

# Warrumbungle Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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*"excellence in local government"*



# Warrumbungle Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors and Management</b>	3
<b>3. Primary Financial Statements:</b>	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
<b>4. Notes to the Financial Statements</b>	9
<b>5. Independent Auditor's Reports:</b>	
– On the Financial Statements (Sect 417 [2])	87
– On the Conduct of the Audit (Sect 417 [3])	89

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### Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 25 October 2017. Council has the power to amend and reissue these financial statements.
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# Warrumbungle Shire Council

## General Purpose Financial Statements for the year ended 30 June 2017

### Understanding Council's financial statements

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#### Introduction

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

#### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

#### About the Councillor/Management Statement

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

#### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "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 five primary financial statements.

#### About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

#### Who uses the financial statements?

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

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

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

## Warrumbungle Shire Council

### General Purpose Financial Statements for the year ended 30 June 2017

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 16 November 2017**

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Peter Shinton  
Mayor

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Councillor .....

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Leeanne Ryan  
Acting General Manager

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Michael Jones  
Responsible Accounting Officer

# Warrumbungle Shire Council

## Income Statement

for the year ended 30 June 2017

Budget 2017	<sup>1</sup> \$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
11,924	Rates and annual charges	3a	11,928	11,669
7,095	User charges and fees	3b	8,218	7,528
516	Interest and investment revenue	3c	458	513
904	Other revenues	3d	1,237	1,151
18,414	Grants and contributions provided for operating purposes	3e,f	20,772	17,501
7,847	Grants and contributions provided for capital purposes	3e,f	4,397	7,046
Other income:				
285	Net gains from the disposal of assets	5	—	—
—	Net share of interests in joint ventures and associates using the equity method	19	50	6
46,985	Total income from continuing operations		47,060	45,414
Expenses from continuing operations				
15,050	Employee benefits and on-costs	4a	15,025	15,304
322	Borrowing costs	4b	361	435
5,246	Materials and contracts	4c	8,205	5,874
9,584	Depreciation and amortisation	4d	10,099	9,286
7,847	Other expenses	4e	8,055	7,817
—	Net losses from the disposal of assets	5	653	209
38,049	Total expenses from continuing operations		42,398	38,925
8,936	Operating result from continuing operations		4,662	6,489
8,936	Net operating result for the year		4,662	6,489
8,936	Net operating result attributable to Council		4,662	6,489
—	Net operating result attributable to non-controlling interests		—	—
1,089	Net operating result for the year before grants and contributions provided for capital purposes		265	(557)

<sup>1</sup> Original budget as approved by Council – refer Note 16

# Warrumbungle Shire Council

## Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>4,662</b>	<b>6,489</b>
<b>Other comprehensive income:</b>			
<b>Amounts which will not be reclassified subsequently to the operating result</b>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	4,377	1,102
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(731)	–
Other comprehensive income – joint ventures and associates	19b	–	2
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>3,646</b>	<b>1,104</b>
<b>Amounts which will be reclassified subsequently to the operating result when specific conditions are met</b>			
Revaluation of non-current inventory	20b (ii)	–	(45)
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>–</b>	<b>(45)</b>
<b>Total other comprehensive income for the year</b>		<b>3,646</b>	<b>1,059</b>
<b>Total comprehensive income for the year</b>		<b>8,308</b>	<b>7,548</b>
<b>Total comprehensive income attributable to Council</b>		<b>8,308</b>	<b>7,548</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## Warrumbungle Shire Council

Statement of Financial Position  
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	18,348	15,712
Receivables	7	5,040	5,030
Inventories	8	911	785
Other	8	179	108
<b>Total current assets</b>		<b>24,478</b>	<b>21,635</b>
<b>Non-current assets</b>			
Receivables	7	—	10
Inventories	8	299	299
Infrastructure, property, plant and equipment	9	485,168	481,795
Investments accounted for using the equity method	19	344	294
Intangible assets	25	285	353
<b>Total non-current assets</b>		<b>486,096</b>	<b>482,751</b>
<b>TOTAL ASSETS</b>		<b>510,574</b>	<b>504,386</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	1,769	2,467
Income received in advance	10	150	240
Borrowings	10	827	788
Provisions	10	4,579	4,860
<b>Total current liabilities</b>		<b>7,325</b>	<b>8,355</b>
<b>Non-current liabilities</b>			
Borrowings	10	5,645	6,471
Provisions	10	2,326	2,590
<b>Total non-current liabilities</b>		<b>7,971</b>	<b>9,061</b>
<b>TOTAL LIABILITIES</b>		<b>15,296</b>	<b>17,416</b>
<b>Net assets</b>		<b>495,278</b>	<b>486,970</b>
<b>EQUITY</b>			
Retained earnings	20	402,631	397,969
Revaluation reserves	20	92,647	89,001
<b>Council equity interest</b>		<b>495,278</b>	<b>486,970</b>
<b>Non-controlling equity interests</b>		<b>—</b>	<b>—</b>
<b>Total equity</b>		<b>495,278</b>	<b>486,970</b>

## Warrumbungle Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2017

\$ '000	Notes	2017				2016			
		Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		397,969	89,001	<b>486,970</b>	<b>486,970</b>	389,030	87,258	<b>476,288</b>	<b>476,288</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	2,448	686	<b>3,134</b>	<b>3,134</b>
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>397,969</b>	<b>89,001</b>	<b>486,970</b>	<b>486,970</b>	<b>391,478</b>	<b>87,944</b>	<b>479,422</b>	<b>479,422</b>
<b>c. Net operating result for the year</b>		<b>4,662</b>	–	<b>4,662</b>	<b>4,662</b>	6,489	–	<b>6,489</b>	<b>6,489</b>
d. Other comprehensive income									
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	4,377	<b>4,377</b>	<b>4,377</b>	–	1,102	<b>1,102</b>	<b>1,102</b>
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(731)	<b>(731)</b>	<b>(731)</b>	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	2	–	<b>2</b>	<b>2</b>
– Other reserves movements (reval of inventory)	20b (ii)	–	–	–	–	–	(45)	<b>(45)</b>	<b>(45)</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>3,646</b>	<b>3,646</b>	<b>3,646</b>	<b>2</b>	<b>1,057</b>	<b>1,059</b>	<b>1,059</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>4,662</b>	<b>3,646</b>	<b>8,308</b>	<b>8,308</b>	<b>6,491</b>	<b>1,057</b>	<b>7,548</b>	<b>7,548</b>
<b>Equity – balance at end of the reporting period</b>		<b>402,631</b>	<b>92,647</b>	<b>495,278</b>	<b>495,278</b>	<b>397,969</b>	<b>89,001</b>	<b>486,970</b>	<b>486,970</b>

This statement should be read in conjunction with the accompanying notes.



## Warrumbungle Shire Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
11,924	Rates and annual charges		11,965	11,726
7,095	User charges and fees		8,202	8,160
515	Investment and interest revenue received		467	461
26,262	Grants and contributions		25,169	24,606
–	Bonds, deposits and retention amounts received		–	7
904	Other		1,107	2,443
<b>Payments:</b>				
(15,050)	Employee benefits and on-costs		(15,334)	(14,644)
(5,246)	Materials and contracts		(8,438)	(7,398)
(322)	Borrowing costs		(368)	(12)
–	Bonds, deposits and retention amounts refunded		(206)	–
(7,847)	Other		(8,740)	(8,654)
<b>18,235</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>13,824</b>	<b>16,695</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		–	1,500
885	Sale of infrastructure, property, plant and equipment		727	800
–	Deferred debtors receipts		10	20
<b>Payments:</b>				
(19,618)	Purchase of infrastructure, property, plant and equipment		(11,138)	(15,842)
–	Other investing activity payments		–	(19)
<b>(18,733)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(10,401)</b>	<b>(13,541)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(788)	Repayment of borrowings and advances		(787)	(1,351)
<b>(788)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(787)</b>	<b>(1,351)</b>
<b>(1,286)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,636</b>	<b>1,803</b>
10,894	Plus: cash and cash equivalents – beginning of year	11a	15,712	13,909
<b>9,608</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>18,348</b>	<b>15,712</b>

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Contents of the notes accompanying the financial statements

Note	Details	Page
<b>1</b>	Summary of significant accounting policies	10
<b>2(a)</b>	Council functions/activities – financial information	21
<b>2(b)</b>	Council functions/activities – component descriptions	22
<b>3</b>	Income from continuing operations	23
<b>4</b>	Expenses from continuing operations	28
<b>5</b>	Gains or losses from the disposal of assets	32
<b>6(a)</b>	Cash and cash equivalent assets	33
<b>6(b)</b>	Investments	n/a
<b>6(c)</b>	Restricted cash, cash equivalents and investments – details	34
<b>7</b>	Receivables	35
<b>8</b>	Inventories and other assets	36
<b>9(a)</b>	Infrastructure, property, plant and equipment	38
<b>9(b)</b>	Externally restricted infrastructure, property, plant and equipment	39
<b>9(c)</b>	Infrastructure, property, plant and equipment – current year impairments	39
<b>10(a)</b>	Payables, borrowings and provisions	40
<b>10(b)</b>	Description of (and movements in) provisions	41
<b>11</b>	Statement of cash flows – additional information	42
<b>12</b>	Commitments for expenditure	43
<b>13</b>	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	45
	13a (ii) Local government industry graphs (consolidated)	46
	13b Local government industry indicators (by fund)	48
<b>14</b>	Investment properties	n/a
<b>15</b>	Financial risk management	50
<b>16</b>	Material budget variations	54
<b>17</b>	Statement of developer contributions	57
<b>18</b>	Contingencies and other liabilities/assets not recognised	60
<b>19</b>	Interests in other entities	62
<b>20</b>	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	65
<b>21</b>	Financial result and financial position by fund	66
<b>22</b>	'Held for sale' non-current assets and disposal groups	n/a
<b>23</b>	Events occurring after the reporting date	68
<b>24</b>	Discontinued operations	n/a
<b>25</b>	Intangible assets	69
<b>26</b>	Reinstatement, rehabilitation and restoration liabilities	70
<b>27</b>	Fair value measurement	76
<b>28</b>	Related party disclosures	86

n/a – not applicable

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

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

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added and certain disclosures made.

##### (ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

##### (iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of property, plant and equipment and investment property.

##### (iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the 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 include:

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

#### **Significant judgements in applying the 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.

#### **(b) Revenue recognition**

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

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

##### **(i) Rates, annual charges, grants and contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

assets comprising these receipts. 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.

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.

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

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 un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

#### (ii) User charges and fees

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

#### (iii) 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.

#### (iv) Interest

Interest income is recognised using the effective interest rate at the date that interest is earned.

#### (v) Rent

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

#### (vi) Dividend income

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

#### (vii) 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

#### (i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), 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 operations and net assets of 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 (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

#### (iii) County Councils

Council is a member of the following county councils (which are bodies incorporated under the *Local Government Act*):

- **Castlereagh Macquarie Weeds County Council**

The governing body of the 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 and accordingly these entities have not been consolidated or otherwise included within these financial statements.

#### (iv) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint ventures/associates

Interests in joint ventures/associates are accounted for using the equity method in accordance with AASB128 Associates and Joint Ventures. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

#### (d) Leases

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee 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 where Council is a lessor is recognised as income on a straight-line basis over the lease term.

#### (e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested 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

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (f) Cash and cash equivalents

For Statement of Cash Flow 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 Statement of Financial Position.

#### (g) Inventories

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

Raw materials and stores, work in progress and finished goods are 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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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.

##### (ii) Inventory held for distribution

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

##### (iii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

##### (h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.



# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

#### (i) Investments and other financial assets

##### Classification

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

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, 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 are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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

#### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

#### Subsequent measurement

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

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

#### Impairment

Council assesses at the end of each reporting period 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.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### (i) Assets carried at amortised cost

For 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 Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is

objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

#### Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the 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 (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.



# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

#### (j) Fair value estimation – financial instruments

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting 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 reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### (k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

##### Externally valued:

- Operational land
- Community land
- Land improvements
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Drainage assets
- Water and sewerage networks (refer below)
- Other assets

##### As approximated by depreciated historical cost:

##### • Plant and equipment

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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 asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

#### Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

##### Plant and Equipment

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

##### Other Equipment

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

##### Buildings

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

##### Water and Sewer Assets

- Dams and reservoirs	25 to 150 years
- Bores	20 to 40 years
- Reticulation pipes : PVC	70 to 80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	15 years

##### Stormwater Assets

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

##### Transportation Assets

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

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

#### (l) Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

#### (n) Borrowing costs

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

#### (o) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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.

#### (p) Employee benefits

##### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### (ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

##### (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 Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

#### **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.

#### **(q) Land under roads**

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

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.

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

#### **(r) Self-insurance**

Council does not self-insure.

#### **(s) 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 basis over periods generally ranging from three to five 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.

#### **(t) Crown reserves**

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

#### **(u) Rural fire service assets**

Under section 119 of the Rural Fire Services Act 1997 (NSW), *"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"*.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to recognise rural fire service assets including land, buildings, plant and vehicles.

