	526	-	175
Plant & Equipment (under Finance Lease)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land:																
- Operational Land	-	5,382	-	-	5,382	141	-	-	-	-	-	-	5,523	-	-	5,523
- Community Land	-	1,295	-	-	1,295	-	-	-	-	-	-	-	1,295	-	-	1,295
- Land under Roads (pre 1/7/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Land under Roads (post 30/6/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - non depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	-	962	231	-	731	15	-	(48)	-	-	-	-	977	279	-	698
Buildings - Non Specialised	-	20,383	5,501	-	14,882	378	-	(242)	121	-	-	-	20,882	5,743	-	15,139
Buildings - Specialised	-	39,219	12,567	-	26,652	10	-	(476)	-	-	-	-	39,229	13,043	-	26,186
Other Structures	-	11,769	4,041	-	7,728	266	-	(342)	92	1,976	-	-	14,399	4,679	-	9,720
Infrastructure:																
- Roads	-	202,526	33,032	-	169,494	1,883	(58)	(5,054)	980	36,594	2,215	-	251,616	45,560	-	206,056
- Bridges	-	46,649	6,542	-	40,107	-	-	(191)	1,980	872	4,767	-	50,781	3,248	-	47,533
- Footpaths	-	4,932	1,332	-	3,600	140	-	(123)	-	(286)	279	-	5,184	1,574	-	3,610
- Bulk Earthworks (non-depreciable)	-	103,239	-	-	103,239	-	-	-	-	-	(15,241)	-	87,998	-	-	87,998
- Stormwater Drainage	-	8,356	2,971	-	5,385	23	-	(144)	-	(308)	(187)	-	8,019	3,250	-	4,769
- Water Supply Network	-	60,219	32,497	-	27,722	102	-	(780)	441	-	404	-	61,664	33,775	-	27,889
- Sewerage Network	-	35,519	14,425	-	21,094	39	-	(314)	-	-	312	-	36,091	14,960	-	21,131
- Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets:																
- Other	-	91	91	-	-	-	-	-	-	-	-	-	91	91	-	-
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																
- Tip Assets	-	301	11	-	290	-	-	(12)	-	49	-	-	350	23	-	327
- Quarry Assets	-	1,046	291	-	755	26	-	(41)	-	196	-	-	1,270	333	-	937
- Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	3,875	568,423	129,427	-	442,871	7,960	(541)	(10,131)	-	38,883	(7,451)	3,251	612,458	144,117	-	471,592

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$3,233,792) and New Assets (\$3,031,166).
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Actual 2015				Actual 2014			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	67	-	-	67	378	-	-	378
Plant & Equipment	-	391	212	179	-	391	167	224
Office Equipment	-	33	35	(1)	-	33	33	-
Furniture & Fittings	-	-	-	-	-	-	-	-
Land								
- Operational Land	-	364	-	364	-	364	-	364
- Community Land	-	-	-	-	-	-	-	-
- Improvements non-depreciable	-	-	-	-	-	-	-	-
- Improvements - depreciable	-	5	5	-	-	5	5	-
Buildings	-	1,415	350	1,065	-	1,415	332	1,083
Other Structures	-	537	127	410	-	537	117	420
Infrastructure	-	61,664	33,775	27,888	-	60,217	32,497	27,720
Other Assets	-	-	-	-	-	-	-	-
Total Water Supply	67	64,409	34,505	29,971	378	62,962	33,151	30,189
Sewerage Services								
WIP	15	-	-	15	3	-	-	3
Plant & Equipment	-	257	198	59	-	245	188	57
Office Equipment	-	7	-	7	-	7	-	7
Furniture & Fittings	-	-	-	-	-	-	-	-
Land								
- Operational Land	-	428	-	428	-	428	-	428
- Community Land	-	-	-	-	-	-	-	-
- Improvements non-depreciable	-	-	-	-	-	-	-	-
- Improvements - depreciable	-	-	-	-	-	-	-	-
Buildings	-	179	67	112	-	179	65	114
Other Structures	-	367	178	189	-	367	166	201
Infrastructure	-	36,091	14,960	21,131	-	35,519	14,425	21,094
Other Assets	-	-	-	-	-	-	-	-
Total Sewerage Services	15	37,329	15,403	21,942	3	36,745	14,844	21,904
TOTAL RESTRICTED I,PP&E	82	101,739	49,908	51,913	381	99,707	47,995	52,093

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,204	-	1,181	-
Payments Received In Advance		32	-	-	-
Accrued Expenses:					
- Borrowings		65	-	43	-
- Salaries & Wages		140	-	355	-
- Other Expenditure Accruals		345	-	19	-
Security Bonds, Deposits & Retentions		581	-	551	-
Other		11	-	11	-
Total Payables		2,378	-	2,160	-
Borrowings					
Loans - Secured ¹		1,351	7,259	440	4,464
Loans - Unsecured		-	-	-	-
Total Borrowings		1,351	7,259	440	4,464
Provisions					
Employee Benefits;					
Annual Leave		1,363	-	1,264	-
Long Service Leave		1,937	81	1,874	78
Other Leave		362	-	110	-
ELE On-Costs		361	7	402	8
Sub Total - Aggregate Employee Benefits		4,023	88	3,650	86
Asset Remediation/Restoration (Future Works)	26	-	2,039	-	1,691
Total Provisions		4,023	2,127	3,650	1,777
Total Payables, Borrowings & Provisions		7,752	9,386	6,250	6,241
(i) Liabilities relating to Restricted Assets					
Externally Restricted Assets					
Water		218	689	235	760
Sewer		45	1	79	1
Domestic Waste Management		-	-	-	-
Other		566	-	551	-
Liabilities relating to externally restricted assets		829	690	865	761
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		829	690	865	761
Total Liabilities relating to Unrestricted Assets		6,923	8,696	5,385	5,480
TOTAL PAYABLES, BORROWINGS & PROVISIONS		7,752	9,386	6,250	6,241

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

	Actual 2015	Actual 2014
\$ '000		

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

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

Provisions - Employees Benefits	2,467	2,401
	2,467	2,401

Note 10b. Description of and movements in Provisions

Nil

Class of Provision	2014	2015				
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	1,264	-	-	99	-	1,363
Long Service Leave	1,952	-	-	66	-	2,018
Other Leave (enter detai	110	-	-	252	-	362
ELE On-Costs	410	-	-	(42)	-	368
Asset Remediation	1,691	26	-	322	-	2,039
TOTAL	5,427	26	-	697	-	6,150

- 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.
- 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.

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	13,909	8,017
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		13,909	8,017
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(1,588)	(5,859)
Adjust for non cash items:			
Depreciation & Amortisation		10,206	10,061
Net Losses/(Gains) on Disposal of Assets		(118)	(93)
Impairment Losses / (Prior Period Reversals) - Financial Investments		(40)	(235)
Share of Net Assets of Associates/Joint Ventures		(30)	-
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
Unwinding of Discount Rates on Reinstatement Provisions		77	207
Share of Net (Profits) or Losses of Associates/Joint Ventures		(6)	(26)
Net Loss/(Gain) on Council Restructure/Amalgamations (excl. Cash)		-	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(899)	464
Increase/(Decrease) in Provision for Doubtful Debts		(59)	14
Decrease/(Increase) in Inventories		(97)	(82)
Decrease/(Increase) in Other Assets		(107)	-
Increase/(Decrease) in Payables		23	(62)
Increase/(Decrease) in accrued Interest Payable		22	(4)
Increase/(Decrease) in other accrued Expenses Payable		111	(72)
Increase/(Decrease) in Other Liabilities		62	(97)
Increase/(Decrease) in Employee Leave Entitlements		375	83
Increase/(Decrease) in Other Provisions		245	(138)
NET CASH PROVIDED FROM/(USED IN)		8,177	4,161
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		8,177	4,161

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
(c) Non-Cash Investing & Financing Activities			
Nil			
Total Non-Cash Investing & Financing Activities		-	-
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Total Financing Arrangements		500	500
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
Total Financing Arrangements Utilised		-	-

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

(ii) Secured Loan Liabilities

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

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Land & Buildings		535	379
Plant & Equipment		994	133
Bridges - Timber Bridge Replacement Program		1,058	3,009
Infrastructure		796	486
Total Commitments		3,383	4,007
These expenditures are payable as follows:			
Within the next year		3,383	3,087
Later than one year and not later than 5 years		-	920
Later than 5 years		-	-
Total Payable		3,383	4,007
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		1	-
Externally Restricted Reserves		1,169	240
Internally Restricted Reserves		2,213	667
New Loans (to be raised)			3,100
Total Sources of Funding		3,383	4,007

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) Finance Lease Commitments			
Nil			
(c) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		27	125
Later than one year and not later than 5 years		34	21
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		61	146

(d) Investment Property Commitments

Nil

(e) Investment in Joint Operations - Commitments

For Capital Commitments and Other Commitments relating to Investments in Joint Operations, refer to Note 19 (c)

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 20142013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contributions) - Operating Expenses	(4,137)	-11.40%	-22.55%	-3.86%
Total continuing operating revenue ⁽¹⁾	36,275			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. ALL Grants & Contributions)	19,744	51.09%	61.27%	55.22%
Total continuing operating revenue ⁽¹⁾	38,649			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	11,261	2.53x	2.55	3.88
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	4,456			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	6,452	7.84x	4.24	17.04
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	823			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	1,087	8.44%	11.41%	13.30%
Rates, Annual and Extra Charges Collectible	12,874			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	13,909	5.20 mths	3.03	5.82
Payments from cash flow of operating and financing activities	2,673			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

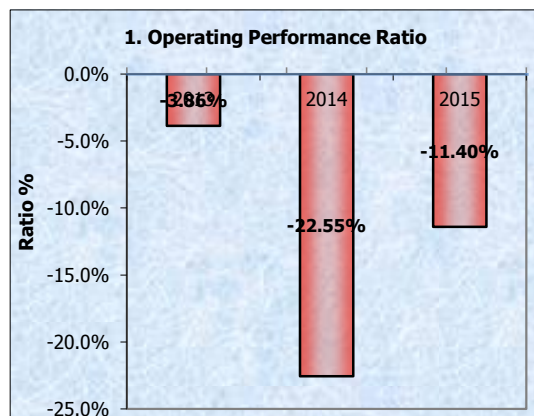
Also excludes any real estate & land for resale not expected to be sold in the next 12 months

⁽³⁾ Refer to Note 10(a).