#### **(v) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

#### **(w) New accounting standards and interpretations issued not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

##### **Effective for annual reporting periods beginning on or after 1 January 2017**

- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

##### **Effective for annual reporting periods beginning on or after 13 February 2017**

- AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle

##### **Effective for annual reporting periods beginning on or after 13 December 2017**

- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

##### **Effective for annual reporting periods beginning on or after 1 January 2018**

- AASB 9 Financial Instruments (December 2009)
- AASB 15 Revenue from Contracts with Customers
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) AASB 1057 Application of Australian Accounting Standards
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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##### **Effective for annual reporting periods beginning on or after 1 January 2019**

- AASB 16 Leases
- AASB 16 Leases (Appendix D)
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities
- AASB 1058 Income of Not-for-Profit Entities
- AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

##### **(x) Rounding of amounts**

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

##### **(y) 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.

##### **(z) Disclaimer**

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



## Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	5,894	385	–	579	1,061	800	5,315	(676)	(800)	470	–	190	162
Administration	1,164	1,092	671	6,133	6,762	7,373	(4,969)	(5,670)	(6,702)	93	70	36,130	36,593
Public order and safety	4,931	5,352	5,202	4,359	4,413	4,255	572	939	947	5,213	5,174	7,327	3,444
Health	69	72	57	96	80	94	(27)	(8)	(37)	–	–	1,863	1,899
Environment	2,056	2,293	2,043	2,661	2,951	2,783	(605)	(658)	(740)	52	51	17,799	30,559
Community services and education	3,070	3,085	3,034	3,141	3,253	3,237	(71)	(168)	(203)	2,114	1,770	6,226	6,344
Housing and community amenities	319	313	266	904	991	883	(585)	(678)	(617)	7	6	5,116	5,219
Water supplies	3,540	3,212	3,327	3,503	3,768	3,168	37	(556)	159	411	81	42,160	33,397
Sewerage services	1,561	1,606	1,541	1,820	1,975	1,645	(259)	(369)	(104)	29	28	20,696	25,126
Recreation and culture	299	290	334	3,969	3,788	3,521	(3,670)	(3,498)	(3,187)	67	93	28,636	27,994
Mining, manufacturing and construction	1,097	1,164	1,261	1,149	1,242	1,261	(52)	(78)	–	–	–	2,158	2,331
Transport and communication	12,967	10,761	11,616	9,143	11,572	9,115	3,824	(811)	2,502	3,909	5,938	340,912	329,988
Economic affairs	55	59	52	533	549	512	(478)	(490)	(460)	3	–	1,017	1,036
<b>Total functions and activities</b>	<b>37,022</b>	<b>29,684</b>	<b>29,404</b>	<b>37,990</b>	<b>42,405</b>	<b>38,647</b>	<b>(968)</b>	<b>(12,721)</b>	<b>(9,242)</b>	<b>12,368</b>	<b>13,211</b>	<b>510,230</b>	<b>504,092</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	50	6	–	–	–	–	50	6	–	–	344	294
General purpose income <sup>1</sup>	9,962	17,379	16,004	59	46	278	9,903	17,333	15,726	10,068	8,613	–	–
<b>Operating result from continuing operations</b>	<b>46,985</b>	<b>47,113</b>	<b>45,414</b>	<b>38,049</b>	<b>42,451</b>	<b>38,925</b>	<b>8,936</b>	<b>4,662</b>	<b>6,490</b>	<b>22,436</b>	<b>21,824</b>	<b>510,574</b>	<b>504,386</b>

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

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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**

Includes costs relating to 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, public disclosure (e.g. GIPA), and legislative compliance.

##### **ADMINISTRATION**

Includes corporate support and other support services, engineering works, and any Council policy compliance.

##### **PUBLIC ORDER AND SAFETY**

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

##### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

##### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION AND CULTURE**

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control, quarries and pits, mineral resources, and abattoirs.

##### **TRANSPORT AND COMMUNICATION**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

##### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.



# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 3. Income from continuing operations

<b>\$ '000</b>	<b>Notes</b>	<b>Actual 2017</b>	<b>Actual 2016</b>
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		2,026	1,997
Farmland		4,884	4,851
Business		569	564
<b>Total ordinary rates</b>		<b>7,479</b>	<b>7,412</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		1,430	1,423
Water supply services		1,302	1,268
Sewerage services		1,240	1,196
Waste management services (non-domestic)		360	362
Liquid trade waste		9	8
Stormwater Levy		108	—
<b>Total annual charges</b>		<b>4,449</b>	<b>4,257</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>11,928</b>	<b>11,669</b>

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Water supply services		1,369	1,627
Sewerage services		101	111
Liquid trade waste		102	54
<b>Total user charges</b>		<b>1,572</b>	<b>1,792</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation		53	76
Planning regulation		36	36
Private works – section 67		686	271
Registration fees		28	18
Regulatory fees		43	30
Section 149 certificates (EPA Act)		38	39
Section 603 certificates		23	21
<b>Total fees and charges – statutory/regulatory</b>		<b>907</b>	<b>491</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aged care		213	162
Cemeteries		83	65
Child care		737	986
Lease rentals		12	7
Leaseback fees – Council vehicles		83	83
Park rents		–	9
Quarry revenues		1,095	1,178
RMS (formerly RTA) charges (state roads not controlled by Council)		3,265	2,523
Swimming centres		124	115
Tourism		49	50
Waste disposal tipping fees		37	43
Other		41	24
<b>Total fees and charges – other</b>		<b>5,739</b>	<b>5,245</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>8,218</b>	<b>7,528</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		113	115
– Interest earned on investments (interest and coupon payment income)		321	365
<b>Other</b>		24	33
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>458</u></b>	<b><u>513</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		52	47
General Council cash and investments		245	197
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		4	8
– Section 64		3	3
Water fund operations		92	109
Sewerage fund operations		60	133
Domestic waste management operations		2	16
<b>Total interest and investment revenue recognised</b>		<b><u>458</u></b>	<b><u>513</u></b>
<b>(d) Other revenues</b>			
Rental income – other council properties		303	208
Legal fees recovery – rates and charges (extra charges)		174	103
Commissions and agency fees		170	115
Diesel rebate		140	153
Insurance claim recoveries		–	297
Recycling income (non-domestic)		102	137
Other		348	138
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>1,237</u></b>	<b><u>1,151</u></b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	6,287	4,040	–	–
Financial assistance – local roads component	3,475	2,295	–	–
Pensioners' rates subsidies – general component	102	101	–	–
Other grants	204	–	–	–
<b>Total general purpose</b>	<b>10,068</b>	<b>6,436</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	41	40	–	–
– Sewerage	29	28	–	–
– Domestic waste management	52	51	–	–
Water supplies	–	–	370	40
Aged care	716	715	–	–
Bushfire and emergency services	3,598	2,952	1,615	2,221
Child care	1,288	950	–	–
Cobbora transition fund	–	112	375	2,068
Economic development	110	105	–	–
Employment and training programs	93	70	–	–
Flood restoration	–	–	–	131
Heritage and cultural	3	6	–	–
Library	59	54	–	–
LIRS subsidy	148	163	–	–
Recreation and culture	–	–	8	39
Transport (roads to recovery)	1,272	3,105	–	–
Transport (other roads and bridges funding)	609	77	1,871	2,461
Other	–	–	111	–
<b>Total specific purpose</b>	<b>8,018</b>	<b>8,428</b>	<b>4,350</b>	<b>6,960</b>
<b>Total grants</b>	<b>18,086</b>	<b>14,864</b>	<b>4,350</b>	<b>6,960</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	13,040	11,071	–	–
– State funding	4,819	3,745	3,823	6,957
– Other funding	227	48	527	3
	<b>18,086</b>	<b>14,864</b>	<b>4,350</b>	<b>6,960</b>

## Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000		2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>					
S 94A – fixed development consent levies		–	–	47	86
<b>Total developer contributions</b>	17	<b>–</b>	<b>–</b>	<b>47</b>	<b>86</b>
<b>Other contributions:</b>					
RMS contributions (regional roads, block grant)		2,686	2,637	–	–
<b>Total other contributions</b>		<b>2,686</b>	<b>2,637</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>		<b>2,686</b>	<b>2,637</b>	<b>47</b>	<b>86</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>20,772</b>	<b>17,501</b>	<b>4,397</b>	<b>7,046</b>

\$ '000	Actual 2017	Actual 2016
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	3,874	2,262
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	536	2,439
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(949)	(827)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(413)</b>	<b>1,612</b>
<b>Unexpended and held as restricted assets</b>	<b>3,461</b>	<b>3,874</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	3,209	3,553
– Developer contributions	253	322
	<b>3,461</b>	<b>3,874</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		12,156	11,889
Employee leave entitlements (ELE)		1,936	2,800
Superannuation		1,314	1,352
Workers' compensation insurance		641	669
Fringe benefit tax (FBT)		36	34
Training costs (other than salaries and wages)		148	258
Protective clothing		83	72
<b>Total employee costs</b>		<b>16,314</b>	<b>17,074</b>
Less: capitalised costs		(1,289)	(1,770)
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>		<b><u>15,025</u></b>	<b><u>15,304</u></b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>192</b>	<b>196</b>
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		<b>216</b>	<b>205</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		315	353
<b>Total interest bearing liability costs expensed</b>		<b>315</b>	<b>353</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	46	82
<b>Total other borrowing costs</b>		<b>46</b>	<b>82</b>
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>361</u></b>	<b><u>435</u></b>

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		6,066	6,706
Contractor and consultancy costs		11,714	12,276
Auditors remuneration <sup>(1)</sup>		38	51
Legal expenses:			
– Legal expenses: planning and development		15	45
– Legal expenses: debt recovery		211	142
– Legal expenses: other		8	22
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		27	27
Other		578	676
<b>Total materials and contracts</b>		<b>18,657</b>	<b>19,945</b>
Less: capitalised costs		(10,452)	(14,071)
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>8,205</b>	<b>5,874</b>

#### 1. Auditor remuneration

a. During the year, the following fees were incurred for services provided by the Auditor-General:

##### (i) Audit and other assurance services

Audit and review of financial statements: Auditor-General

**Remuneration for audit and other assurance services**

**Total Auditor-General remuneration**

13	–
<b>13</b>	<b>–</b>
<b>13</b>	<b>–</b>

b. During the year, the following fees were incurred for services provided by the other Council's Auditors:

##### (i) Audit and other assurance services

Audit and review of financial statements: Council's Auditor

Other Assurance Services

**Remuneration for audit and other assurance services**

**Total remuneration of other Council's Auditors**

25	41
–	10
<b>25</b>	<b>51</b>
<b>25</b>	<b>51</b>
<b>38</b>	<b>51</b>

**Total Auditor remuneration**

#### 2. Operating lease payments are attributable to:

Computers

27	27
<b>27</b>	<b>27</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		2,096	2,115
Office equipment		12	12
Furniture and fittings		38	39
Land improvements (depreciable)		43	48
Infrastructure:			
– Buildings – non-specialised		253	248
– Buildings – specialised		491	476
– Other structures		588	379
– Roads		4,119	4,134
– Bridges		361	333
– Footpaths		121	117
– Stormwater drainage		106	105
– Water supply network		1,143	774
– Sewerage network		531	320
Asset reinstatement costs	9 & 26	77	67
Intangible assets	25	120	119
<b>Total gross depreciation and amortisation costs</b>		<b>10,099</b>	<b>9,286</b>
Less: capitalised costs		–	–
<b>Total depreciation and amortisation costs</b>		<b>10,099</b>	<b>9,286</b>
<b>Impairment</b>			
Infrastructure:			
– Buildings – non-specialised		38	–
– Roads		693	–
<b>Total gross impairment costs</b>		<b>731</b>	<b>–</b>
Less: IPP&E impairments (to)/from equity	9a	(731)	–
<b>Total impairment costs</b>		<b>–</b>	<b>–</b>
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>10,099</b>	<b>9,286</b>



## Warrumbungle Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		114	90
Bad and doubtful debts		(113)	181
Bank charges		44	38
Conferences		76	83
Contributions/levies to other levels of government			
– Noxious weeds		101	100
– NSW fire brigade levy		45	70
– NSW rural fire service levy		3,529	3,487
– Orana arts		–	10
Councillor expenses – mayoral fee		25	24
Councillor expenses – councillors' fees		97	99
Councillors' expenses (incl. mayor) – other (excluding fees above)		23	17
Donations, contributions and assistance to other organisations (Section 356)		377	99
– Community development co-ordinators		–	70
– Regional library contributions		549	437
Election expenses		72	–
Electricity and heating		569	452
Insurance		856	813
Postage		49	48
Printing and stationery		104	140
Quarry product cost of goods sold		310	369
Registration and licences		422	415
Street lighting		124	97
Subscriptions and publications		114	106
Telephone and communications		215	195
Valuation fees		83	88
Other		270	289
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>8,055</u></b>	<b><u>7,817</u></b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		727	800
Less: carrying amount of plant and equipment assets sold/written off		(532)	(740)
<b>Net gain/(loss) on disposal</b>		<b>195</b>	<b>60</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(848)	(285)
<b>Net gain/(loss) on disposal</b>		<b>(848)</b>	<b>(285)</b>
<b>Financial assets *</b>			
Proceeds from disposal/redemptions/maturities – financial assets		–	1,500
Less: carrying amount of financial assets sold/redeemed/matured		–	(1,484)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>16</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(653)</b>	<b>(209)</b>
<b>* Financial assets disposals/redemptions include:</b>			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		–	16
<b>Net gain/(loss) on disposal of financial instruments</b>		<b>–</b>	<b>16</b>