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

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Benchmark: — Minimum $\geq 0.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Operating Performance Ratio

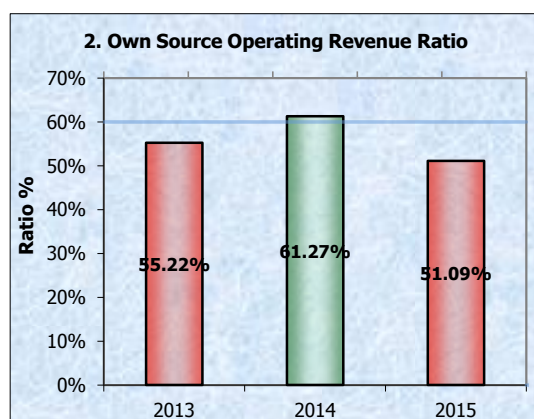
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2014/15 Result

2014/15 Ratio -11.40%

This ratio has improved this financial year due to council receiving the full amount of its FAGs allocation. Council is still above the benchmark for this ratio, although this is mostly due to a high depreciation figure for Council's extensive asset base, and Council's reliance on capital grants monies which are not factored into the calculations for this ratio.

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Minimum $\geq 60.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Own Source Operating Revenue Ratio

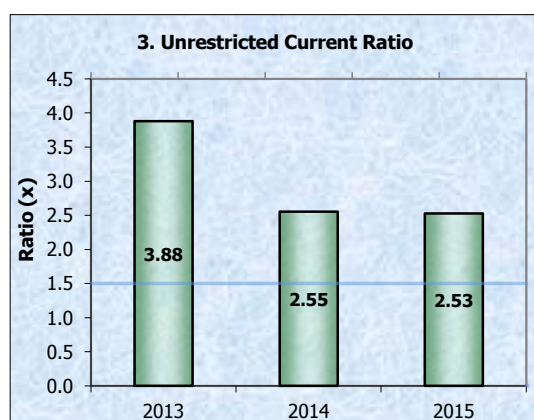
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.

Commentary on 2014/15 Result

2014/15 Ratio 51.09%

This ratio has worsened since the previous financial year due to Council receiving the full amount of its FAGs grants this financial year. Council also received a larger than usual amount of grant funding in 2015/16 which also worsens its performance against this ratio. Council is aiming to achieve a 60% or higher performance against this benchmark as part of its Fit for the Future reforms.

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Minimum ≥ 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Unrestricted Current Ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2014/15 Result

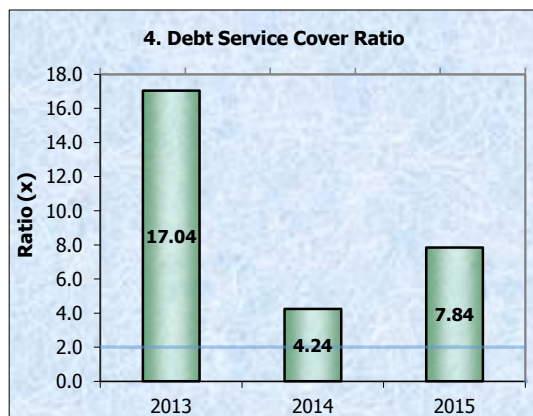
2014/15 Ratio 2.53x

This ratio has remained constant year on year and is still above the required benchmark. Council has in recent years been placing an increasing emphasis on accurately tracking restricted assets, in order to effectively manage its cashflow.

Ratio is within Benchmark
Ratio is outside Benchmark

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Benchmark: — Minimum ≥ 2.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Debt Service Cover Ratio

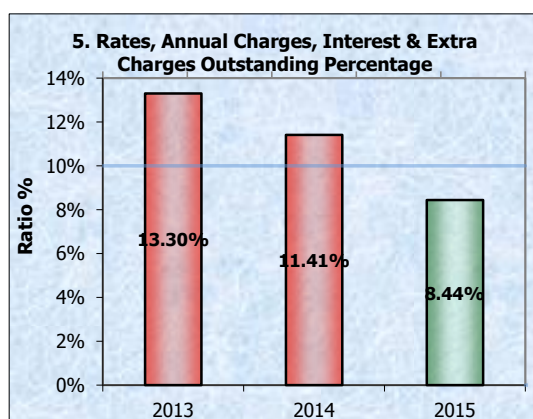
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2014/15 Result

2014/15 Ratio 7.84x

This ratio has improved this financial year due to an improved operating performance in the 2014/15 financial year.

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Rates & Annual Charges Outstanding Ratio

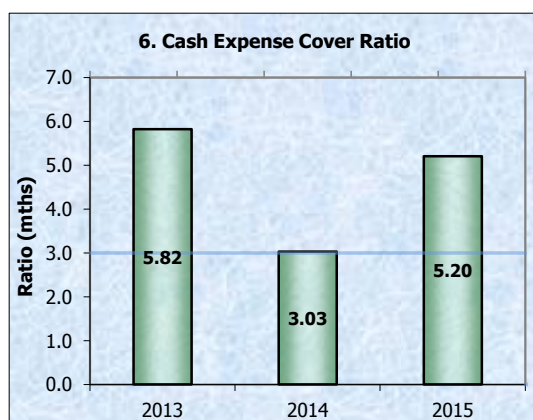
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2014/15 Result

2014/15 Ratio 8.44%

Council's improved debt collection performance means that Council now meets the 10% rural council benchmark for this ratio. Council has improved its performance against this ratio from 15% in 2011 to 8.44% in 2014/15 which is a significant achievement.

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2014/15 Result

2014/15 Ratio 5.20 mths

This ratio suggests that Council would be able to continue paying for its immediate expenses for 5.21 months without additional cash inflows. The 2014/15 result for this ratio is an improvement over Council's performance in the 2013/14 financial year.

Ratio is within Benchmark
Ratio is outside Benchmark

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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

\$ '000	Water 2015	Sewer 2015	General ⁵ 2015
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions) - Operating Expenses			
Total continuing operating revenue ⁽¹⁾	-14.01%	-5.15%	-11.44%
(excl. Capital Grants & Contributions)	prior period: -2.16%	prior period: -0.63%	prior period: -25.81%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
(excl. ALL Grants & Contributions)			
Total continuing operating revenue ⁽¹⁾	98.11%	95.66%	45.50%
	prior period: 88.44%	prior period: 99.17%	prior period: 56.31%
3. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽²⁾			
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	13.58x	71.00x	2.53x
	prior period: 11.10	prior period: 33.77	prior period: 2.55
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation			
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)			
	12.82x	6.67x	7.64x
	prior period: 10.49	prior period: 0.00	prior period: 2.98
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual and Extra Charges Outstanding			
Rates, Annual and Extra Charges Collectible			
	15.84%	15.49%	6.86%
	prior period: 13.49%	prior period: 35.07%	prior period: 7.37%
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents + All Term Deposits			
Payments from cash flow of operating and financing activities			
	9.63 mths	25.50 mths	4.03 mths
	prior period: 9.61	prior period: 15.69	prior period: 2.07

Notes

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

(5) General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

Note 14. Investment Properties

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

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 15. Financial Risk Management

\$ '000

Risk Management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

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

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

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

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

	Carrying Value		Fair Value	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	13,909	8,017	13,909	8,017
Investments				
- "Held for Trading"	-	-	-	-
- "Designated At Fair Value on Initial Recognition"	1,484	2,995	1,484	-
- "Held to Maturity"	-	-	-	2,995
- "Loans & Receivables"	-	-	-	-
- "Available for Sale"	-	-	-	-
Receivables	4,517	3,580	4,517	3,580
Other Financial Assets	-	-	-	-
Total Financial Assets	19,910	14,592	19,910	14,592
Financial Liabilities				
Bank Overdraft	-	-	-	-
Payables	2,346	2,160	2,346	2,160
Loans / Advances	8,610	4,904	8,610	4,223
Lease Liabilities	-	-	-	-
Total Financial Liabilities	10,956	7,064	10,956	6,383

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.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's 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 risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **Credit Risk** - the risk that the investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & 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 interest rates applicable.

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2015				
Possible impact of a 10% movement in Market Values	148	148	(148)	(148)
Possible impact of a 1% movement in Interest Rates	139	139	(139)	(139)
2014				
Possible impact of a 10% movement in Market Values	300	300	(300)	(300)
Possible impact of a 1% movement in Interest Rates	80	80	(80)	(80)

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

(b) Receivables

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

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

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

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

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:

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	88%	80%	27%	54%
Overdue	12%	20%	73%	46%
	100%	100%	100%	100%

		2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(ii) Ageing of Receivables - value					
Rates & Annual Charges	Other Receivables				
Current	Current	895	3,465	362	1,274
< 1 year overdue	0 - 30 days overdue	122	59	984	325
1 - 2 years overdue	30 - 60 days overdue	-	1		20
2 - 5 years overdue	60 - 90 days overdue	-	42		247
> 5 years overdue	> 90 days overdue		-		494
		1,017	3,567	1,346	2,360

(iii) Movement in Provision for Impairment of Receivables

	2015	2014
Balance at the beginning of the year	126	112
+ new provisions recognised during the year	66	126
- previous impairment losses reversed	(126)	(112)
Balance at the end of the year	66	126

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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 maturity table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2015									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	581	1,797	-	-	-	-	-	2,378	2,346
Loans & Advances	-	1,703	1,103	1,103	1,104	1,102	4,211	10,327	8,610
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	581	3,500	1,103	1,103	1,104	1,102	4,211	12,705	10,956
2014									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	551	1,609	-	-	-	-	-	2,160	2,160
Loans & Advances	-	890	871	851	831	810	3,069	7,322	4,904
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	551	2,499	871	851	831	810	3,069	9,482	7,064

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:

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	2,346	0.1%	2,160	0.1%
Loans & Advances - Fixed Interest Rate	8,610	4.8%	4,904	6.0%
Lease Liabilities	-		-	0.0%
	<u>10,956</u>		<u>7,064</u>	

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 19 June 2014.

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	2015 Budget	2015 Actual	2015 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	11,289	11,156	(133)	(1%)	U
No Budget Variation Details Are Required - Variance is < 10%					
User Charges & Fees	7,184	7,349	165	2%	F
No Budget Variation Details Are Required - Variance is < 10%					
Interest & Investment Revenue	899	377	(522)	(58%)	U
Lower than budget interest and investment revenue was due to a reduced cash balance from non-receipt of 2 quarters of FAGS grants last year and a delay in the drawdown of the \$3.1m LIRS 2 loan combined with record low interest rates. Interest on outstanding rates has also fallen due to Council's improved debt collection process and the reversal of prior year impairment was \$40k below budget					
Furthermore the budget treated the LIRS refund as interest income but this line item is now included as a grant (\$107k) per the recommendations of the OLG.					
Other Revenues	1,089	862	(227)	(21%)	U
The 2015 budget included an expected insurance reimbursement of \$230k for the Timor Dam fence. This has not yet been received.					
Operating Grants & Contributions	15,906	16,531	625	4%	F
No Budget Variation Details Are Required - Variance is < 10%					
Capital Grants & Contributions	725	2,374	1,649	227%	F
The Capital Grants and Contributions budget did not include the "Cobbora Transition Fund" (\$1.8m in 2015) which provided the Shire with the opportunity to fund projects to boost future economic growth and improved public amenities.					
Net Gains from Disposal of Assets	59	169	110	186%	F
Net Gains on disposal of assets is over budget due to better than expected trade in revenue from Fleet Operations.					
Joint Ventures & Associates - Net Profits	10	6	(4)	(40%)	U
The Macquarie Regional Library made a loss overall last year					

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	13,931	14,718	(787)	(6%)	U
Employee benefits and on-costs are \$787k over budget due to a combination of items such as Council budgeting for \$1.21m worth of capitalised salary and wages however only \$1.057m of this amount has been capitalised with the remaining \$154k being recognised as recurrent expenditure not budgeted for. AASB 119 adjustments for movements in employee provisions that were not budgeted for (\$116k). There has also been increase in associated employee on-costs of \$240k which is an internal charge that is netted off against materials and contracts.					
Borrowing Costs	451	383	68	15%	F
Borrowing costs are down mostly due to the refinancing of the Combined Bridges Loan. Taking advantage of this opportunity saved the Shire \$28k. The falling interest rates, whilst reducing our investment returns has also reduced our borrowing costs.					
Materials & Contracts	6,963	7,683	(720)	(10%)	U
Budget variation is due to higher than forecast RMCC works, as well as higher than budget water and sewer related materials and contracts expenditure.					
Depreciation & Amortisation	10,022	10,206	(184)	(2%)	U
No Budget Variation Details Are Required - Variance is < 10%					
Impairment Expenses	-	-	-	0%	F
No Budget Variation Details Are Required					
Other Expenses	6,466	7,422	(956)	(15%)	U
The Other Expenses Budget Variation is attributable to the higher than budgeted in kind (non cash) expense provided to the NSW Rural Fire Service. This expense is entirely offset by increased in kind income received.					

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

	2015	2015	2015	
\$ '000	Budget	Actual	Variance*	

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

Cash Flows from Operating Activities	9,126	8,177	(949)	(10.4%)	U
---	--------------	--------------	--------------	----------------	----------

Cash flows from operating activities are \$932k worse than budget predominately due to the following:
The lower investment and interest revenue received resulting from a reduced cash balance due to non-receipt of 2 quarters of FAGS grants last year and a delay in the drawdown of the \$3.1m LIRS 2 loan combined with record low interest rates. Interest on outstanding rates has also fallen due to Council's improved debt collection process (\$316k below budget);
Employee benefits and on-costs are also \$675k over budget due to a combination of items such as Council budgeting for \$1.21m worth of capitalised salary and wages however only \$1.057m of this amount has been capitalised with the remaining \$154k being recognised as recurrent expenditure not budgeted for. AASB 119 adjustments for movements in employee provisions that were not budgeted for (\$116k). There has also been increase in associated employee on-costs of \$240k which is an internal charge that is netted off against materials and contracts. There have also been higher than budget expenditure for materials and contracts in the water and sewer funds, which were not budgeted for.

Cash Flows from Investing Activities	(7,729)	(5,991)	1,738	(22.5%)	F
---	----------------	----------------	--------------	----------------	----------

Cash flows from investing activities are \$1.7m lower than budget (positive variance) due to delays in the completion of some of Council's capital works, particularly several large bridge projects, and the purchase of several major items of fleet the delivery of which has been delayed by the supplier.

Cash Flows from Financing Activities	(675)	3,706	4,381	(649.0%)	F
---	--------------	--------------	--------------	-----------------	----------

Cash flows from Financing Activities are \$4.3m higher than budget (positive variance) due to Council drawing down the second LIRS loan worth \$3.1m, entering into a loan for the quarry expansion (\$0.45m), as well as a timing difference in one of the loan rollovers, which saw the new loan being entered into a day earlier than the previous loan was rolled over (\$0.6m). Council also restructured some of its loans in the 2014/15 financial year.

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	5	-	-	-	-	-	5	-	(5)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	7	-	-	-	-	-	7	-	(7)	-	-
Community Facilities	4	-	-	-	-	-	4	-	(4)	-	-
Bushfire	11	-	-	1	-	-	11	-	(11)	-	-
Other	2	-	-	-	-	-	2	-	(2)	-	-
S94 Contributions - under a Plan	29	-	-	1	-	-	29	-	(29)	-	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	29	-	-	1	-	-	29				-
S94 not under Plans	188	61	-	5	-	-	254	-	-	254	-
S93F Planning Agreements	-						-				
S64 Contributions	119			3			121				
Total Contributions	335	61	-	8	-	-	405	-	(29)	254	-

Financial Statements 2015

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	5	-	-	-	-	-	5	-	(5)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	7	-	-	-	-	-	7	-	(7)	-	-
Community Facilities	4	-	-	-	-	-	4	-	(4)	-	-
Bushfire	11	-	-	1	-	-	11	-	(11)	-	-
Other	2	-	-	-	-	-	2	-	(2)	-	-
Total	29	-	-	1	-	-	29	-	(29)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94A LEVIES - UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	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	-	-	-	-	-	-	-	-	-	-	-
Bushfire	-	-	-	-	-	-	-	-	-	-	-
Other	188	61	-	5	-	-	254	-	-	254	-
Total	188	61	-	5	-	-	254	-	-	254	-

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S64 Contributions

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	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	-	-	-	-	-	-	-	-	-		-
Water	91	-	-	2	-	-	93	-	-		-
Sewer	28	-	-	1	-	-	28	-	-		-
Other	-	-	-	-	-	-	-	-	-		-
Total	119	-	-	3	-	-	121				-

Notes to the Financial Statements for the financial year ended 30 June 2015

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

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, 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 \$363,715.80 as at 30 June 2015.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

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.

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 19. Interests in Other Entities

\$ '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;

Controlled Entities (Subsidiaries)

Note 19(a)

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

Joint Ventures & Associates

Note 19(b)

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

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

Joint Operations

Note 19(c)

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

Unconsolidated Structured Entities

Note 19(d)

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a) and Joint Operations disclosed at Note 19(c) are accounted for on a "line by line" consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint Ventures and Associates 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 Statement of Financial Position.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Joint Ventures	6	26	286	291
Associates	-	-	-	-
Total	6	26	286	291

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council

Council has no interest in any Controlled Entities (Subsidiaries).

(b) Joint Ventures and Associates

Council has incorporated the following Joint Ventures and Associates into it's consolidated Financial Statements.