## Warrumbungle Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

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

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		502	–	809	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		7,846	–	4,903	–
– Short-term deposits		10,000	–	10,000	–
<b>Total cash and cash equivalents</b>		<b>18,348</b>	<b>–</b>	<b>15,712</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
Nil					
<b><u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u></b>		<b><u>18,348</u></b>	<b><u>–</u></b>	<b><u>15,712</u></b>	<b><u>–</u></b>

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

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

<b>Cash and cash equivalents</b>					
a. 'At cost'		<b>18,348</b>	<b>–</b>	<b>15,712</b>	<b>–</b>

**Investments**

Nil

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

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

\$ '000	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
<b>Total cash, cash equivalents and investments</b>	<b>18,348</b>	<b>–</b>	<b>15,712</b>	<b>–</b>
<b>attributable to:</b>				
External restrictions (refer below)	8,728	–	9,787	–
Internal restrictions (refer below)	8,278	–	4,439	–
Unrestricted	1,342	–	1,486	–
	<b>18,348</b>	<b>–</b>	<b>15,712</b>	<b>–</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 6c. Restricted cash, cash equivalents and investments – details (cont'd)

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Details of restrictions</b>				
<b>External restrictions – included in liabilities</b>				
Trust	588	–	(206)	382
EPA grant (underground derelict tanks)	240	60	(167)	133
Barking Owl Habitat	–	15	–	15
<b>External restrictions – included in liabilities</b>	<b>828</b>	<b>75</b>	<b>(373)</b>	<b>530</b>
<b>External restrictions – other</b>				
Developer contributions – general (D)	199	41	(115)	125
Developer contributions – water fund (D)	94	4	–	98
Developer contributions – sewer fund (D)	29	1	–	30
Specific purpose unexpended grants (F)	3,552	–	(413)	3,139
Specific purpose unexpended grants-water fund (F)	–	41	–	41
Specific purpose unexpended grants-sewer fund (F)	–	29	–	29
Water supplies (G)	2,278	–	(214)	2,064
Sewerage services (G)	2,693	–	(65)	2,628
Domestic waste management (G)	114	2,165	(2,305)	(26)
Stormwater Levy (G)	–	108	(37)	71
<b>External restrictions – other</b>	<b>8,959</b>	<b>2,389</b>	<b>(3,149)</b>	<b>8,198</b>
<b>Total external restrictions</b>	<b>9,787</b>	<b>2,464</b>	<b>(3,522)</b>	<b>8,728</b>
<b>Internal restrictions</b>				
Plant and vehicle replacement (fleet fund)	2,307	5,878	(5,051)	3,134
Employees leave entitlement	1,328	72	–	1,400
Carry over works (excl fleet carry overs)	557	–	(411)	146
L.E.P.	–	60	(6)	54
Quarry remediation fund	247	(24)	–	223
FAG's 1st & 2nd qtr. prepayment	–	3,321	–	3,321
<b>Total internal restrictions</b>	<b>4,439</b>	<b>9,307</b>	<b>(5,468)</b>	<b>8,278</b>
<b>TOTAL RESTRICTIONS</b>	<b>14,226</b>	<b>11,771</b>	<b>(8,990)</b>	<b>17,006</b>

**D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

**F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

**G** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		993	—	1,030	—
Interest and extra charges		175	—	166	—
User charges and fees		841	—	915	—
Accrued revenues					
– Interest on investments		—	—	18	—
– Other income accruals		1,520	—	2,362	—
Deferred debtors		—	—	—	10
Other debtors		1,730	—	785	—
<b>Total</b>		<b>5,259</b>	<b>—</b>	<b>5,276</b>	<b>10</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		(116)	—	(116)	—
Other debtors		(103)	—	(130)	—
<b>Total provision for impairment – receivables</b>		<b>(219)</b>	<b>—</b>	<b>(246)</b>	<b>—</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>5,040</u></b>	<b><u>—</u></b>	<b><u>5,030</u></b>	<b><u>10</u></b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		220	—	216	—
– Other		661	—	718	—
<b>Sewerage services</b>					
– Rates and availability charges		113	—	91	—
– Other		210	—	223	—
<b>Domestic waste management</b>		<b>258</b>	<b>—</b>	<b>247</b>	<b>—</b>
<b>Total external restrictions</b>		<b>1,462</b>	<b>—</b>	<b>1,495</b>	<b>—</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>3,578</b>	<b>—</b>	<b>3,535</b>	<b>10</b>
<b>TOTAL NET RECEIVABLES</b>		<b>5,040</b>	<b>—</b>	<b>5,030</b>	<b>10</b>

#### Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Warrumbungle Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current

(a) Inventories

(i) Inventories at cost

Real estate for resale (refer below)	–	299	–	299
Stores and materials	422	–	486	–
Loose tools	22	–	22	–
Other (quarry product)	467	–	277	–
<b>Total inventories at cost</b>	<b>911</b>	<b>299</b>	<b>785</b>	<b>299</b>

(ii) Inventories at net realisable value (NRV)

Nil

**TOTAL INVENTORIES**

	<b>911</b>	<b>299</b>	<b>785</b>	<b>299</b>
--	------------	------------	------------	------------

(b) Other assets

Prepayments	179	–	108	–
<b>TOTAL OTHER ASSETS</b>	<b>179</b>	<b>–</b>	<b>108</b>	<b>–</b>

Externally restricted assets

Water

Stores and materials	6	–	6	–
<b>Total water</b>	<b>6</b>	<b>–</b>	<b>6</b>	<b>–</b>

**Total externally restricted assets**

	<b>6</b>	<b>–</b>	<b>6</b>	<b>–</b>
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**Total unrestricted assets**

	<b>1,084</b>	<b>299</b>	<b>887</b>	<b>299</b>
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**TOTAL INVENTORIES AND OTHER ASSETS**

	<b>1,090</b>	<b>299</b>	<b>893</b>	<b>299</b>
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continued on next page

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 8. Inventories and other assets (continued)

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
<b>(i) Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Industrial/commercial	–	299	–	299
<b>Total real estate for resale</b>	<b>–</b>	<b>299</b>	<b>–</b>	<b>299</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	–	299	–	299
<b>Total costs</b>	<b>–</b>	<b>299</b>	<b>–</b>	<b>299</b>
<b>Total real estate for resale</b>	<b>–</b>	<b>299</b>	<b>–</b>	<b>299</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	–	299	–	344
– Other	–	–	–	(45)
<b>Total real estate for resale</b>	<b>–</b>	<b>299</b>	<b>–</b>	<b>299</b>
<b>(b) Inventories recognised as an expense for the year included:</b>				
– Stores and materials			645	560
– Trading stock			310	369

### (c) Inventory write downs

\$56,421 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.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 9a. Infrastructure, property, plant and equipment

Asset class  \$ '000	as at 30/6/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	7,816	–	7,816	3,371	1,721	–	–	–	(3,852)	(353)	–	8,702	–	8,702
Plant and equipment	25,321	16,288	9,033	–	1,793	(532)	(2,096)	–	–	–	–	25,461	17,261	8,200
Office equipment	1,652	1,609	43	13	–	–	(12)	–	–	–	–	1,665	1,622	43
Furniture and fittings	702	566	136	–	34	–	(38)	–	–	–	–	737	603	134
<b>Land:</b>														
– Operational land	5,523	–	5,523	–	–	–	–	–	–	–	–	5,523	–	5,523
– Community land	1,393	–	1,393	–	–	–	–	–	–	–	–	1,393	–	1,393
Land improvements – depreciable	1,674	271	1,403	4	–	–	(43)	–	3	–	–	1,680	314	1,366
<b>Infrastructure:</b>														
– Buildings – non-specialised	21,193	5,990	15,203	70	66	–	(253)	(38)	36	–	–	21,308	6,225	15,083
– Buildings – specialised	40,311	13,519	26,792	80	678	–	(491)	–	2,218	–	–	43,287	14,010	29,277
– Other structures	20,143	7,029	13,114	29	1,295	–	(588)	–	144	–	–	21,612	7,618	13,994
– Roads	252,585	49,537	203,048	1,843	485	(848)	(4,119)	(693)	1,152	–	(1,066)	251,479	52,120	199,359
– Bridges	54,876	3,581	51,295	–	–	–	(361)	–	–	–	–	54,876	3,942	50,934
– Footpaths	5,281	1,669	3,612	0	94	–	(121)	–	262	–	–	5,637	1,790	3,847
– Bulk earthworks (non-depreciable)	87,998	–	87,998	–	–	–	–	–	–	–	18	88,458	–	88,458
– Stormwater drainage	8,111	3,353	4,758	–	34	–	(106)	–	–	–	–	8,145	3,460	4,685
– Water supply network	62,896	35,067	27,829	20	81	–	(1,143)	–	34	–	9,505	65,411	29,084	36,327
– Sewerage network	36,761	15,510	21,251	10	–	–	(531)	–	3	–	(4,080)	32,093	15,439	16,654
<b>Other assets:</b>														
– Other	91	91	–	–	–	–	–	–	–	–	–	91	91	–
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>														
– Tip assets	424	37	387	–	–	–	(14)	–	–	(63)	–	361	54	307
– Quarry assets	1,547	386	1,161	–	–	–	(63)	–	–	(220)	–	1,327	445	882
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>636,298</b>	<b>154,503</b>	<b>481,795</b>	<b>5,440</b>	<b>6,281</b>	<b>(1,380)</b>	<b>(9,979)</b>	<b>(731)</b>	<b>–</b>	<b>(636)</b>	<b>4,377</b>	<b>639,246</b>	<b>154,078</b>	<b>485,168</b>

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

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



## Warrumbungle Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	897	–	<b>897</b>	383	–	<b>383</b>
Plant and equipment	391	212	<b>179</b>	391	212	<b>179</b>
Office equipment	33	35	<b>(2)</b>	33	35	<b>(2)</b>
Land						
– Operational land	364	–	<b>364</b>	364	–	<b>364</b>
– Improvements – depreciable	–	–	<b>–</b>	5	5	<b>–</b>
Buildings	1,415	384	<b>1,031</b>	1,415	367	<b>1,048</b>
Other structures	390	109	<b>281</b>	271	100	<b>171</b>
Infrastructure	65,411	29,084	<b>36,327</b>	62,896	35,067	<b>27,829</b>
<b>Total water supply</b>	<b>68,901</b>	<b>29,824</b>	<b>39,077</b>	<b>65,758</b>	<b>35,786</b>	<b>29,972</b>
<b>Sewerage services</b>						
WIP	325	–	<b>325</b>	135	–	<b>135</b>
Plant and equipment	257	198	<b>59</b>	257	198	<b>59</b>
Office equipment	7	1	<b>6</b>	7	1	<b>6</b>
Land						
– Operational land	428	–	<b>428</b>	428	–	<b>428</b>
Buildings	179	70	<b>109</b>	179	69	<b>110</b>
Other structures	175	68	<b>107</b>	175	62	<b>113</b>
Infrastructure	32,093	15,439	<b>16,654</b>	36,761	15,510	<b>21,251</b>
<b>Total sewerage services</b>	<b>33,464</b>	<b>15,776</b>	<b>17,688</b>	<b>37,942</b>	<b>15,840</b>	<b>22,102</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>102,365</b>	<b>45,600</b>	<b>56,765</b>	<b>103,700</b>	<b>51,626</b>	<b>52,074</b>

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

\$ '000	Notes	Actual 2017	Actual 2016
Impairment losses recognised direct to equity (ARR):			
Buildings (Roof of Coonabarbran Office)		(38)	–
Flood Damaged Roads		(693)	–
<b>Total impairment losses</b>		<b>(731)</b>	<b>–</b>
<b>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</b>	20 (ii)	<b>(731)</b>	<b>–</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		583	–	690	–
Accrued expenses:					
– Borrowings		48	–	55	–
– Other expenditure accruals		740	–	958	–
Security bonds, deposits and retentions		382	–	588	–
Other		16	–	176	–
<b>Total payables</b>		<b>1,769</b>	<b>–</b>	<b>2,467</b>	<b>–</b>
<b>Income received in advance</b>					
Payments received in advance		150	–	240	–
<b>Total income received in advance</b>		<b>150</b>	<b>–</b>	<b>240</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		827	5,645	788	6,471
<b>Total borrowings</b>		<b>827</b>	<b>5,645</b>	<b>788</b>	<b>6,471</b>
<b>Provisions</b>					
Employee benefits:					
Annual leave		1,458	–	1,481	–
Long service leave		2,491	77	2,357	105
Other leave		99	–	472	–
ELE on-costs		531	13	550	13
Sub-total – aggregate employee benefits		4,579	90	4,860	118
Asset remediation/restoration (future works)	26	–	2,236	–	2,472
<b>Total provisions</b>		<b>4,579</b>	<b>2,326</b>	<b>4,860</b>	<b>2,590</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>					
		<b>7,325</b>	<b>7,971</b>	<b>8,355</b>	<b>9,061</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		274	536	265	616
Sewer		77	1	73	2
Other		530	–	828	–
Liabilities relating to externally restricted assets		881	537	1,166	618
Internally restricted assets		–	–	–	–
<b>Total liabilities relating to restricted assets</b>		881	537	1,166	618
<b>Total liabilities relating to unrestricted assets</b>		6,444	7,434	7,189	8,443
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>7,325</b>	<b>7,971</b>	<b>8,355</b>	<b>9,061</b>