(a) Net Carrying Amounts - Council's Share

Name of Entity	Nature of Relationship	Measurement Method	2015	2014
Macquarie Regional Library	Joint Venture	Equity	286	291
Total Carrying Amounts - Material Joint Ventures and Associates			286	291

(b) Details

Name of Entity	Principal Activity
Macquarie Regional Library	Community Library Services
Places of Business:	Dubbo, Coolah, Dunedoo, Connabarabran, Narromine and Wellington

(c) Relevant Interests & Fair Values

Name of Entity	Quoted Fair Value		Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2015	2014	2015	2014	2015	2014	2015	2014
Macquarie Regional Library	N/A	N/A	19%	19%	19%	19%	25%	25%

(d) Summarised Financial Information for Joint Ventures & Associates

	Macquarie Regional Library	
	2015	2014
Statement of Financial Position		
Current Assets		
Cash and Cash Equivalents	215	159
Other Current Assets	1,164	1,194
Total Current Assets	1,379	1,353
Non-Current Assets	876	825
Current Liabilities		
Other Current Liabilities	689	647
Total Current Liabilities	689	647
Non-Current Liabilities	37	28
Net Assets	1,529	1,503

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

Reconciliation of the Carrying Amount

Opening Net Assets (1 July)	1,503	1,537
Profit/(Loss) for the period	30	(34)
Dividends Paid		
Other Adjustments to Equity	(4)	
Closing Net Assets	1,529	1,503
Council's share of Net Assets (%)	19%	19%
Council's share of Net Assets (\$)	286	291

Macquarie Regional Library

Statement of Comprehensive Income

	2015	2014
Income	2,534	2,439
Interest Income	37	55
Depreciation & Amortisation	(286)	(326)
Other Expenses	(2,255)	(2,202)
Profit/(Loss) from Continuing Operations	30	(34)
Profit/(Loss) from Discontinued Operations		
Profit/(Loss) for Period	30	(34)
Other Comprehensive Income		
Total Comprehensive Income	30	(34)
Council's share of Income (%)	19%	19%
Council's share of Profit/(Loss) (\$)	6	(7)
Council's share of Comprehensive Income (\$)	6	(7)

Dividends received by Council

(f) The nature and extent of significant restrictions relating to Joint Ventures & Associates

The finances of the "Macquarie Regional Library" joint venture are overseen by the Dubbo City Council with Warrumbungle Shire Council (WSC) Making its Budget contributions quarterly. Consequently WSC has no access to the entities cash or investments.

(c) Joint Operations

Council has no interest in any Joint Operations.

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		351,799	357,689
a. Correction of Prior Period Errors	20 (c)	38,849	-
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		(30)	(31)
d. Net Operating Result for the Year		(1,588)	(5,859)
Balance at End of the Reporting Period		389,030	351,799

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	87,258	94,709
- "Available for Sale" Financial Investments Revaluation Reserve	-	-
- Other Reserves (Specify)	-	-
Total	87,258	94,709

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance	94,709	80,765
- Revaluations for the year	9(a) (7,451)	13,919
- (Impairment of revalued assets) / Impairment reversals	9(a),(c) -	-
- Other movements (revaluation of Non-Current Inventory)	-	25
- Balance at End of Year	87,258	94,709

TOTAL VALUE OF RESERVES

87,258 **94,709**

(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.

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
(c) Correction of Error/s relating to a Previous Reporting Period			
<p>As part of Council's transition to measuring all it's I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Classes:</p> <ul style="list-style-type: none"> - Roads - Footpaths - Bridges - Stormwater Drainage <p>As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.</p> <p>This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.</p> <p>Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/14 (the closing date for the comparative figures in this report).</p> <p>As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/14 to reflect the correct value of accumulated depreciation; This adjustment resulted in net decrease in Council's Accumulated Surplus as at 30/6/14.</p>			
- Adjustments to Closing Equity - 30/6/14 (relating to adjustments for the 30/6/14 year end)		38,849	-
Total Prior Period Adjustments - Prior Period Errors		38,849	-

(d) Voluntary Changes in Accounting Policies

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund	Actual	Actual	Actual
\$ '000	2015	2015	2015
<u>Continuing Operations</u>	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	1,250	1,059	8,847
User Charges & Fees	1,367	85	5,897
Interest & Investment Revenue	81	145	151
Other Revenues	59	10	793
Grants & Contributions provided for Operating Purposes	41	59	16,431
Grants & Contributions provided for Capital Purposes	12	-	2,362
Other Income			
Net Gains from Disposal of Assets	-	-	169
Share of interests in Joint Ventures & Associates using the Equity Method			6
Total Income from Continuing Operations	2,810	1,358	34,656
Expenses from Continuing Operations			
Employee Benefits & on-costs	974	592	13,152
Borrowing Costs	39	-	344
Materials & Contracts	622	191	6,870
Depreciation & Amortisation	853	339	9,014
Impairment			-
Other Expenses	702	306	6,414
Interest & Investment Losses			-
Net Losses from the Disposal of Assets	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method			-
Total Expenses from Continuing Operations	3,190	1,428	35,794
Operating Result from Continuing Operations	(380)	(70)	(1,138)
<u>Discontinued Operations</u>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(380)	(70)	(1,138)
Net Operating Result attributable to each Council Fund	(380)	(70)	(1,138)
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(392)	(70)	(3,500)

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

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 2015

Note 21. Financial Result & Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
	Water	Sewer	General ¹
ASSETS			
Current Assets			
Cash & Cash Equivalents	1,880	2,416	9,613
Investments	209	574	701
Receivables	959	441	3,087
Inventories	6	-	709
Other	-	-	107
Total Current Assets	3,054	3,431	14,217
Non-Current Assets			
Investments	-	-	-
Receivables	-	1,130	166
Inventories	-	-	344
Infrastructure, Property, Plant & Equipment	29,971	21,942	419,679
Investments Accounted for using the equity method	-	-	286
Intangible Assets	-	-	472
Total Non-Current Assets	29,971	23,072	420,947
TOTAL ASSETS	33,025	26,503	435,164
LIABILITIES			
Current Liabilities			
Payables	6	-	2,508
Borrowings	71	-	1,280
Provisions	141	46	3,836
Total Current Liabilities	218	46	7,624
Non-Current Liabilities			
Payables	-	-	1,130
Borrowings	686	-	6,573
Provisions	2	1	2,124
Total Non-Current Liabilities	688	1	9,827
TOTAL LIABILITIES	906	47	17,451
Net Assets	32,119	26,456	417,713
EQUITY			
Retained Earnings	20,609	12,175	356,246
Revaluation Reserves	11,510	14,281	61,467
Council Equity Interest	32,119	26,456	417,713
Non-controlling Interests	-	-	-
Total Equity	32,119	26,456	417,713

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 21. Financial Result & Financial Position by Fund (continued)

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

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2015) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 20/10/15.

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

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2015.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

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

Note 24. Discontinued Operations

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

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 25. Intangible Assets

\$ '000	Actual 2015	Actual 2014
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	381	-
Accumulated Amortisation (1/7)	(98)	-
Accumulated Impairment (1/7)	-	-
Net Book Value - Opening Balance	283	-
Movements for the year		
- Purchases	238	-
- Development Costs	25	-
- Other Capitalised Costs (transfers from PP&E)	-	283
- Amortisation charges	(75)	-
Closing Values:		
Gross Book Value (30/6)	645	381
Accumulated Amortisation (30/6)	(173)	(98)
Accumulated Impairment (30/6)	-	-
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>472</u>	<u>283</u>

¹. The Net Book Value of Intangible Assets represent:

- Software	472	283
	472	283

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	
		2015	2014
Allandale	2018	1	1
Beamsfield West	2018	29	27
Caradoc Park	2018	4	3
Cooks	2018	4	4
Glenmore	2018	9	8
Lemonwood	2018	5	5
Naparoo	2018	7	7
Wanloch	2018	10	9
Avis 2	2018	7	7
Box Hill	2018	8	8
Carlyons	2018	20	18
Coolah Tsr	2018	2	2
Kirban	2038	6	7
Pidgee	2038	14	16
Barrier Gates	2023	20	18
Rhodes	2038	5	6
Cloven Hills	2028	12	11
Connemarra	2028	19	16
Coolah Crk	2028	4	4
Edenmore	2028	23	20
Lochneil	2038	10	10
Pipers	2038	6	6
Quondory	2028	42	37
Wyoming	2038	24	24
A Becketts	2038	3	2
Arkabah	2038	3	2
Avas 1	2038	3	3
Baradine Aerodro	2038	13	11
Barwidgee South	2038	23	19
Barwon	2038	2	2
Bellerive	2038	2	2
Beni	2038	17	14
Bobella	2038	1	-
Boomely	2038	3	2
Borambitty	2038	9	7
Brains	2038	2	1
Bretni Rd	2038	12	10
Burrawong Park	2038	5	4

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

\$ '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	
		2015	2014
Burton	2038	7	6
Caledonia	2038	9	7
Cheriton	2038	3	2
Cobbora	2038	11	9
Coleraine	2038	7	5
Coolie Camp	2038	8	7
Coonabarabran	2038	4	3
Cossington	2038	9	7
Cromarty Park	2038	1	-
Curteis	2038	6	5
Danabar	2038	11	9
Danlo	2038	61	51
Dowd Rd	2038	5	4
Duces	2038	40	33
Dunedoo	2038	6	5
Ewendale	2038	5	4
Forans Lane	2038	35	29
Foster	2038	32	27
Frost	2038	15	13
Galashields	2038	15	12
Gamble Crk	2038	1	1
Glendale	2038	13	11
Glenrowan	2038	44	37
Goally	2038	51	43
Gunnedah	2038	40	34
Hawthorne	2038	32	27
Haynes	2038	4	3
Hazelmere	2038	4	3
Hereford Park	2038	2	2
Hillgrove	2038	6	5
Hollymount	2038	4	4
Inchmoor	2038	14	12
Johnsons	2038	21	18
Kallara	2038	4	3
Kentuckey	2038	4	3
Kiah	2038	4	3
Kindalyn	2038	26	22
Korora	2018	20	13
Kroobit Cadell	2038	37	31
Kurrajong Park 2	2038	8	7

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

\$ '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	
		2015	2014
Kurravale	2038	5	4
Kybeyan	2038	4	3
Lanbre	2038	16	13
Liamena	2038	12	10
Lockerbie	2028	5	3
Loloma	2038	14	11
Lynwood	2018	7	4
Maduba	2038	2	2
Marombi Rd 2	2038	1	1
Maronga	2038	5	4
Maroo	2038	20	16
Mendooran 1	2038	18	15
Mendooran 2	2038	7	6
Merrygoen	2038	4	3
Millings	2038	5	4
Morton Bay	2038	3	3
Mt Hope	2038	3	3
Mt Marlow	2038	10	8
Murrumbong	2038	9	8
Narangarie	2038	13	11
Neible	2038	5	4
North Pine	2038	12	10
O Neills	2038	2	1
Oban	2038	19	15
Old Castle	2038	22	19
Orana	2038	13	11
Pandora	2038	1	1
Peridot	2038	3	2
Pine Ridge	2018	49	33
Pound	2028	7	5
Rawlinsons Old	2028	8	6
Rawlinsons Pit	2038	7	6
Round Mountain	2038	6	5
Saltwater	2038	6	5
Sandy Crk Rd	2038	1	1
Scotts	2038	5	5
Silentdale	2038	5	4
Skidders	2038	1	1
Sleightholmes	2038	33	28
Spring Ridge Rd	2038	5	4

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

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

Asset/Operation	Estimated year of restoration	2015	2014
The Pinnacles	2038	33	27
Thompsons	2038	4	3
Timbali	2038	20	16
Todds	2038	9	7
Tonniges Rd	2038	1	1
Turee	2038	16	13
Tv Tower	2038	23	19
Warrawonga	2038	1	1
Watsons	2038	28	23
Wattlegrove	2038	11	10
Weetaliba	2038	2	2
Witta Coola	2038	13	11
Woodlands	2038	4	3
Yellow Cutting	2038	30	25
Beamsfield North	2038	16	13
Deep Creek	2038	2	2
Hathway	2038	5	5
Leaders	2038	5	4
Phyllisdale	2038	5	4
Quilpie	2038	2	2
Rodgers	2038	4	3
Three Miles	2038	7	6
Yarrandale	2038	7	6
Lumeah	2038	0	-
Maldannia	2038	0	-
Ulunggra	2038	4	-
Kerr's Pit	2038	4	-
Beamsfield East	2038	16	-
Dromore	2038	5	-
Ulamambri Tip	2038	17	14
Binnaway Tip	2038	37	31
Baradine Tip	2038	28	23
Dunedoo Tip	2038	34	29
Mendooran Tip	2038	40	34
Coolah Tip	2038	30	24
Coonabarabran Tip	2038	190	159
Enter details here of each rehabilitation asset/operation		-	-
Balance at End of the Reporting Period		2,039	1,691

10(a)

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

\$ '000

Reconciliation of movement in Provision for year:

Balance at beginning of year	1,691	1,186
Amounts capitalised to new or existing assets:		
- Tips	-	272
- Quarries	26	44
Effect of a change in discount rates used in PV calculations	236	138
Effect of a change in other calculation estimates used	9	(18)
Amortisation of discount (expensed to borrowing costs)	77	69
Total - Reinstatement, rehabilitation and restoration provision	2,039	1,691

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.

Provisions for close down and restoration and for environmental clean up costs – Tips and Quarries

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

\$ '000

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Financial Assets & Liabilities

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

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

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

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

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

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

Fair Value Measurements		Fair Value Measurement Hierarchy			Total
2015	Date of latest Valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Designated At Fair Value on Initial Recognition"	30/06/2015			1,484	1,484
Total Financial Assets		-	-	1,484	1,484
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	N/A			9,300	9,300
Office Equipment	N/A			55	55
Furniture & Fittings	N/A			175	175
Land	30/06/2013			6,818	6,818
Land Improvements - Depreciable	30/06/2011			698	698
Buildings	30/06/2013			41,325	41,325
Other Structures	30/06/2011			9,720	9,720
Roads	30/06/2015			206,056	206,056
Bridges	30/06/2015			47,533	47,533
Footpaths	30/06/2015			3,610	3,610
Bulk Earthworks	30/06/2015			87,998	87,998
Stormwater Drainage	30/06/2015			4,769	4,769
Water Supply Network	30/06/2013			27,889	27,889
Sewerage Network	30/06/2013			21,131	21,131
Tip Assets	30/06/2014			327	327
Quarry Assets	30/06/2014			936	936
Total Infrastructure, Property, Plant & Equipme		-	-	468,340	468,340

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

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

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

To Warrumbungle Shire Council

SCOPE

The financial statements comprises the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Warrumbungle Shire Council (the Council), for the year ended 30th June 2015.

Councils' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements to the Council based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements is free from material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Cash Flow Statement and the Original Budget disclosures in Notes 2 and 16 and accordingly, we express no opinion on them.

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

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion:

- (a) The accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
- (b) the general purpose financial statements:
 - (i) have been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
 - (ii) are consistent with the Council's accounting records; and
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30th June 2015 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



Paul Cornall

Principal

26th October 2015

92 Rusden Street Armidale

26 October 2015

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

Dear Mayor

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

We are pleased to report that we have completed the audit of Council's financial statements and records for the year ended 30 June 2015 and have issued an audit opinion on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

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

Council's responsibilities

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

Audit Objectives

We conducted an independent audit of the financial statements in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 to the financial statements and accordingly, we express no opinion on them.

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

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

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

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

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

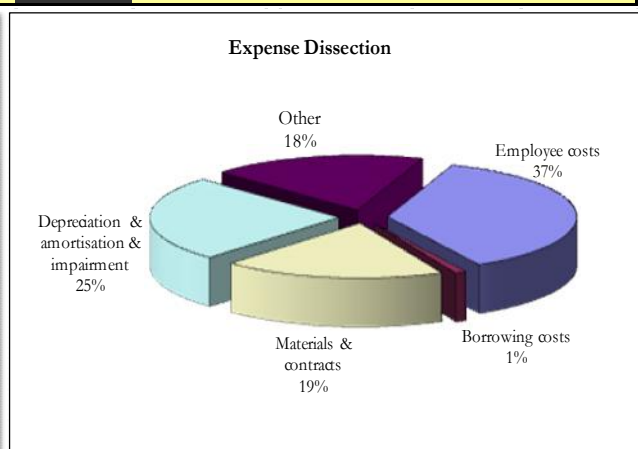
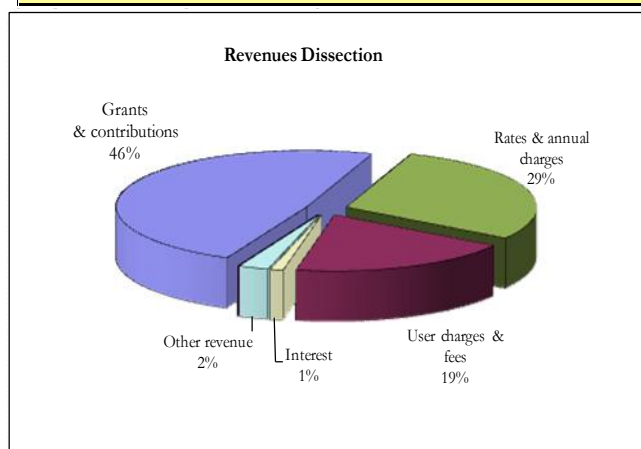
This auditor's report relates to the financial statements of Warrumbungle Shire Council for the year ended 30 June 2015 included on Warrumbungle Shire Council's web site. Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web 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 2015 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2015	2015	2014	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	11,289	11,156	11,002	1.4%	-1.2%
User charges & fees	7,184	7,349	7,413	-0.9%	2.3%
Interest	899	428	838	-48.9%	-52.4%
Other revenues from ordinary activities	1,089	862	1,024	-15.8%	-20.8%
Grants & contributions for operating purposes	15,906	16,531	11,605	42.4%	3.9%
Grants & contributions for capital purposes	725	2,374	1,210	96.2%	227.4%
Gain from sale of assets	59	118	93	26.9%	100.0%
Gain from interests in joint ventures & associates	10	6	26	-76.9%	-40.0%
Total income from continuing operations	37,161	38,824	33,211	16.9%	4.5%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	13,931	14,718	13,662	7.7%	5.6%
Borrowing costs	451	383	371	3.2%	-15.1%
Materials and contracts	6,963	7,683	7,878	-2.5%	10.3%
Depreciation & amortisation	10,022	10,206	10,061	4.6%	1.8%
Other expenses from ordinary activities	6,466	7,422	7,098	1.4%	14.8%
Total Expenses from continuing operations	37,833	40,412	39,070	3.4%	6.8%
OPERATING RESULT FROM CONTINUING OPERATIONS	(672)	(1,588)	(5,859)	-72.9%	136.3%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(1,397)	(3,962)	(7,069)	-44.0%	183.6%



Council has reported an operating deficit of \$1.6m for the year compared with a deficit of \$5.9m in the previous year. This result includes grants for capital purposes of \$2.4m. The expenditure of these grants is not recorded in the income statement but capitalised in the Statement of Financial Position. When these capital grants are excluded, Council achieved a deficit of \$4.0m (2014: deficit \$7.1m).

Income overall increased by \$5.6m or 16.9% compared to 2014 due mainly to higher grants and contributions for operating purposes of \$4.9m and higher grants and contributions for capital purposes of \$1.2m which was partially offset by small reductions in interest and other revenues.

Grants and contributions for operating purposes increased due to financial assistance grants returning to normal levels (in 2014 there was only three instalments as the government ceased to prepay instalments in the prior year) as well as higher levels of bushfire and emergency services activities than in the prior year. Further, there was a portion of the one-off grant from the Cobbora Transition Fund classified as operating grants in the income statement.

Grants and contributions for capital purposes increased due to a one-off grant from the Cobbora Transition Fund, split between operating and capital grants in the income statement, which provided Council the opportunity to fund projects to boost future economic growth and improve public amenities.

Expenditure increased by \$1.3m or 3.4% on the previous year due mainly to higher employment costs of \$1.1m as a result of award wage rate plus increases in leave provisions payable and general cost increases across other expense categories.