<sup>1</sup>. Loans are secured over the general rating income of Council

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

## Warrumbungle Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

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

	Actual 2017	Actual 2016
\$ '000		

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

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

Provisions – employees benefits	3,099	1,367
	<b>3,099</b>	<b>1,367</b>

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

Class of provision	2016	2017				
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	1,481	886	(909)	–	–	1,458
Long service leave	2,462	307	(201)	–	–	2,568
Other leave	472	267	(640)	–	–	99
ELE on-costs	563	(19)	–	–	–	544
Asset remediation	2,472	47	–	(283)	–	2,236
<b>TOTAL</b>	<b>7,450</b>	<b>1,488</b>	<b>(1,750)</b>	<b>(283)</b>	<b>–</b>	<b>6,905</b>

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	18,348	15,712
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>18,348</b>	<b>15,712</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>4,662</b>	<b>6,489</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		10,099	9,286
Net losses/(gains) on disposal of assets		653	209
Unwinding of discount rates on reinstatement provisions		(236)	82
Share of net (profits) or losses of associates/joint ventures		(50)	(6)
Affect of Changes to Discount rates (Tips & Quarries)		–	351
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		17	(722)
Increase/(decrease) in provision for doubtful debts		(27)	179
Decrease/(increase) in inventories		(126)	(70)
Decrease/(increase) in other assets		(71)	(1)
Increase/(decrease) in payables		(107)	(812)
Increase/(decrease) in accrued interest payable		(7)	(10)
Increase/(decrease) in other accrued expenses payable		(218)	473
Increase/(decrease) in other liabilities		(456)	380
Increase/(decrease) in employee leave entitlements		(309)	867
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>13,824</b>	<b>16,695</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		500	500
<b>Total financing arrangements</b>		<b>500</b>	<b>500</b>

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

#### **(ii) Secured loan liabilities**

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

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Land and buildings		5,460	4,936
Plant and equipment		65	34
Bridges – timber bridge replacement program		659	422
Infrastructure		4,345	3,211
<b>Total commitments</b>		<b>10,529</b>	<b>8,603</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		10,529	8,603
Later than one year and not later than 5 years		–	–
Later than 5 years		–	–
<b>Total payable</b>		<b>10,529</b>	<b>8,603</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		–	1,316
Future grants and contributions		7,530	7,031
Sect 64 and 94 funds/reserves		20	20
Externally restricted reserves		86	175
Internally restricted reserves		2,893	61
<b>Total sources of funding</b>		<b>10,529</b>	<b>8,603</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(b) Finance lease commitments			
Nil			
(c) Operating lease commitments (non-cancellable)			
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>			
Within the next year		7	27
Later than one year and not later than 5 years		–	7
Later than 5 years		–	–
<b>Total non-cancellable operating lease commitments</b>		<b>7</b>	<b>34</b>

#### **b. Non-cancellable operating leases include the following assets:**

Computer Servers

#### **Conditions relating to operating leases:**

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

### (d) Investment property commitments

Nil

### (e) Investment in joint operations – commitments

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

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>868</b>	<b>2.04%</b>	-0.92%	-11.40%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>42,613</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>21,841</b>	<b>46.46%</b>	45.94%	51.09%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<b>47,010</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>14,282</b>	<b>4.27x</b>	1.78x	2.53x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>3,345</b>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>11,328</b>	<b>9.87x</b>	5.24x	7.84x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>1,148</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>1,052</b>	<b>7.91%</b>	8.32%	8.44%	<10% Rural
Rates, annual and extra charges collectible	<b>13,295</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>18,348</b>	<b>6.50 mths</b>	5.9 mths	5.2 mths	> 3 mths
Payments from cash flow of operating and financing activities	<b>2,823</b>				

#### Notes

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

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

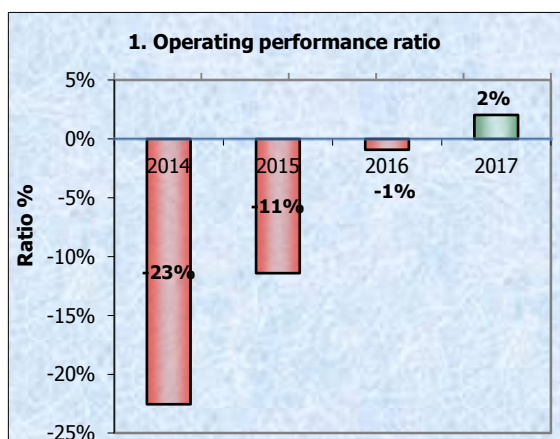
<sup>(3)</sup> Refer to Note 10(a).

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

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

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



Benchmark: — Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25



#### Purpose of operating performance ratio

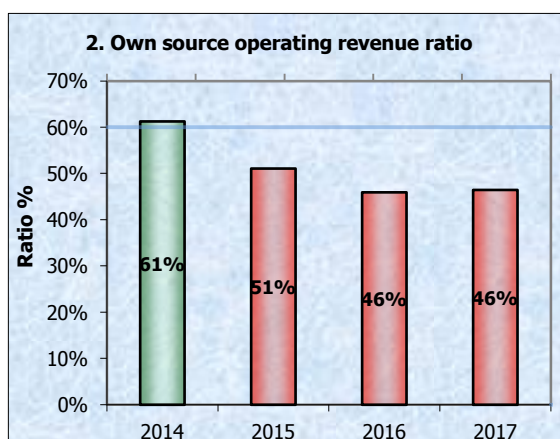
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

#### Commentary on 2016/17 result

**2016/17 ratio 2.04%**

This ratio has improved dramatically over the last few years. However the early payment of the FAG's into 2016/17 will unfairly improve this ratio.

 Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: — Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25



#### Purpose of own source operating revenue ratio

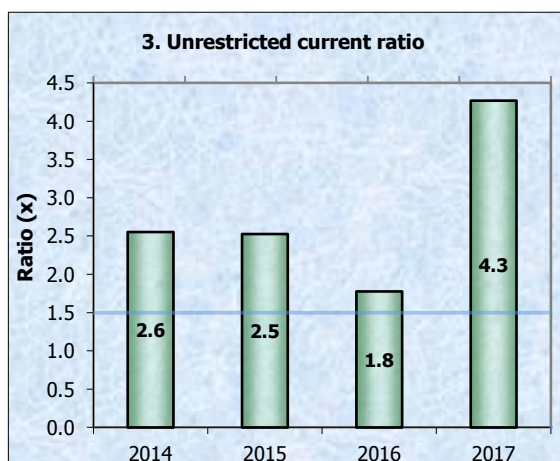
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

#### Commentary on 2016/17 result

**2016/17 ratio 46.46%**

This ratio, whilst important, by its nature will worsen as a council receives more grant monies. Ironically it has been Council's success in attracting Grant monies that is reflected in this result.

 Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: — Minimum  $\geq 1.50$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25



#### 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 2016/17 result

**2016/17 ratio 4.27x**

This ratio is well above the benchmark.

 Ratio achieves benchmark  
 Ratio is outside benchmark



## Warrumbungle Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

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

<p><b>4. Debt service cover ratio</b></p> <p>Benchmark: — Minimum <math>\geq 2.00</math></p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of debt service cover ratio</b></p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 9.87x</b></p> <p>This ratio is well above the OLG benchmark and reflects Council's commitment to use debt only as required and without reliance.</p>
<p><b>5. Rates, annual charges, interest and extra charges outstanding percentage</b></p> <p>Benchmark: — Maximum <math>&lt; 10.00\%</math></p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of rates and annual charges outstanding ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 7.91%</b></p> <p>Improved Debt collection has seen this ratio fall over the last few years. This improvement is a significant achievement and puts Council below the OLG threshold of 10%.</p>
<p><b>6. Cash expense cover ratio</b></p> <p>Benchmark: — Minimum <math>\geq 3.00</math></p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of cash expense cover ratio</b></p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 6.50 mths</b></p> <p>Well above the OLG benchmark and a slight improvement on last year. Reporting favorably affected due to the FAG's prepayment.</p>

## Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
less operating expenses							
<hr/>	5.66%	-1.10%	-32.54%	3.62%	-22.85%	-6.75%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<hr/>	41.39%	39.72%	87.21%	97.60%	98.19%	98.18%	>60.00%
Total continuing operating revenue <sup>(1)</sup>							
3. Unrestricted current ratio							
Current assets less all external restrictions <sup>(2)</sup>							
<hr/>	4.27x	1.75x	10.76x	12.51x	40.29x	43.58x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>							

## Notes

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

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

## Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	10.04x	4.65x	4.31x	14.49x	0.00x	0.00x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.69%	7.24%	16.91%	16.50%	9.11%	9.23%	<10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	5.41	4.50	10.02	11.85	22.11	24.90	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

## Notes

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

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

## Warrumbungle Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 14. Investment properties

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\$ '000

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

#### Note 15. Financial risk management

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##### Risk management

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

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

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

Financial risk management is carried out by Council's finance section under policies approved by the Council.

**The fair value of Council's financial assets and financial liabilities approximates their carrying amount.**

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

## Warrumbungle Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2017</b>				
Possible impact of a 1% movement in interest rates	183	183	(183)	(183)
<b>2016</b>				
Possible impact of a 1% movement in interest rates	157	157	(157)	(157)

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 15. Financial risk management (continued)

\$ '000

#### (b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

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

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

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

There are no 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:

		2017	2017	2016	2016
		Rates and	Other	Rates and	Other
		annual	receivables	annual	receivables
		charges		charges	
<b>(i) Ageing of receivables – %</b>					
Current (not yet overdue)		90%	86%	90%	94%
Overdue		10%	14%	10%	6%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>annual charges</b>	<b>Other receivables</b>	<b>annual charges</b>	<b>Other receivables</b>
Current	Current	893	3,652	924	3,988
< 1 year overdue	0 – 30 days overdue	100	99	106	36
1 – 2 years overdue	31 – 60 days overdue	–	6	–	22
2 – 5 years overdue	61 – 90 days overdue	–	344	–	210
> 5 years overdue	> 91 days overdue	–	165	–	–
		<b>993</b>	<b>4,266</b>	<b>1,030</b>	<b>4,256</b>
<b>(iii) Movement in provision for impairment of receivables</b>					
Balance at the beginning of the year				2017	2016
+ new provisions recognised during the year				246	66
– amounts already provided for and written off this year				103	246
– previous impairment losses reversed				(17)	–
				(113)	(66)
<b>Balance at the end of the year</b>				<b>219</b>	<b>246</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 15. Financial risk management (continued)

\$ '000

#### (c) Liquidity risk

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

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

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

The contractual undiscounted cash outflows (i.e.. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	382	1,539	—	—	—	—	—	1,921	1,769
Loans and advances	—	1,103	1,104	1,102	1,102	1,102	2,007	7,520	6,472
Total financial liabilities	382	2,642	1,104	1,102	1,102	1,102	2,007	9,441	8,241
2016									
Trade/other payables	588	1,929	—	—	—	—	—	2,517	2,467
Loans and advances	—	1,103	1,103	1,103	1,103	1,102	3,110	8,624	7,259
Total financial liabilities	588	3,032	1,103	1,103	1,103	1,102	3,110	11,141	9,726

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,769	0.00%	2,467	0.10%
Loans and advances – fixed interest rate	6,472	4.70%	7,259	4.60%
	<u>8,241</u>		<u>9,726</u>	

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 15 June 2017.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

**Note that for variations\* of budget to actual :**

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

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

\$ '000	2017 Budget	2017 Actual	2017 Variance*	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>11,924</b>	<b>11,928</b>	<b>4</b>	<b>0%</b> <b>F</b>
<b>User charges and fees</b>	<b>7,095</b>	<b>8,218</b>	<b>1,123</b>	<b>16%</b> <b>F</b>
User charges and fees are \$1.1m (16% favorable) over the full year budget. The major areas are:				
* Private Work -Section 67 (\$346k favorable) - due to the Coonabarabran FCC (also accounts for increased contracts expense);				
* RMS Charges (\$1.26m favorable) - due to large increase in contracts.				
These increases in income are offset by:				
*Yuluwirri Kids (\$273k unfavorable) and Family Day Care - Government Sub (\$264k unfavorable) under budget.				
* Quarry Revenue (\$154k unfavorable) - due to lower Sales				
<b>Interest and investment revenue</b>	<b>516</b>	<b>458</b>	<b>(58)</b>	<b>(11%)</b> <b>U</b>
<b>Other revenues</b>	<b>904</b>	<b>1,237</b>	<b>333</b>	<b>37%</b> <b>F</b>
Other Revenues are \$331k (36%) over the annual budget. The major areas are:				
*Other Recoupments: RFS - S44 Fires (\$116k) unbudgeted income as the result of the fire;				
*Rental Income: Public Halls (\$83k) and Other Council Properties (\$52k) from recognising fee waivers as income & donations;				
<b>Operating grants and contributions</b>	<b>18,414</b>	<b>20,772</b>	<b>2,358</b>	<b>13%</b> <b>F</b>
Operational Grants and Contributions is well over the budget (\$2.19m). Primarily due to:				
* FAGS Grants (\$3.4m favorable) - one half received in advance;				
* Grants - Child Care: Family Day Care (\$211k favorable), Yuluwirri Kids (\$232k favorable);				
These are offset by: \$1.3m delayed R2R Funding Grant (unfavorable timing issue).				



## Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*	
<b>REVENUES</b> (continued)				
<b>Capital grants and contributions</b>	<b>7,847</b>	<b>4,397</b>	<b>(3,450)</b>	<b>(44%) U</b>
Capital grants income is currently \$9.1m (62%) under the budget relating to the receipt of the following grant funding:				
* Non receipt of the CTF grants (\$5.5m) for the, now delayed, Three Rivers Retirement Village;				
* Delay in Water projects (\$2.0m delay) mainly for new Bores;				
* Black spot funding (received \$150k of \$275k);				
* Non receipt of Town Streets (\$125k) relating to cycleways and shared paths;				
* Non receipt of Bushfire And Emergency Services Capital Grant (\$281k);				
<b>Net gains from disposal of assets</b>	<b>285</b>	<b>–</b>	<b>(285)</b>	<b>(100%) U</b>
Gains/(Losses) from Disposal of Assets - Includes plant & Equipment but also non cash items such as the Book Values of Roads, Footpaths and K&C which are "Losses" for the purposes of Capital Additions				
\$ '000	2017 Budget	2017 Actual	2017 Variance*	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>15,050</b>	<b>15,025</b>	<b>25</b>	<b>0% F</b>
<b>Borrowing costs</b>	<b>322</b>	<b>361</b>	<b>(39)</b>	<b>(12%) U</b>
<b>Materials and contracts</b>	<b>5,246</b>	<b>8,205</b>	<b>(2,959)</b>	<b>(56%) U</b>
Materials & Contracts is well over budget at 140% (\$2.34m). The major areas are:				
*State Roads Maintenance Contract & Ordered Works (\$1.1m offset by higher income);				
*Urban Services Private Works (\$233k for the Coona RFS FCC);				
*Waste Management Operations: Derelict U/G Tanks (\$160k);				
*Sealed & Unsealed Rural Roads Maintenance (\$244k)				
*Other Council Properties (\$87k)				
<b>Depreciation and amortisation</b>	<b>9,584</b>	<b>10,099</b>	<b>(515)</b>	<b>(5%) U</b>
<b>Other expenses</b>	<b>7,847</b>	<b>8,055</b>	<b>(208)</b>	<b>(3%) U</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>653</b>	<b>(653)</b>	<b>0% U</b>
Council budgeted on a gain as per above.				

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
<b>Budget variations relating to Council's Cash Flow Statement include:</b>				
<b>Cash flows from operating activities</b>	<b>18,235</b>	<b>13,824</b>	<b>(4,411)</b>	<b>(24.2%) U</b>
Capital grants income is currently under the budget relating to the receipt of the following grant funding:				
* Non receipt of the CTF grants (\$5.5m) for the, now delayed, Three Rivers Retirement Village;				
* Delay in Water projects (\$2.0m delay) mainly for new Bores;				
* Black spot funding (received \$150k of \$275k);				
* Non receipt of Town Streets (\$125k) relating to cycleways and shared paths;				
* Non receipt of Bushfire And Emergency Services Capital Grant (\$281k);				
<b>Cash flows from investing activities</b>	<b>(18,733)</b>	<b>(10,401)</b>	<b>8,332</b>	<b>(44.5%) F</b>
Relates directly to non investment in IPP&E from the Capital Grant monies reported above				
<b>Cash flows from financing activities</b>	<b>(788)</b>	<b>(787)</b>	<b>1</b>	<b>(0.1%) F</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

### Note 17. Statement of developer contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	5	–	–	–	–	–	5	–
Open space	7	–	–	–	–	–	7	–
Community facilities	4	–	–	1	–	–	5	–
Bushfire	12	–	–	–	–	–	12	–
Other	2	–	–	–	–	–	2	–
<b>S94 contributions – under a plan</b>	<b>31</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>32</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>31</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>32</b>	<b>–</b>
S94 not under plans	169	39	–	3	(115)	–	96	–
S64 contributions	121	–	–	3	–	–	124	–
<b>Total contributions</b>	<b>322</b>	<b>39</b>	<b>–</b>	<b>7</b>	<b>(115)</b>	<b>–</b>	<b>253</b>	<b>–</b>

## Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN - WARRUMBUNGLE SHIRE COUNCIL

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	5	–	–	–	–	–	5	–
Open space	7	–	–	–	–	–	7	–
Community facilities	4	–	–	1	–	–	5	–
Bushfire	12	–	–	–	–	–	12	–
Other	2	–	–	–	–	–	2	–
<b>Total</b>	<b>31</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>32</b>	<b>–</b>

## S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	169	39	–	3	(115)	–	96	–
<b>Total</b>	<b>169</b>	<b>39</b>	<b>–</b>	<b>3</b>	<b>(115)</b>	<b>–</b>	<b>96</b>	<b>–</b>

## Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

## S64 CONTRIBUTIONS

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Water	95	–	–	1	–	–	96	–
Sewer	29	–	–	2	–	–	31	–
<b>Total</b>	<b>124</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>127</b>	<b>–</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

###### (i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

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

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

Council's share of this deficit has been broadly estimated to be \$246,000 as at 30 June 2017.

###### (ii) Statewide Limited

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

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

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

###### (iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

###### (iv) Other guarantees

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

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

#### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities

###### (i) Third party claims

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

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

###### (ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

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

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

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

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

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

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

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

#### ASSETS NOT RECOGNISED:

###### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

###### (ii) Infringement notices/fines

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

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

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

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

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 19. Interests in other entities

\$ '000

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

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

#### Controlled entities (subsidiaries)

**Note 19(a)**

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

#### Joint ventures and associates

**Note 19(b)**

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

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

#### Joint operations

**Note 19(c)**

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

#### Unconsolidated structured entities

**Note 19(d)**

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

#### Subsidiaries, joint arrangements and associates not recognised

**Note 19(e)**

#### Accounting recognition:

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

	Council's share of net income		Council's share of net assets	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	50	6	344	294
Associates	—	—	—	—
<b>Total</b>	<b>50</b>	<b>6</b>	<b>344</b>	<b>294</b>



# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 19. Interests in other entities (continued)

\$ '000

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

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

#### (b) Joint ventures and associates

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

##### (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017	2016
Macquarie Regional Library	Joint venture	Equity	344	294
<b>Total carrying amounts – material joint ventures and associates</b>			<b>344</b>	<b>294</b>

##### (b) Details

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

##### (c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016	2017	2016
Macquarie Regional Library	n/a	n/a	19%	19%	19%	19%	25%	25%

##### (d) Summarised financial information for joint ventures and associates

	Macquarie Regional Library	
Statement of financial position	2017	2016
<b>Current assets</b>		
Cash and cash equivalents	1,655	1,354
Other current assets	83	82
<b>Non-current assets</b>	<b>991</b>	<b>982</b>
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	871	826
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	<b>29</b>	<b>30</b>
<b>Net assets</b>	<b>1,829</b>	<b>1,562</b>

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 19. Interests in other entities (continued)

\$ '000

#### (b) Joint ventures and associates (continued)

#### (d) Summarised financial information for joint ventures and associates (cont'd)

	<b>Macquarie Regional Library</b>	
	<b>2017</b>	<b>2016</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	1,562	1,529
Profit/(loss) for the period	267	33
<b>Closing net assets</b>	<b>1,829</b>	<b>1,562</b>
<b>Council's share of net assets (%)</b>	<b>18.8%</b>	<b>18.8%</b>
<b>Council's share of net assets (\$)</b>	<b>344</b>	<b>294</b>
<b>Statement of comprehensive income</b>		
Income	2,921	2,644
Interest income	37	36
Depreciation and amortisation	(313)	(289)
Other expenses	(2,378)	(2,358)
<b>Profit/(loss) from continuing operations</b>	<b>267</b>	<b>33</b>
Profit/(loss) from discontinued operations	—	—
<b>Profit/(loss) for period</b>	<b>267</b>	<b>33</b>
Other comprehensive income	—	—
<b>Total comprehensive income</b>	<b>267</b>	<b>33</b>
<b>Share of income – Council (%)</b>	<b>18.8%</b>	<b>18.8%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>50</b>	<b>6</b>
<b>Total comprehensive income – Council (\$)</b>	<b>50</b>	<b>6</b>

#### (c) Joint operations

Council has no interest in any joint operations.

#### (d) Unconsolidated structured entities

Council has no unconsolidated structured entities

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		397,969	389,030
a. Correction of prior period errors	20 (c)	—	2,448
b. Other comprehensive income (excl. direct to reserves transactions)		—	2
c. Net operating result for the year		4,662	6,489
<b>Balance at end of the reporting period</b>		<b>402,631</b>	<b>397,969</b>

### (b) Revaluation reserves

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

Infrastructure, property, plant and equipment revaluation reserve	92,647	89,001
<b>Total</b>	<b>92,647</b>	<b>89,001</b>

#### (ii) Reconciliation of movements in reserves:

##### Infrastructure, property, plant and equipment revaluation reserve

Opening balance	89,001	87,258
Revaluations for the year	4,377	1,102
(Impairment of revalued assets)/impairment reversals	(731)	—
Correction of prior period errors	—	686
Revaluation of Non Current Inventory (Land)	—	(45)
<b>Balance at end of year</b>	<b>92,647</b>	<b>89,001</b>

##### TOTAL VALUE OF RESERVES

<b>92,647</b>	<b>89,001</b>
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#### (iii) Nature and purpose of reserves

##### Infrastructure, property, plant and equipment revaluation reserve

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

### (c) Correction of error/s relating to a previous reporting period

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

### (d) Voluntary changes in accounting policies

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

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Continuing operations</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	1,301	1,240	9,387
User charges and fees	1,398	212	6,608
Interest and investment revenue	92	115	251
Other revenues	11	10	1,216
Grants and contributions provided for operating purposes	41	29	20,702
Grants and contributions provided for capital purposes	370	–	4,027
<b>Other income</b>			
Share of interests in joint ventures and associates using the equity method	–	–	50
<b>Total income from continuing operations</b>	<b>3,213</b>	<b>1,606</b>	<b>42,241</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	942	606	13,477
Borrowing costs	32	–	329
Materials and contracts	654	255	7,296
Depreciation and amortisation	1,169	538	8,392
Impairment	–	–	–
Other expenses	971	574	6,510
Net losses from the disposal of assets	–	–	653
<b>Total expenses from continuing operations</b>	<b>3,768</b>	<b>1,973</b>	<b>36,657</b>
<b>Operating result from continuing operations</b>	<b>(555)</b>	<b>(367)</b>	<b>5,584</b>
<b>Discontinued operations</b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>(555)</b>	<b>(367)</b>	<b>5,584</b>
<b>Net operating result attributable to each council fund</b>	<b>(555)</b>	<b>(367)</b>	<b>5,584</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(925)</b>	<b>(367)</b>	<b>1,557</b>

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

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

# Warrumbungle Shire Council

## Notes to the Financial Statements as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	2,205	2,687	13,456
Investments	—	—	—
Receivables	879	475	3,686
Inventories	6	—	905
Other	—	—	179
<b>Total current assets</b>	<b>3,090</b>	<b>3,162</b>	<b>18,226</b>
<b>Non-current assets</b>			
Investments	—	—	—
Receivables	—	1,077	—
Inventories	—	—	299
Infrastructure, property, plant and equipment	39,076	17,686	428,406
Investments accounted for using the equity method	—	—	344
Intangible assets	—	—	285
<b>Total non-current assets</b>	<b>39,076</b>	<b>18,763</b>	<b>429,334</b>
<b>TOTAL ASSETS</b>	<b>42,166</b>	<b>21,925</b>	<b>447,560</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	5	—	2,841
Income received in advance	—	—	150
Borrowings	78	—	749
Provisions	191	77	4,311
<b>Total current liabilities</b>	<b>274</b>	<b>77</b>	<b>8,051</b>
<b>Non-current liabilities</b>			
Payables	—	—	—
Borrowings	534	—	5,111
Provisions	2	1	2,323
<b>Total non-current liabilities</b>	<b>536</b>	<b>1</b>	<b>7,434</b>
<b>TOTAL LIABILITIES</b>	<b>810</b>	<b>78</b>	<b>15,485</b>
<b>Net assets</b>	<b>41,356</b>	<b>21,847</b>	<b>432,075</b>
<b>EQUITY</b>			
Retained earnings	20,213	11,704	370,714
Revaluation reserves	21,143	10,143	61,361
Other reserves	—	—	—
<b>Council equity interest</b>	<b>41,356</b>	<b>21,847</b>	<b>432,075</b>
<b>Non-controlling interests</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total equity</b>	<b>41,356</b>	<b>21,847</b>	<b>432,075</b>

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

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

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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\$ '000

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

#### Note 23. Events occurring after the reporting date

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Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 25/10/17.