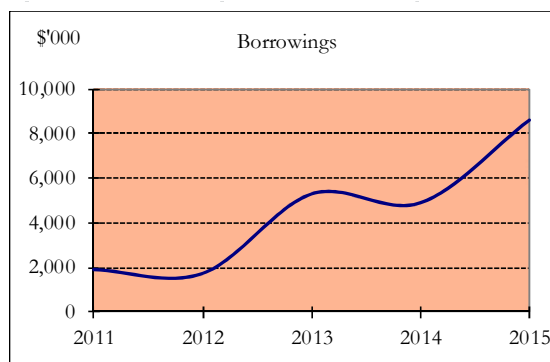
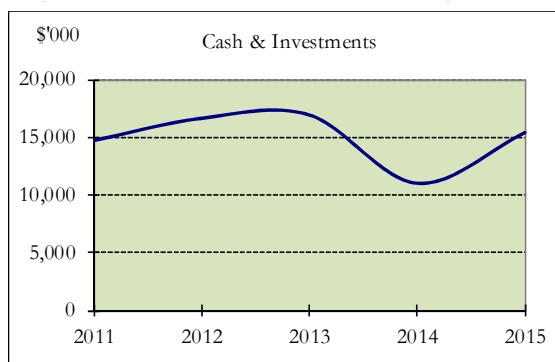
Comparison of actual to budget performance

The actual operating deficit for the year of \$1.6m compares with the original budget deficit of \$0.7m. The variation of \$0.9m between the actual results and the original budget (excluding revotes) is primarily due to the following:

- Interest income (unfavourable \$0.5m) – Council budgeted on higher cash balances and higher interest rates than actually occurred during 2015;
- Other revenues (unfavourable \$0.2m) – The budget anticipated insurance reimbursements for the Timor Dam fence which has yet to be received;
- Operating and capital grants and contributions (favourable \$2.2m) – grants were above budget due to a one-off grant from the Cobbora Transition Fund and other grants being higher than budgeted;
- Employee costs (unfavourable \$0.8m) – employment costs were higher than budget due to less payroll costs being capitalised into infrastructure projects and employee leave provision calculations being higher than included in the budget;
- Materials and Contracts (unfavourable \$0.7m) – actual costs were higher than budgeted due to higher than expected Roads and Maritime Contract works and higher operating costs associated with water and sewer maintenance; and
- Other expenses (unfavourable \$0.9m) - higher than expected rural fire service activities compared to budget.

The following schedule of assets and liabilities has been extracted from the Statement of Financial Position as at 30 June 2015. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2015 \$'000	2014 \$'000	Variance %
CURRENT ASSETS			
Cash and cash equivalents	13,909	8,017	73.5%
Investments	1,484	1,551	-4.3%
Receivables	4,487	3,530	27.1%
Inventories	715	618	15.7%
Other	107	-	0.0%
TOTAL CURRENT ASSETS	20,702	13,716	50.9%
CURRENT LIABILITIES			
Payables	2,378	2,160	10.1%
Borrowings	1,351	440	207.0%
Provisions	4,023	3,650	10.2%
TOTAL CURRENT LIABILITIES	7,752	6,250	24.0%
NET CURRENT ASSETS	12,950	7,466	73.5%
NON-CURRENT ASSETS			
Investments	-	1,444	0.0%
Inventories	344	344	0.0%
Receivables	30	50	-40.0%
Intangible assets	472	283	66.8%
Investments accounted for using equity method	286	291	-1.7%
Infrastructure, Property Plant & Equipment	471,592	442,871	6.5%
TOTAL NON-CURRENT ASSETS	472,724	445,283	6.2%
NON-CURRENT LIABILITIES			
Provisions	2,127	1,777	19.7%
Borrowings	7,259	4,464	62.6%
TOTAL NON-CURRENT LIABILITIES	9,386	6,241	50.4%
NET ASSETS	476,288	446,508	6.7%



The higher cash and investment levels (current and non-current) of \$4.4m are due to surplus cash from operations and new Local Infrastructure Renewal Scheme (LIRS) loans only partially spent for infrastructure asset renewals.

Total borrowings increased by \$3.7m due to additional borrowings under LIRS to fund bridge replacements.

The increase in infrastructure, property, plant and equipment of \$28.7m is mainly due to the revaluation of infrastructure assets (roads, bridges, storm water drainage and footpaths) of \$31.4m during the year. The remaining net reduction in the infrastructure, property, plant and equipment value of \$2.7m is due to asset additions of \$8.0m being offset by annual depreciation of \$10.1m and asset disposals of \$0.6m.

Other major balance sheet movements include:

- Increase in receivables – There was an increase in unpaid grants and contributions debtors at the end of 2015; and
- Increase in provisions (current and non-current) – Due to adjustments in the tip and quarry rehabilitation estimates and higher employee entitlement provisions as a result of changes in accounting treatments for on-costs and calculations to comply with accounting standards.

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	3,054	3,295	382	13,971	20,702
Current Liabilities	218	46	-	7,488	7,752
Net Current Assets	2,836	3,249	382	6,483	12,950
Plus: Net Liabilities Payable >12mths	-	-	-	2,467	2,467
Total Funds before Restrictions	2,836	3,249	382	8,950	15,417
LESS: Restricted Cash & Investments (Included in Revenue)					
Developer Contributions	91	28	-	287	406
Specific Purpose Grants & Contributions	-	-	-	1,858	1,858
	91	28	-	2,145	2,264
NET FUNDS AVAILABLE	2,745	3,221	382	6,805	13,153
LESS Internal Restrictions	-	-	-	6,727	6,727
Net Funds After All Restrictions	2,745	3,221	382	78	6,426

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	1,121	106	-	1,227
Carry over works	406	3,506	406	3,506
Bio Solid provision	200	-	200	-
Plant replacement fund	1,117	5,076	4,271	1,922
Quarry restoration	72	-	-	72
Other	20	-	20	-
	2,936	8,688	4,897	6,727

The above table demonstrates that the general function has available funds of \$6.8m before setting aside funds in reserves (internal restrictions). After funding \$6.7m of internal restrictions, Council has only a small reserve surplus to fund day to day working capital requirements. Council should consider rebuilding its unrestricted cash reserves in future years.

Internal restrictions are funds Council has earmarked for particular projects or to fund specific operating needs. Council has internally restricted \$1.2m to fund employee leave entitlements. This restriction represents 30% of all leave entitlements. This reserve is considered satisfactory given leave payments expected in the 2015 financial year are included in Council's current year budgets.

The internal restrictions for carry over works increased due to infrastructure works planned to occur in 2015 being deferred to future years.

LOCAL GOVERNMENT INDUSTRY PERFORMANCE INDICATORS

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

RATIO	PURPOSE	2014	2013	2012	2011	Benchmarks
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	-11.2%	-22.6%	-3.9%	-9.7%	TCorp>-4% FFF>0%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	51%	61%	55%	50%	TCorp>60% FFF>60%
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.53	2.55	3.88	4.58	TCorp>1.5
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principal and lease payments.	7.9	4.2	17.0	20.6	TCorp>2 FFF>0 & <20
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	8.4%	11.4%	13.3%	13.6%	TCorp<10%
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	5.21	3.03	5.82	4.43	TCorp>3

Operating performance

An operating performance deficit of 11.2% indicates that Councils operating revenue, excluding capital grants and contributions are insufficient to cover operating expenditure, especially depreciation of infrastructure assets. This compares to the State average deficit of 8.8% and Group 10 average deficit of 16.1% for 2014. The significant improvement in this ratio for 2015 is due to the increase in revenues including the impact of the government ceasing to prepay instalments of the financial assistance grant in the prior year. The Fit for Future benchmark is that councils should average breakeven or better over a three year period.

The ratio shows that Council is only able to fund approximately 61% of its infrastructure needs (as represented by depreciation expense) and that in the long term Council needs to continue to improve its financial performance.

Owned source operating revenue

A ratio of 51% highlights that Council has a dependence on grants and contributions and compares to a Group 10 average of 62% and a State average of 70% for 2014. The reduction in the ratio is due to higher grants and contributions (capital and operating) for the 2015 including the higher financial assistance grant and one-off Cobbora Transition Fund grant received in the current year.

The TCorp benchmark for sustainability is to have a ratio of greater than 60% and the Fit for Future benchmark is to average greater than 60% over a three year period.

Unrestricted Ratio

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants & contributions and adjusting for employee entitlements not expected to be settled within 12 months. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 2.53 indicates that there is \$2.53 of unrestricted current assets for every \$1.00 of current liabilities. Councils ratio of 2.53 compares to the average of 4.33 for Group 10 Councils and the State average of 3.61 for 2014. The ratio is above the TCorp benchmark of greater than 1.5.

Debt service cover ratio

The debt service cover ratio of 7.90 times indicates that council has \$7.90 before interest and depreciation to pay interest and principal repayments on current borrowings. This compares to the Group 10 average of 17.10 and the State average of 89.69 for 2014. The TCorp benchmark for sustainability is to have a ratio of greater than 2.0. The improvement in this ratio for 2015 is due to improvements in the operating result before capital grants, interest and depreciation.

Outstanding rate ratio

The outstanding rates and charges ratio of 8.4% is an improvement on previous years and indicates that Council have put additional resources into debt collection over the past few years. Council's outstanding rates ratio is still higher than the Group 10 average of 7.74% and the State average of 6.25% for 2014 but is still lower than the TCorp benchmark for rural Council's of less than 10%.

Cash expense ratio

The ratio indicates that Council can pay 5.21 months of its expenses without additional cash inflows. This compares to the Group 10 average of 9.40 and the State average of 9.80 for 2014. The TCorp benchmark is to have reserves to meet at least 3 months of operating expenditure

Key performance indicators by fund

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

RATIO	PURPOSE	Water	Sewer	General													
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating reveune.	<table><thead><tr><th>Category</th><th>2015</th><th>2014</th></tr></thead><tbody><tr><td>Water</td><td>-14.01%</td><td>-2.16%</td></tr><tr><td>Sewer</td><td>-5.15%</td><td>-0.63%</td></tr><tr><td>General</td><td>-11.27%</td><td>-25.81%</td></tr></tbody></table>			Category	2015	2014	Water	-14.01%	-2.16%	Sewer	-5.15%	-0.63%	General	-11.27%	-25.81%	■ 2015 ■ 2014
Category	2015	2014															
Water	-14.01%	-2.16%															
Sewer	-5.15%	-0.63%															
General	-11.27%	-25.81%															
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	<table><thead><tr><th>Category</th><th>2015</th><th>2014</th></tr></thead><tbody><tr><td>Water</td><td>98.11%</td><td>88.44%</td></tr><tr><td>Sewer</td><td>95.66%</td><td>99.17%</td></tr><tr><td>General</td><td>45.58%</td><td>56.31%</td></tr></tbody></table>			Category	2015	2014	Water	98.11%	88.44%	Sewer	95.66%	99.17%	General	45.58%	56.31%	■ 2015 ■ 2014
Category	2015	2014															
Water	98.11%	88.44%															
Sewer	95.66%	99.17%															
General	45.58%	56.31%															
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	<table><thead><tr><th>Category</th><th>2015</th><th>2014</th></tr></thead><tbody><tr><td>Water</td><td>13.49</td><td>11.1</td></tr><tr><td>Sewer</td><td>72.58</td><td>33.77</td></tr><tr><td>General</td><td>2.53</td><td>2.55</td></tr></tbody></table>			Category	2015	2014	Water	13.49	11.1	Sewer	72.58	33.77	General	2.53	2.55	■ 2015 ■ 2014
Category	2015	2014															
Water	13.49	11.1															
Sewer	72.58	33.77															
General	2.53	2.55															
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principal and lease payments.	<table><thead><tr><th>Category</th><th>2015</th><th>2014</th></tr></thead><tbody><tr><td>Water</td><td>11.1</td><td>10.49</td></tr><tr><td>Sewer</td><td>6.41</td><td>100</td></tr><tr><td>General</td><td>7.81</td><td>2.98</td></tr></tbody></table>			Category	2015	2014	Water	11.1	10.49	Sewer	6.41	100	General	7.81	2.98	■ 2015 ■ 2014
Category	2015	2014															
Water	11.1	10.49															
Sewer	6.41	100															
General	7.81	2.98															
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	<table><thead><tr><th>Category</th><th>2015</th><th>2014</th></tr></thead><tbody><tr><td>Water</td><td>15.84%</td><td>13.49%</td></tr><tr><td>Sewer</td><td>15.49%</td><td>35.07%</td></tr><tr><td>General</td><td>6.86%</td><td>7.37%</td></tr></tbody></table>			Category	2015	2014	Water	15.84%	13.49%	Sewer	15.49%	35.07%	General	6.86%	7.37%	■ 2015 ■ 2014
Category	2015	2014															
Water	15.84%	13.49%															
Sewer	15.49%	35.07%															
General	6.86%	7.37%															
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	<table><thead><tr><th>Category</th><th>2015</th><th>2014</th></tr></thead><tbody><tr><td>Water</td><td>9.63</td><td>9.61</td></tr><tr><td>Sewer</td><td>25.5</td><td>15.69</td></tr><tr><td>General</td><td>4.04</td><td>2.07</td></tr></tbody></table>			Category	2015	2014	Water	9.63	9.61	Sewer	25.5	15.69	General	4.04	2.07	■ 2015 ■ 2014
Category	2015	2014															
Water	9.63	9.61															
Sewer	25.5	15.69															
General	4.04	2.07															

Operating performance

An operating performance ratio by fund shows that all funds have been unable to cover all of their operating expenses, especially depreciation expense. The ratio improvement in 2015 in the general fund is due to improvements in operating revenue, especially the higher financial assistance grant. The deterioration in the water fund performance ratio is due to increases in costs during the 2015 year.

Owned source operating revenue

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

Unrestricted Ratio

The unrestricted ratios show that all funds have sufficient working capital.

Debt service cover ratio

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

Outstanding rate ratio

The outstanding rate ratio by fund shows that the outstanding rates are very high for the water and sewer funds. We encourage Council to target sewer and water debt collection in order to improve its overall outstanding rates ratio performance.

Cash expense ratio

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

Infrastructure Asset Performance Indicators (unaudited)

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

RATIO	PURPOSE	2014	2013	2012	2011	Benchmarks
BUILDING AND INFRASTRUCTURE RENEWALS RATIO	To assess the proportion spent on infrastructure renewals vs infrastructure deterioration.	42.2%	59.8%	63.3%	44.4%	TCorp>100% FFF>100%
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	5%	6%	20%	27%	TCop<20% FFF<2%
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	133%	108%	100%	100%	TCorp>100% FFF>100%
CAPITAL EXPENDITURE RATIO	To assess the extent to which council is forecasting to expand its asset base with capital expenditure.	0.73	0.99	1.21	0.75	TCorp>1.1

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 2015 Council spent \$0.42 for every \$1 in estimated asset deterioration. The Group 10 ratio was \$0.80 and the State average ratio was \$0.87 for the 2014 year. The Fit for Future benchmark is to have a three year average of greater than \$1.00.

The current trend in the ratio highlights that Council expended less on asset renewals compared to the estimated reduction in asset condition over the past four years. It should also be noted that Special Schedule 7, which is an unaudited statement prepared in conjunction with the financial

report, discloses that the estimated cost to bring infrastructure assets to a satisfactory standard is \$16.8m.

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

Infrastructure backlog ratio

An infrastructure backlog ratio 5% indicates that the infrastructure backlog represents 5% of the value of Councils infrastructure and compares to a Group 10 average of 13.8% and State average of 8.7% for 2014. The fit for the future benchmark is a ratio less than 2%. The ratio has continued to improve over the past four years due to improvements in asset modelling regarding estimating the value of assets below satisfactory condition.

Asset maintenance ratio

The asset maintenance ratio of 133% indicates that Council has undertaken sufficient maintenance to keep pace with required maintenance requirements as determine by Council’s engineers and maintenance staff. This compares positively to the Group 10 average of 89% and the State average of 90% for 2014. A ratio of greater than 1.0 is considered acceptable by TCorp.

Capital expenditure ratio

The capital expenditure ratio of 0.73 indicates that Council has expended \$0.73 on capital expenditure for every dollar of depreciation. The TCorp benchmark is for a Council to have a capital expenditure ratio of greater than 1.1.

Overall the infrastructure asset performance indicators show that Council’s performance has improved and 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 the 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 Statement of Cash Flows.

CASH MOVEMENTS	Actual 2015	Actual 2014	Variance
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	39,817	35,538	12.0%
Proceeds from Assets Sales	659	1,051	-37.3%
Proceeds from sale of investments	1,551	0	0.0%
Repayment from Deferred Debtors	21	0	0.0%
Proceeds from Borrowings	4,146	0	0.0%
TOTAL RECEIPTS	46,194	36,589	26.3%
CASH OUTFLOWS			
Operating Payments	31,640	31,377	0.8%
Purchase of Assets	8,222	10,928	-24.8%
Repayment of Loans	440	394	11.7%
Other payments	0	44	0.0%
TOTAL PAYMENTS	40,302	42,743	-5.7%
TOTAL CASH MOVEMENT	5,892	(6,154)	-195.7%
Cash assets	13,909	8,017	
Investments (current and non-current)	1,484	2,995	
Total Cash & Investments on Hand	15,393	11,012	39.8%

Council's cash and investments have increased by \$4.4m after expending \$8.2m on infrastructure and assets and \$0.4m on scheduled repayments of borrowings. This was funded by new borrowings and positive cash flows from operations.

Cash Outflows for "Purchase of Assets" of \$8.2m included road and bridge construction totalling \$5.1m. This compares with the \$5.0m annual rate of depreciation of these assets. The other major asset purchases related to plant and equipment of \$1.7m and intangible assets of \$0.3m.

SPECIAL PURPOSE REPORTS

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

Water supply function

The Special Purpose Financial Reports disclose that the Water Supply function recorded an operating deficit (before capital funding) of \$392,000 after allowing for depreciation of \$853,000.

The Net Current Asset position of \$2,836,000 provides a satisfactory working capital balance to meet short to medium operational requirements. We 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 \$9.4m. Council needs to consider focusing on improving operating surpluses in the fund to build reserves to fund future water asset replacements.

Sewerage services

The Sewerage function recorded an operating deficit (before capital funding) of \$70,000 after allowing for depreciation of \$339,000.

The Net Current Assets of \$3,249,000 provides a satisfactory working capital base to meet short to long term operational requirements. Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring water assets to a satisfactory standard is \$1.6m.

Quarry operations

Council recorded an operating deficit of \$16,000 compared to a surplus of \$84,000 in 2014. Due to economic conditions in the region there has been a decline in quarry sales resulting in a decline in profits. The net current assets of \$260,000 is satisfactory for the size of operations.

GENERAL

Reporting obligations under the Local Government Act

Council's systems and records have been well maintained during the year and Council's audited accounts will be submitted to the 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

A handwritten signature in blue ink, appearing to read "P.R. Cornall".