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 2017.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

#### Note 24. Discontinued operations

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

## Warrumbungle Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values:</b>		
Gross book value (1/7)	645	645
Accumulated amortisation (1/7)	(292)	(173)
Accumulated impairment (1/7)	–	–
<b>Net book value – opening balance</b>	<b>353</b>	<b>472</b>
<b>Movements for the year</b>		
– Purchases	19	–
– Development costs	34	–
– Amortisation charges	(120)	(119)
<b>Closing values:</b>		
Gross book value (30/6)	697	645
Accumulated amortisation (30/6)	(412)	(292)
Accumulated impairment (30/6)	–	–
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b> <sup>1</sup>	<b><u>285</u></b>	<b><u>353</u></b>

<sup>1</sup> The net book value of intangible assets represent:

Software	285	353
	<b>285</b>	<b>353</b>

## Warrumbungle Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
A Becketts	2038	3	4
Allandale	2018	2	1
Arkabah	2038	3	4
Avas 1	2038	3	4
Avis 2	2018	8	8
Baradine Aerodro	2038	14	16
Barrier Gates	2023	21	21
Barwidgee South	2038	25	28
Barwon	2038	3	3
Beamsfield West	2018	31	30
Bellerive	2038	3	3
Beni	2038	19	22
Bobella	2038	1	1
Boomely	2038	3	3
Borambitty	2038	10	11
Box Hill	2028	8	9
Brains	2038	2	2
Bretni Rd	2038	14	15
Burrawong Park	2038	5	6
Burton	2038	7	8
Caledonia	2038	10	11
Caradoc Park	2028	3	4
Carlyons	2028	19	21
Cheriton	2038	3	3
Cloven Hills	2028	13	14
Cobbora	2038	12	14
Coleraine	2038	7	8
Connemarra	2028	20	21
Cooks	2020	4	4
Coolah Crk	2028	5	5
Coolah Tsr	2018	3	3
Coolie Camp	2038	9	10
Coonabarabran	2038	4	5
Cossington	2038	9	11
Cromarty Park	2038	1	1
Curteis	2038	7	7
Danabar	2038	12	13
Danlo	2038	67	75

(continued on the next page...)



# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000

Asset/operation (continued)	Estimated year of restoration	NPV of provision	
		2017	2016
Dowd Rd	2038	6	6
Duces	2038	44	49
Dunedoo	2038	7	7
Edenmore	2028	25	26
Ewendale	2038	5	6
Forans Lane	2038	39	43
Foster	2038	35	39
Frost	2038	17	19
Galashields	2038	17	19
Gamble Crk	2038	1	2
Glendale	2038	14	16
Glenmore	2018	10	9
Glenrowan	2038	49	54
Goally	2038	57	64
Gunnedah	2038	45	50
Hawthorne	2038	35	40
Haynes	2038	4	5
Hazelmere	2038	4	4
Hereford Park	2038	2	2
Hillgrove	2038	6	7
Hollymount	2038	5	5
Inchmoor	2038	15	17
Johnsons	2038	24	27
Kallara	2038	4	4
Kentuckey	2038	4	5
Kiah	2038	4	5
Kindalyn	2038	29	33
Kirban	2038	6	7
Koroa	2020	21	21
Kroobit Cadell	2038	41	46
Kurrajong Park 2	2038	9	10
Kurravale	2038	5	6
Kybeyan	2038	5	5
Lanbre	2038	17	19
Lemonwood	2020	6	6
Liamena	2038	14	15
Lochneil	2038	11	12
Lockerbie	2028	5	5
Loloma	2038	15	17
Lynwood	2028	6	7

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000

Asset/operation (continued)	Estimated year of restoration	NPV of provision	
		2017	2016
Maduba	2038	2	2
Marombi Rd 1	2038	1	1
Marombi Rd 2	2038	2	2
Maronga	2038	6	7
Maroo	2038	22	24
Mendooran 1	2038	20	22
Mendooran 2	2038	8	9
Merrygoen	2038	4	4
Millings	2038	5	6
Morton Bay	2038	4	4
Mt Hope	2038	4	4
Mt Marlow	2038	11	13
Murrumbong	2038	10	11
Naparoo	2020	7	7
Narangarie	2038	14	16
Neible	2038	6	7
North Pine	2038	13	15
O Neills	2038	2	2
Oban	2038	21	23
Old Castle	2038	25	28
Orana	2038	14	16
Pandora	2038	1	1
Peridot	2038	3	4
Pidgee	2038	15	17
Pine Ridge	2028	48	53
Pipers	2038	6	7
Pound	2028	8	8
Quondory	2028	46	48
Rawlinsons Old	2028	8	9
Rawlinsons Pit	2038	8	9
Rhodes	2038	6	7
Round Mountain	2038	7	8
Saltwater	2038	7	7
Sandy Crk Rd	2038	1	1
Scotts	2038	6	7
Silentdale	2038	5	6
Skinnners	2038	1	2
Sleightholmes	2038	37	41
SPRING Ridge RD	2038	6	6
The Pinnacles	2038	36	41

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000

Asset/operation (continued)	Estimated year of restoration	NPV of provision	
		2017	2016
Thompsons	2038	4	5
Timbali	2038	22	24
Todds	2038	10	11
Tonniges Rd	2038	1	1
Turee	2038	18	20
Tv Tower	2038	25	28
Wanloch	2020	10	10
Warrawonga	2038	1	1
Watsons	2038	31	35
Wattlegrove	2038	13	14
Weetaliba	2038	3	3
Witta Coola	2038	15	17
Woodlands	2038	4	5
Wyoming	2038	26	29
Yellow Cutting	2038	33	37
Leaders	2038	5	6
Phyllisdale	2038	6	6
Three Miles	2038	8	9
Rodgers	2038	4	5
Beamsfield East	2038	17	19
Hathway	2038	6	7
Quilpie	2038	2	3
Deep Creek	2038	2	2
Yarrandale	2038	8	9
Dromore	2020	6	6
Kinross	2038	5	5
Kurrajong Park 1	2038	5	5
Nullen	2038	5	5
Ulunggra	2038	5	3
Kerr's Pit	2038	5	3
Ulamambri Tip	2038	18	21
Binnaway Tip	2038	41	45
Baradine Tip	2038	31	34
Dunedoo Tip	2038	38	43
Mendooran Tip	2039	45	50
Coolah Tip	2040	33	37
Coonabarabran Tip	2041	208	236
Balance at end of the reporting period		10(a) <u>2,236</u>	<u>2,472</u>

## Warrumbungle Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000

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

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

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

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

Balance at beginning of year	2,472	2,039
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	(283)	351
Amortisation of discount (expensed to borrowing costs)	47	82
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>2,236</b>	<b>2,472</b>

#### Amount of expected reimbursements

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

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

##### Restoration

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

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

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

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

## Warrumbungle Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

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

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\$ '000

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##### ***Rehabilitation***

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

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

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

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

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

Fair values.		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	n/a	—	—	8,200	8,200
Office equipment	n/a	—	—	43	43
Furniture and fittings	n/a	—	—	134	134
Land - Community	30/06/16	—	—	1,393	1,393
Land - Operational	30/06/13	—	—	5,524	5,524
Land improvements – depreciable	30/06/13	—	—	1,366	1,366
Buildings	30/06/13	—	—	44,360	44,360
Other structures	30/06/16	—	—	13,994	13,994
Roads	30/06/15	—	—	199,358	199,358
Bridges	30/06/15	—	—	50,934	50,934
Footpaths	30/06/15	—	—	3,847	3,847
Bulk earthworks	30/06/15	—	—	88,458	88,458
Stormwater drainage	30/06/15	—	—	4,685	4,685
Water supply network	30/06/17	—	—	36,327	36,327
Sewerage network	30/06/17	—	—	16,654	16,654
Tip assets	30/06/14	—	—	307	307
Quarry assets	30/06/14	—	—	882	882
Total infrastructure, property, plant and equipment		—	—	476,466	476,466

## Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

Fair values: (continued)		Fair value measurement hierarchy			
2016		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	N/A	—	—	9,033	9,033
Office equipment	N/A	—	—	43	43
Furniture and fittings	N/A	—	—	136	136
Land - Community	30/06/16	—	—	1,393	1,393
Land - Operational	30/06/13	—	—	5,524	5,524
Land improvements – depreciable	30/06/16	—	—	1,403	1,403
Buildings	30/06/13	—	—	41,995	41,995
Other structures	30/06/16	—	—	13,114	13,114
Roads	30/06/15	—	—	203,048	203,048
Bridges	30/06/15	—	—	51,295	51,295
Footpaths	30/06/15	—	—	3,612	3,612
Bulk earthworks	30/06/15	—	—	87,998	87,998
Stormwater drainage	30/06/15	—	—	4,758	4,758
Water supply network	30/06/17	—	—	27,829	27,829
Sewerage network	30/06/17	—	—	21,251	21,251
Tip assets	30/06/14	—	—	387	387
Quarry assets	30/06/14	—	—	1,161	1,161
Total infrastructure, property, plant and equipment		—	—	473,980	473,980

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

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

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e.. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

##### **Infrastructure, property, plant and equipment**

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

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

###### Roads, bulk earthworks, bridges, footpaths and stormwater drainage

The values currently displayed are based on the following:

The current replacement cost for these asset classes has been derived from a 2014/15 valuation survey undertaken, for this purpose, by APV Valuers. Roads are componentised into road pavement and road seal assets and differentiated between long and short life components, with pavements split into sealed and unsealed road pavements. A distinction is also made between road pavements on various soil types.

Bridges are componentised into bridges Long Life and Short Life and major culverts, and culverts and drainage assets include both pits and pipes. All asset components are assigned long and short life components and useful lives and are condition rated at the time of valuation. Council has increased significantly the amount of available information on its road network, but still lacks some historical information such as rehabilitation dates for components such as road seals and pavements, and is in the final processes of segmenting its local road network. Other information that is currently being sourced includes traffic volumes, more accurate dimensions and topography information, and better information on soil types.

###### Quarry and tip remediation liabilities

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



## Warrumbungle Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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

###### Operational and community land

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

###### Other structures and land improvements (depreciable)

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

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

###### Water and sewer network

This asset class is currently undergoing a valuation being conducted externally by Australis Asset Advisory Group.

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

###### Buildings

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

## Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Land	Land imp depreciable	Buildings	Other structures	Roads	Total
<b>Opening balance – 1/7/15</b>	9,300	55	175	6,818	698	41,325	9,720	206,056	274,147
Purchases (GBV)	2,588	–	–	–	351	1,394	736	1,358	6,427
Disposals (WDV)	(740)	–	–	–	–	–	–	(232)	(972)
Depreciation and impairment	(2,115)	(12)	(39)	–	(48)	(724)	(379)	(4,134)	(7,451)
FV gains – other comprehensive income	–	–	–	98	289	–	(3)	–	384
Adjustments & Transfers	–	–	–	–	113	–	3,040	–	3,153
<b>Closing balance – 30/6/16</b>	<b>9,033</b>	<b>43</b>	<b>136</b>	<b>6,916</b>	<b>1,403</b>	<b>41,995</b>	<b>13,114</b>	<b>203,048</b>	<b>275,688</b>
Purchases (GBV)	1,794	13	35	–	6	3,148	1,468	3,480	9,944
Disposals (WDV)	(532)	–	–	–	–	–	–	(848)	(1,380)
Depreciation and impairment	(2,095)	(13)	(37)	–	(43)	(783)	(588)	(4,813)	(8,372)
Revaluation movement	–	–	–	–	–	–	–	(1,066)	(1,066)
<b>Closing balance – 30/6/17</b>	<b>8,200</b>	<b>43</b>	<b>134</b>	<b>6,916</b>	<b>1,366</b>	<b>44,360</b>	<b>13,994</b>	<b>199,801</b>	<b>274,814</b>

## Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Tip asset	Quarry asset	Total
<b>Opening balance – 1/7/15</b>	47,533	3,611	87,998	4,769	27,889	21,131	327	937	194,195
Purchases (GBV)	4,095	172	–	94	308	128	–	–	4,797
Disposals (WDV)	–	(53)	–	–	–	–	–	–	(53)
Depreciation and impairment	(333)	(117)	–	(105)	(774)	(320)	(14)	(54)	(1,717)
FV gains – other comprehensive income	–	–	–	–	406	312	–	–	718
Remediation adjustment	–	–	–	–	–	–	74	278	352
<b>Closing balance – 30/6/16</b>	<b>51,295</b>	<b>3,613</b>	<b>87,998</b>	<b>4,758</b>	<b>27,829</b>	<b>21,251</b>	<b>387</b>	<b>1,161</b>	<b>198,292</b>
Purchases (GBV)	–	355	–	34	136	13	–	–	538
Depreciation and impairment	(361)	(121)	–	(107)	(1,143)	(530)	(16)	(62)	(2,340)
Remediation adjustment	–	–	–	–	–	–	(64)	(217)	(281)
Revaluation movement	–	–	18	–	9,505	(4,080)	–	–	5,443
<b>Closing balance – 30/6/17</b>	<b>50,934</b>	<b>3,847</b>	<b>88,016</b>	<b>4,685</b>	<b>36,327</b>	<b>16,654</b>	<b>307</b>	<b>882</b>	<b>201,652</b>

## Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
<b>I, PP&amp;E</b>			
Plant and equipment		Cost approach	* Gross Replacement Cost (purchase price) * Remaining Useful Life
Office equipment		Cost approach	* Gross Replacement Cost (purchase price) * Remaining Useful Life
Furniture and fittings		Cost approach	* Gross Replacement Cost (purchase price) * Remaining Useful Life
Operational land		Market approach	* Similar local property prices * Alternative use
Community land		Market approach	* Unimproved capital value from Valuer General
Land Imp (depreciable)		Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life

# Warrumbungle Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 27. Fair value measurement (continued)

\$ '000

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

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

Buildings	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Other structures	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Roads	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Bridges	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Footpaths	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Bulk earthworks	Cost approach (Replacement Cost)	* Gross Replacement Cost
Stormwater drainage	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Water supply network	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life

# Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 27. Fair value measurement (continued)

\$ '000

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

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

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

## Warrumbungle Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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

###### c. The valuation process for level 3 fair value measurements

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

The process by council determines is through:

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

##### (5). Highest and best use

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

## Warrumbungle Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 28. Related party disclosures

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\$ '000

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##### a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

	Actual
Compensation:	2017
Short-term benefits	809
Superannuation	86
Total	<u>895</u>

##### b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.



# Warrumbungle Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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*"excellence in local government"*



# Warrumbungle Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
<b>1. Statement by Councillors and Management</b>	<b>2</b>
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
<b>3. Notes to the Special Purpose Financial Statements</b>	<b>9</b>
<b>4. Auditor's Report</b>	<b>18</b>

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office 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 and 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 more than \$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 and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
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## Warrumbungle Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

### 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 and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

**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 16 November 2017.**

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Peter Shinton  
Mayor

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Councillor.....