Paul Cornall
Principal

Warrumbungle Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

"excellence in local government"



Warrumbungle Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Warrumbungle Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

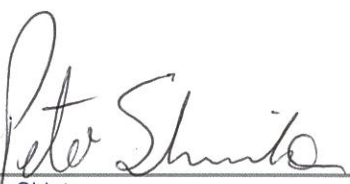
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

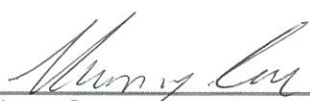
To the best of our knowledge and belief, these Financial Statements:

- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 20 August 2015.


Peter Shinton
MAYOR


Murray Coe
COUNCILLOR


Steve Loane
GENERAL MANAGER


Stefan Murru
RESPONSIBLE ACCOUNTING OFFICER

Warrumbungle Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	1,250	1,231
User charges	1,343	1,382
Fees	24	50
Interest	81	114
Grants and contributions provided for non capital purposes	41	44
Profit from the sale of assets	-	-
Other income	59	47
Total income from continuing operations	2,798	2,868
Expenses from continuing operations		
Employee benefits and on-costs	974	878
Borrowing costs	39	42
Materials and contracts	622	860
Depreciation and impairment	853	829
Water purchase charges	-	-
Calculated taxation equivalents	-	7
Other expenses	702	314
Total expenses from continuing operations	3,190	2,930
Surplus (deficit) from Continuing Operations before capital amounts	(392)	(62)
Grants and contributions provided for capital purposes	12	325
Surplus (deficit) from Continuing Operations after capital amounts	(380)	263
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(380)	263
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(380)	263
plus Opening Retained Profits	20,989	20,568
plus/less: Prior Period Adjustments		65
plus/less: Other Adjustments (interfund asset transfers - Land & Plant)		93
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	7
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid		(7)
- Surplus dividend paid		-
Closing Retained Profits	20,609	20,989
Return on Capital %	-1.2%	-0.1%
Subsidy from Council	1,258	1,095
Calculation of dividend payable:		
Surplus (deficit) after tax	(380)	263
less: Capital grants and contributions (excluding developer contributions)	(12)	(325)
Surplus for dividend calculation purposes	-	-
Potential Dividend calculated from surplus	-	-

Warrumbungle Shire Council

Income Statement of Council's Sewerage Business Activity for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	1,059	1,104
User charges	85	91
Interest	145	223
Grants and contributions provided for non capital purposes	59	12
Profit from the sale of assets	-	-
Other income	10	10
Total income from continuing operations	1,358	1,440
Expenses from continuing operations		
Employee benefits and on-costs	592	525
Borrowing costs	-	-
Materials and contracts	191	433
Depreciation and impairment	339	396
Calculated taxation equivalents	-	-
Other expenses	306	95
Total expenses from continuing operations	1,428	1,449
Surplus (deficit) from Continuing Operations before capital amounts	(70)	(9)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(70)	(9)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(70)	(9)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(70)	(9)
plus Opening Retained Profits	12,245	12,237
plus/less: Prior Period Adjustments		(5)
plus/less: Other Adjustments (interfund asset transfers - Land)		22
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid		-
- Surplus dividend paid		-
Closing Retained Profits	12,175	12,245
Return on Capital %	-0.3%	0.0%
Subsidy from Council	733	789
Calculation of dividend payable:		
Surplus (deficit) after tax	(70)	(9)
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	-	-
Potential Dividend calculated from surplus	-	-

Warrumbungle Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

Warrumbungle
Quarry

Category 2

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
User charges	1,116	1,549
Other income	-	12
Total income from continuing operations	1,116	1,561
Expenses from continuing operations		
Employee benefits and on-costs	217	135
Borrowing costs	4	-
Materials and contracts	434	214
Depreciation and impairment	-	-
Calculated taxation equivalents	-	-
Other expenses	477	1,128
Total expenses from continuing operations	1,132	1,477
Surplus (deficit) from Continuing Operations before capital amounts	(16)	84
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(16)	84
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(16)	84
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(25)
SURPLUS (DEFICIT) AFTER TAX	(16)	59
plus Opening Retained Profits	276	192
plus/less: Prior Period Adjustments		-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	25
add:		
- Subsidy Paid/Contribution To Operations		-
less:		
- TER dividend paid		-
- Dividend paid		-
Closing Retained Profits	260	276
Return on Capital %	-2.4%	n/a
Subsidy from Council	27	-

Warrumbungle Shire Council

Statement of Financial Position - Council's Water Supply Business Activity
as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	1,880	1,705
Investments	209	218
Receivables	959	768
Inventories	6	6
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	3,054	2,697
Non-Current Assets		
Investments	-	203
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	29,971	30,189
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	29,971	30,392
TOTAL ASSETS	33,025	33,089
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	6	17
Interest bearing liabilities	71	68
Provisions	141	150
Total Current Liabilities	218	235
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	686	758
Provisions	2	2
Total Non-Current Liabilities	688	760
TOTAL LIABILITIES	906	995
NET ASSETS	32,119	32,094
EQUITY		
Retained earnings	20,609	20,989
Revaluation reserves	11,510	11,105
Council equity interest	32,119	32,094
Non-controlling equity interest	-	-
TOTAL EQUITY	32,119	32,094

Warrumbungle Shire Council

Statement of Financial Position - Council's Sewerage Business Activity
as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	2,416	1,377
Investments	574	600
Receivables	441	718
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	3,431	2,695
Non-Current Assets		
Investments	-	558
Receivables	1,130	1,137
Inventories	-	-
Infrastructure, property, plant and equipment	21,942	21,904
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total non-Current Assets	23,072	23,599
TOTAL ASSETS	26,503	26,294
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	-	24
Interest bearing liabilities	-	-
Provisions	46	55
Total Current Liabilities	46	79
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	1	1
Total Non-Current Liabilities	1	1
TOTAL LIABILITIES	47	80
NET ASSETS	26,456	26,214
EQUITY		
Retained earnings	12,175	12,245
Revaluation reserves	14,281	13,969
Council equity interest	26,456	26,214
Non-controlling equity interest	-	-
TOTAL EQUITY	26,456	26,214

Warrumbungle Shire Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

Warrumbungle Quarry

	Category 2	
	Actual	Actual
\$ '000	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	93	805
Inventories	239	117
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	332	922
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	493	-
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	493	-
TOTAL ASSETS	825	922
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	120	646
Interest bearing liabilities	39	-
Provisions	-	-
Total Current Liabilities	159	646
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	406	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	406	-
TOTAL LIABILITIES	565	646
NET ASSETS	260	276
EQUITY		
Retained earnings	260	276
Revaluation reserves	-	-
Council equity interest	260	276
Non-controlling equity interest	-	-
TOTAL EQUITY	260	276

Warrumbungle Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Office of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

Nil

Category 2

(where gross operating turnover is less than \$2 million)

a. Warrumbungle Shire Council Sewerage Service

All individual Sewerage Services are now combined into one entity known as Warrumbungle Sewerage Fund. This entity incorporates the previous individual Operations and Net Assets of the Sewerage Treatment and Reticulation Systems of the towns Baradine, Coonabarabran, Coolah and Dunedoo.

b. Warrumbungle Shire Council Combined Water Supply

All individual Water Funds are now combined into one entity known as Warrumbungle Water Fund. This entity incorporates the previous individual Operations and Net Assets of the Water Supply Systems of the towns of Baradine, Binnaway, Coonabarabran, Coolah, Dunedoo and Mendooran.

c. Warrumbungle Quarry

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water

Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

A calculation of the equivalent rates and charges payable on all Category 1 businesses has been applied to all land assets owned or exclusively used by the Business Activity.

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors.

Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed.

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field".

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.07% at 30/6/15.

The actual rate of return achieved by each Business Activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2015 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 2. Water Supply Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2015

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	10,041
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	-

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	100,410
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	(495,000)

2015 Surplus	(392,000)	2014 Surplus	(62,000)	2013 Surplus	(41,000)
		2014 Dividend	-	2013 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	

3. Required outcomes for 6 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	YES
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	NO
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	NO
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 2. Water Supply Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2015

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	2,717
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	50.56%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	27,889
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	2,227
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	543
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	-1.21%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	12

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 3. Sewerage Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2015

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	7,689
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	-

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	76,890
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	(25,100)

2015 Surplus	(70,000)	2014 Surplus	(9,000)	2013 Surplus	53,900
		2014 Dividend	-	2013 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges (a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	NO
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2015

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	1,213
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	21,131
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	1,098
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	39
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	-0.98%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	3,930
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	2.54%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	582
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	-1.11%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Warrumbungle Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2015

National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

NWI F22	Net Debt to Equity (Water & Sewerage)	%	-7.50%
	Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]		
NWI F23	Interest Cover (Water & Sewerage)		-
	Earnings before Interest & Tax (EBIT) divided by Net Interest		
	Earnings before Interest & Tax (EBIT):		578
	Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)		
	Net Interest:		187
	Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		
NWI F24	Net Profit After Tax (Water & Sewerage)	\$'000	(450)
	Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))		
NWI F25	Community Service Obligations (Water & Sewerage)	\$'000	100
	Grants for Pensioner Rebates (w11b + s12b)		

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INDEPENDENT AUDIT REPORT

Report on the special purpose financial statements

To Warrumbungle Shire Council

SCOPE

We have audited the special purpose financial statements of Warrumbungle Shire Council for the year ended 30th June 2015 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Statement of Financial Position by Business Activities, and Note 1 to the financial statements. The financial statements include the accounts of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year.

Councils' responsibility for the financial statements

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the requirements of the Division of Local Government and Council. The Councils' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that is free from 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 based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council or the Division of Local Government. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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 are free from material misstatement.

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 judgment, 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

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

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

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, the Special Purpose Financial statements of the Warrumbungle Shire Council for the year ended 30th June 2015 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul Cornall
Principal

26th October 2015

92 Rusden Street Armidale