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Leeanne Ryan  
Acting General Manager

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Michael Jones  
Responsible Accounting Officer

## Warrumbungle Shire Council

### Income Statement of Council's Water Supply Business Activity for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	1,301	1,268
User charges	1,371	1,627
Fees	27	8
Interest	92	109
Grants and contributions provided for non-capital purposes	41	40
Other income	11	235
<b>Total income from continuing operations</b>	<b>2,843</b>	<b>3,287</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	942	985
Borrowing costs	32	36
Materials and contracts	654	484
Depreciation, amortisation and impairment	1,169	801
Other expenses	971	862
<b>Total expenses from continuing operations</b>	<b>3,768</b>	<b>3,168</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(925)</b>	<b>119</b>
Grants and contributions provided for capital purposes	370	40
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(555)</b>	<b>159</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	—	(36)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(555)</b>	<b>123</b>
Plus opening retained profits	20,768	20,609
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	—	36
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
<b>Closing retained profits</b>	<b>20,213</b>	<b>20,768</b>
<b>Return on capital %</b>	<b>-2.3%</b>	<b>0.5%</b>
<b>Subsidy from Council</b>	<b>1,823</b>	<b>441</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(555)	123
Less: capital grants and contributions (excluding developer contributions)	(370)	(40)
<b>Surplus for dividend calculation purposes</b>	<b>—</b>	<b>83</b>
<b>Potential dividend calculated from surplus</b>	<b>—</b>	<b>42</b>

## Warrumbungle Shire Council

# Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	1,240	975
User charges	101	332
Liquid trade waste charges	111	62
Interest	115	133
Grants and contributions provided for non-capital purposes	29	28
Other income	10	11
<b>Total income from continuing operations</b>	<b>1,606</b>	<b>1,541</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	606	632
Materials and contracts	255	179
Depreciation, amortisation and impairment	538	334
Other expenses	574	500
<b>Total expenses from continuing operations</b>	<b>1,973</b>	<b>1,645</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(367)</b>	<b>(104)</b>
Grants and contributions provided for capital purposes	—	—
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(367)</b>	<b>(104)</b>
Surplus (deficit) from discontinued operations	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>(367)</b>	<b>(104)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(367)</b>	<b>(104)</b>
<b>Plus opening retained profits</b>	12,071	12,175
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	—	—
<b>Less:</b>		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
<b>Closing retained profits</b>	<b>11,704</b>	<b>12,071</b>
<b>Return on capital %</b>	<b>-2.1%</b>	<b>-0.5%</b>
<b>Subsidy from Council</b>	<b>788</b>	<b>544</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(367)	(104)
Less: capital grants and contributions (excluding developer contributions)	—	—
<b>Surplus for dividend calculation purposes</b>	<b>—</b>	<b>—</b>
<b>Potential dividend calculated from surplus</b>	<b>—</b>	<b>—</b>

## Warrumbungle Shire Council

# Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

Warrumbungle  
Quarry

Category 2

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
User charges	1,104	1,178
<b>Total income from continuing operations</b>	<b>1,104</b>	<b>1,178</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	150	172
Borrowing costs	13	14
Materials and contracts	160	81
Other expenses	717	796
<b>Total expenses from continuing operations</b>	<b>1,040</b>	<b>1,063</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>64</b>	<b>115</b>
Grants and contributions provided for capital purposes	—	—
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>64</b>	<b>115</b>
Surplus (deficit) from discontinued operations	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>64</b>	<b>115</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(19)	(35)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>45</b>	<b>81</b>
Plus opening retained profits	375	260
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	19	35
Add:		
– Subsidy paid/contribution to operations	—	—
Less:		
– TER dividend paid	—	—
– Dividend paid	—	—
<b>Closing retained profits</b>	<b>439</b>	<b>375</b>
Return on capital %	21.3%	26.0%
Subsidy from Council	—	—

## Warrumbungle Shire Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,205	2,372
Receivables	879	938
Inventories	6	6
<b>Total current assets</b>	<b>3,090</b>	<b>3,316</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	39,076	29,972
<b>Total non-current assets</b>	<b>39,076</b>	<b>29,972</b>
<b>TOTAL ASSETS</b>	<b>42,166</b>	<b>33,288</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	5	6
Borrowings	78	75
Provisions	191	184
<b>Total current liabilities</b>	<b>274</b>	<b>265</b>
<b>Non-current liabilities</b>		
Borrowings	534	612
Provisions	2	4
<b>Total non-current liabilities</b>	<b>536</b>	<b>616</b>
<b>TOTAL LIABILITIES</b>	<b>810</b>	<b>881</b>
<b>NET ASSETS</b>	<b>41,356</b>	<b>32,407</b>
<b>EQUITY</b>		
Retained earnings	20,213	20,768
Revaluation reserves	21,143	11,639
Council equity interest	41,356	32,407
<b>TOTAL EQUITY</b>	<b>41,356</b>	<b>32,407</b>

## Warrumbungle Shire Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,687	2,722
Receivables	475	459
<b>Total current Assets</b>	<b>3,162</b>	<b>3,181</b>
<b>Non-current assets</b>		
Receivables	1,077	1,086
Infrastructure, property, plant and equipment	17,686	22,102
<b>Total non-current assets</b>	<b>18,763</b>	<b>23,188</b>
<b>TOTAL ASSETS</b>	<b>21,925</b>	<b>26,369</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Provisions	77	73
<b>Total current liabilities</b>	<b>77</b>	<b>73</b>
<b>Non-current liabilities</b>		
Provisions	1	2
<b>Total non-current liabilities</b>	<b>1</b>	<b>2</b>
<b>TOTAL LIABILITIES</b>	<b>78</b>	<b>75</b>
<b>NET ASSETS</b>	<b>21,847</b>	<b>26,294</b>
<b>EQUITY</b>		
Retained earnings	11,704	12,071
Revaluation reserves	10,143	14,223
Council equity interest	21,847	26,294
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>21,847</b>	<b>26,294</b>



## Warrumbungle Shire Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Warrumbungle Quarry

\$ '000	Category 2	
	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	34	28
Inventories	467	277
<b>Total Current Assets</b>	<b>501</b>	<b>305</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	361	496
<b>Total non-current assets</b>	<b>361</b>	<b>496</b>
<b>TOTAL ASSETS</b>	<b>862</b>	<b>801</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	58	20
Borrowings	42	41
<b>Total current liabilities</b>	<b>100</b>	<b>61</b>
<b>Non-current liabilities</b>		
Borrowings	323	365
<b>Total non-current liabilities</b>	<b>323</b>	<b>365</b>
<b>TOTAL LIABILITIES</b>	<b>423</b>	<b>426</b>
<b>NET ASSETS</b>	<b>439</b>	<b>375</b>
<b>EQUITY</b>		
Retained earnings	439	375
Council equity interest	439	375
<b>TOTAL EQUITY</b>	<b>439</b>	<b>375</b>

## Warrumbungle Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

## Warrumbungle Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements 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) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. 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' in 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 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The Pricing and 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 and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for 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 and 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 thousand dollars, except for 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 year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

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

##### (i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose 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 \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 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 Department of Primary Industries Water (DPIW), 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 to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines 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 the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account 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 gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to 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 the SPFS.

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date.

##### Local government rates and 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 and 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.

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

## Warrumbungle Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

##### (ii) Subsidies

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

Subsidies occur when 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 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 NCP 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 actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return 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 2.38% at 30/6/17.

##### (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.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

# Warrumbungle Shire Council

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

### Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

#### 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)	Number of assessments multiplied by \$3/assessment	10,026
(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)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	100,260
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	(1,233,700)

2017 Surplus	(925,000)	2016 Surplus	83,300	2015 Surplus	(392,000)
		2016 Dividend	–	2015 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]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

#### 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 year ended 30 June 2017

### Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

#### National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,751
<b>NWI F4</b>	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)]	%	47.04%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	36,327
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,515
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	136
<b>NWI F17</b>	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 and equipment (w33b)]	%	-2.39%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	370

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

# Warrumbungle Shire Council

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

### Note 3. Sewerage business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

#### 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)	Number of assessments multiplied by \$3/assessment	7,632
(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)	Number of assessments x (\$30 less tax equivalent charges per assessment)	76,320
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	(541,000)

2017 Surplus	(367,000)	2016 Surplus	(104,000)	2015 Surplus	(70,000)
		2016 Dividend	–	2015 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]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

#### 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 and 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 year ended 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

## 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	1,491
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	16,653
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,432
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	12
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 (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	-2.71%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)

NWI F3	Total income (water and 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	4,242
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.65%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	148
NWI F19	Economic real rate of return (water and 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 and equipment (w33b + s34b)]	%	-2.49%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and 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 year ended 30 June 2017

### Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

#### National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-6.77%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): 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: Interest expense (w4a + s4a) – interest income (w9 + s10)		-
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(1,292)
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	70

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

# Warrumbungle Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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*"excellence in local government"*



# Warrumbungle Shire Council

## Special Schedules for the year ended 30 June 2017

### Contents

Page

#### Special Schedules<sup>1</sup>

<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 2(a)</b>	Statement of Long Term Debt (all purposes)	4
<b>Special Schedule 2(b)</b>	Statement of Internal Loans (Sect. 410(3) LGA 1993)	5
<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	6
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	9
<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	10
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	11
<b>Notes to Special Schedules 3 and 5</b>		14
<b>Special Schedule 7</b>	Report on Infrastructure Assets	15
<b>Special Schedule 8</b>	Permissible Income Calculation	20

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

#### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the NSW Office of Water (NOW), and
  - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.

## Warrumbungle Shire Council

# Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,061</b>	<b>10</b>	<b>375</b>	<b>(676)</b>
<b>Administration</b>	<b>6,762</b>	<b>998</b>	<b>94</b>	<b>(5,670)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	4,208	3,737	1,615	1,144
Animal control	205	–	–	(205)
<b>Total public order and safety</b>	<b>4,413</b>	<b>3,737</b>	<b>1,615</b>	<b>939</b>
<b>Health</b>	<b>80</b>	<b>72</b>	<b>–</b>	<b>(8)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	101	–	–	(101)
Solid waste management	2,300	2,185	–	(115)
Street cleaning	261	–	–	(261)
Drainage	183	–	–	(183)
Stormwater management	106	108	–	2
<b>Total environment</b>	<b>2,951</b>	<b>2,293</b>	<b>–</b>	<b>(658)</b>
<b>Community services and education</b>				
Administration and education	62	–	–	(62)
Aged persons and disabled	872	933	–	61
Children's services	2,319	2,152	–	(167)
<b>Total community services and education</b>	<b>3,253</b>	<b>3,085</b>	<b>–</b>	<b>(168)</b>
<b>Housing and community amenities</b>				
Public cemeteries	168	83	7	(78)
Public conveniences	544	24	–	(520)
Street lighting	132	–	–	(132)
Town planning	147	160	39	52
<b>Total housing and community amenities</b>	<b>991</b>	<b>267</b>	<b>46</b>	<b>(678)</b>
<b>Water supplies</b>	<b>3,768</b>	<b>2,842</b>	<b>370</b>	<b>(556)</b>
<b>Sewerage services</b>	<b>1,975</b>	<b>1,606</b>	<b>–</b>	<b>(369)</b>

## Warrumbungle Shire Council

# Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	622	59	–	(563)
Community centres and halls	1,170	97	–	(1,073)
Sporting grounds and venues	612	12	8	(592)
Swimming pools	773	124	–	(649)
Parks and gardens (lakes)	599	–	–	(599)
Other sport and recreation	12	(10)	–	(22)
<b>Total recreation and culture</b>	<b>3,788</b>	<b>282</b>	<b>8</b>	<b>(3,498)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	139	60	–	(79)
Other mining, manufacturing and construction	1,103	1,104	–	1
<b>Total mining, manufacturing and const.</b>	<b>1,242</b>	<b>1,164</b>	<b>–</b>	<b>(78)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	1,775	–	260	(1,515)
Sealed rural roads (SRR) – local	1,610	1,792	–	182
Sealed rural roads (SRR) – regional	2,038	2,709	1,580	2,251
Unsealed rural roads (URR) – local	3,573	–	40	(3,533)
Bridges on UR – local	173	–	–	(173)
Bridges on SRR – local	276	148	–	(128)
Bridges on regional roads	213	–	–	(213)
Parking areas	6	–	–	(6)
Footpaths	168	–	–	(168)
Aerodromes	203	5	–	(198)
Other transport and communication	1,537	4,227	–	2,690
<b>Total transport and communication</b>	<b>11,572</b>	<b>8,881</b>	<b>1,880</b>	<b>(811)</b>
<b>Economic affairs</b>				
Other economic affairs	549	59	–	(490)
<b>Total economic affairs</b>	<b>549</b>	<b>59</b>	<b>–</b>	<b>(490)</b>
<b>Totals – functions</b>	<b>42,405</b>	<b>25,296</b>	<b>4,388</b>	<b>(12,721)</b>
<b>General purpose revenues <sup>(1)</sup></b>	<b>46</b>	<b>17,379</b>		<b>17,333</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>50</b>		<b>50</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>42,451</b>	<b>42,725</b>	<b>4,388</b>	<b>4,662</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose

(2) As reported in the Income Statement

grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

## Warrumbungle Shire Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Financial institutions	788	6,471	<b>7,259</b>	–	788	–	–	315	827	5,644	<b>6,471</b>
<b>Total loans</b>	<b>788</b>	<b>6,471</b>	<b>7,259</b>	–	<b>788</b>	–	–	<b>315</b>	<b>827</b>	<b>5,644</b>	<b>6,471</b>
<b>Total debt</b>	<b>788</b>	<b>6,471</b>	<b>7,259</b>	–	<b>788</b>	–	–	<b>315</b>	<b>827</b>	<b>5,644</b>	<b>6,471</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

## Warrumbungle Shire Council

**Special Schedule 2(b) – Statement of Internal Loans** [Section 410(3) of the *Local Government Act* 1993]  
for the year ended 30 June 2017

\$'000

**Summary of internal loans**

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General	1,500,000	198,736	857,229
<b>Totals</b>	<b>1,500,000</b>	<b>198,736</b>	<b>857,229</b>

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

**Details of individual internal loans**

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
General fund	Sewer fund	23/12/12	01/07/12	10	30/06/21	5.80%	1,500,000	198,736	857,229
<b>Totals</b>							<b>1,500,000</b>	<b>198,736</b>	<b>857,229</b>



# Warrumbungle Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b> <b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	735	638
b. Engineering and supervision	23	18
<b>2. Operation and maintenance expenses</b>		
– dams and weirs		
a. Operation expenses	3	5
b. Maintenance expenses	5	12
– Mains		
c. Operation expenses	7	9
d. Maintenance expenses	340	293
– Reservoirs		
e. Operation expenses	69	76
f. Maintenance expenses	38	27
– Pumping stations		
g. Operation expenses (excluding energy costs)	54	63
h. Energy costs	237	159
i. Maintenance expenses	127	31
– Treatment		
j. Operation expenses (excluding chemical costs)	349	345
k. Chemical costs	103	102
l. Maintenance expenses	156	178
– Other		
m. Operation expenses	78	90
n. Maintenance expenses	191	198
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	1,169	774
b. Plant and equipment	–	27
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	32	36
b. Revaluation decrements	–	–
c. Other expenses	52	87
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>3,768</b>	<b>3,168</b>

## Warrumbungle Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	1,110	1,080
b. Usage charges	986	1,257
<b>7. Non-residential charges</b>		
a. Access (including rates)	191	189
b. Usage charges	385	369
<b>8. Extra charges</b>	—	—
<b>9. Interest income</b>	92	108
<b>10. Other income</b>	38	244
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	—	—
<b>11. Grants</b>		
a. Grants for acquisition of assets	370	40
b. Grants for pensioner rebates	41	40
c. Other grants	—	—
<b>12. Contributions</b>		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
<b>13. Total income</b>	<b>3,213</b>	<b>3,327</b>
<b>14. Gain (or loss) on disposal of assets</b>	—	—
<b>15. Operating result</b>	<b>(555)</b>	<b>159</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	(925)	119

## Warrumbungle Shire Council

### Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	107	135
b. New assets for growth	–	–
c. Renewals	29	173
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	32	36
<b>18. Totals</b>	<b>168</b>	<b>344</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	2,680	2,677
b. Residential (unoccupied, ie. vacant lot)	158	160
c. Non-residential (occupied)	439	442
d. Non-residential (unoccupied, ie. vacant lot)	65	68
<b>23. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 72,297	\$ 73,348

## Warrumbungle Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	98	98
b. Special purpose grants	41	–	41
c. Accrued leave	191	2	193
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,871	–	1,871
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	220	–	220
c. User charges	661	–	661
d. Other	–	–	–
<b>27. Inventories</b>	6	–	6
<b>28. Property, plant and equipment</b>			
a. System assets	–	36,326	36,326
b. Plant and equipment	–	2,750	2,750
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>2,990</b>	<b>39,176</b>	<b>42,166</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	5	–	5
<b>33. Borrowings</b>	78	534	612
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	191	2	193
<b>35. Total liabilities</b>	<b>274</b>	<b>536</b>	<b>810</b>
<b>36. NET ASSETS COMMITTED</b>	<b>2,716</b>	<b>38,640</b>	<b>41,356</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			20,213
<b>38. Asset revaluation reserve</b>			21,143
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>41,356</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			65,411
<b>42. Accumulated current cost</b> depreciation of system assets			(29,084)
<b>43. Written down current cost</b> of system assets			<b>36,327</b>

## Warrumbungle Shire Council

### Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	543	520
b. Engineering and supervision	20	16
<b>2. Operation and maintenance expenses</b>		
<b>– mains</b>		
a. Operation expenses	1	3
b. Maintenance expenses	176	163
<b>– Pumping stations</b>		
c. Operation expenses (excluding energy costs)	60	63
d. Energy costs	51	38
e. Maintenance expenses	93	47
<b>– Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	302	280
g. Chemical costs	12	13
h. Energy costs	21	18
i. Effluent management	–	2
j. Biosolids management	–	–
k. Maintenance expenses	133	76
<b>– Other</b>		
l. Operation expenses	7	12
m. Maintenance expenses	13	38
<b>3. Depreciation expenses</b>		
a. System assets	538	320
b. Plant and equipment	–	13
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	3	23
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,973</b>	<b>1,645</b>

## Warrumbungle Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	998	954
<b>7. Non-residential charges</b>		
a. Access (including rates)	242	21
b. Usage charges	101	332
<b>8. Trade waste charges</b>		
a. Annual fees	9	8
b. Usage charges	102	54
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
<b>9. Extra charges</b>	—	—
<b>10. Interest income</b>	115	133
<b>11. Other income</b>	10	11
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	—	—
<b>12. Grants</b>		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	29	28
c. Other grants	—	—
<b>13. Contributions</b>		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
<b>14. Total income</b>	<b>1,606</b>	<b>1,541</b>
<b>15. Gain (or loss) on disposal of assets</b>	—	—
<b>16. Operating result</b>	<b>(367)</b>	<b>(104)</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	(367)	(104)

## Warrumbungle Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	12	128
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<b>12</b>	<b>128</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	2,018	2,016
b. Residential (unoccupied, ie. vacant lot)	117	117
c. Non-residential (occupied)	343	339
d. Non-residential (unoccupied, ie. vacant lot)	66	73
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 51,640	\$ 52,755

## Warrumbungle Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	–	30	30
b. Special purpose grants	29	–	29
c. Accrued leave	77	1	78
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,550	–	2,550
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	113	–	113
c. User charges	210	–	210
d. Other	152	1,077	1,229
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	16,653	16,653
b. Plant and equipment	–	1,033	1,033
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>3,131</b>	<b>18,794</b>	<b>21,925</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	–	–	–
<b>34. Borrowings</b>	–	–	–
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	77	1	78
<b>36. Total liabilities</b>	<b>77</b>	<b>1</b>	<b>78</b>
<b>37. NET ASSETS COMMITTED</b>	<b>3,054</b>	<b>18,793</b>	<b>21,847</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			11,704
<b>39. Asset revaluation reserve</b>			10,143
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>21,847</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			32,093
<b>43. Accumulated current cost</b> depreciation of system assets			(15,439)
<b>44. Written down current cost</b> of system assets			<b>16,653</b>



# Warrumbungle Shire Council

## Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

### Administration <sup>(1)</sup>

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Other technical and supervision staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.

**Operational expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

**Impairment losses** (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

## Warrumbungle Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices	–	–	79	210	10,100	14,238	62%	4%	34%	0%	0%
	Council Works Depot	19	129	95	–	2,863	4,779	49%	3%	43%	5%	0%
	Council Public Halls	–	–	268	259	3,897	6,066	54%	0%	46%	0%	0%
	Council Houses	–	–	56	87	2,342	3,244	51%	24%	25%	0%	0%
	Medical Centres	–	–	40	44	2,235	3,002	54%	21%	25%	0%	0%
	Library	–	–	39	–	1,209	1,542	46%	54%	0%	0%	0%
	Recreation and Culture	23	188	185	76	8,545	14,394	50%	2%	46%	2%	0%
	Specialised Buildings	6	42	295	6	5,023	7,828	52%	6%	41%	1%	0%
	Childcare Centres	–	–	26	22	954	1,128	96%	3%	1%	0%	0%
	Amentities/Toilets	13	49	32	–	1,878	2,436	70%	6%	21%	0%	3%
	Emergency Centres	–	–	77	–	5,243	5,864	90%	4%	6%	0%	0%
	Other	–	–	–	85	71	74	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>61</b>	<b>408</b>	<b>1,192</b>	<b>789</b>	<b>44,360</b>	<b>64,595</b>	<b>58.6%</b>	<b>6.4%</b>	<b>34.0%</b>	<b>0.9%</b>	<b>0.1%</b>
Other structures	Other structures	2	67	152	123	11,277	15,715	44%	38%	18%	0%	0%
	<b>Sub-total</b>	<b>2</b>	<b>67</b>	<b>152</b>	<b>123</b>	<b>11,277</b>	<b>15,715</b>	<b>44.0%</b>	<b>38.0%</b>	<b>18.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Roads	Sealed roads	–	2,358	1,629	2,299	146,752	180,886	45%	27%	25%	2%	1%
	Unsealed roads	15	2,755	1,531	1,920	39,299	55,517	51%	20%	19%	10%	0%
	Bridges	–	–	130	90	50,934	54,876	94%	4%	2%	0%	0%
	Footpaths	22	63	119	47	3,848	5,637	34%	38%	27%	1%	0%
	Other road assets	–	–	1	–	289	338	77%	23%	0%	0%	0%
	Bulk earthworks	–	–	–	–	88,457	88,457	100%	0%	0%	0%	0%
	Kerb & Gutter	–	–	95	–	13,019	14,738	98%	2%	0%	0%	0%
	<b>Sub-total</b>	<b>37</b>	<b>5,176</b>	<b>3,505</b>	<b>4,356</b>	<b>342,598</b>	<b>400,449</b>	<b>66.5%</b>	<b>16.1%</b>	<b>14.6%</b>	<b>2.3%</b>	<b>0.5%</b>

## Warrumbungle Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	254	2,722	609	856	36,327	65,411	15%	72%	8%	4%	1%
	<b>Sub-total</b>	<b>254</b>	<b>2,722</b>	<b>609</b>	<b>856</b>	<b>36,327</b>	<b>65,411</b>	<b>15.0%</b>	<b>72.0%</b>	<b>8.0%</b>	<b>4.0%</b>	<b>1.0%</b>
Sewerage network	Sewer Infrastructure	66	2,075	320	414	16,654	32,093	10%	63%	18%	9%	0%
	<b>Sub-total</b>	<b>66</b>	<b>2,075</b>	<b>320</b>	<b>414</b>	<b>16,654</b>	<b>32,093</b>	<b>10.0%</b>	<b>63.0%</b>	<b>18.0%</b>	<b>9.0%</b>	<b>0.0%</b>
Stormwater drainage	Stormwater drainage	–	–	150	320	4,685	8,145	12%	44%	44%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>150</b>	<b>320</b>	<b>4,685</b>	<b>8,145</b>	<b>12.0%</b>	<b>44.0%</b>	<b>44.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	–	–	96	121	2,717	5,898	1%	27%	72%	0%	0%
	Other	–	–	525	724	1,367	1,680	70%	24%	6%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>621</b>	<b>845</b>	<b>4,084</b>	<b>7,578</b>	<b>16.3%</b>	<b>26.3%</b>	<b>57.4%</b>	<b>0.0%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>420</b>	<b>10,448</b>	<b>6,549</b>	<b>7,703</b>	<b>459,985</b>	<b>593,986</b>	<b>54.9%</b>	<b>24.9%</b>	<b>17.2%</b>	<b>2.6%</b>	<b>0.4%</b>

## Notes:

<sup>a</sup> Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required. (renewal within ten years)
4	<b>Poor</b>	Renewal required within four years
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Warrumbungle Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Amounts 2017	Indicator 2017	Benchmark	Prior periods 2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals <sup>(1)</sup>	5,441	64.44%	>= 100%	118.12%	42.19%
Depreciation, amortisation and impairment	8,444				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	420	0.11%	< 2%	0.19%	4.62%
Net carrying amount of infrastructure assets	371,526				
3. Asset maintenance ratio					
Actual asset maintenance	7,703	1.18	> 1	1.01	1.33
Required asset maintenance	6,549				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	10,448	1.76%		0.85%	
Gross replacement cost	593,986				

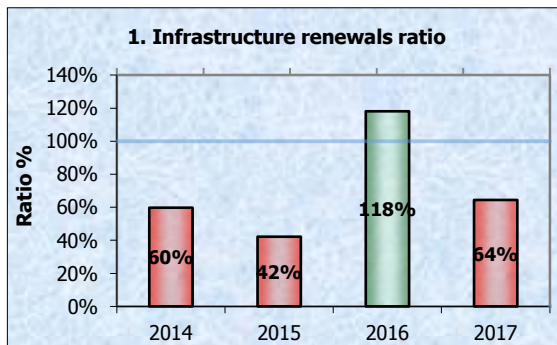
## Notes

\* All asset performance indicators are calculated using the asset classes identified in the previous table.

<sup>(1)</sup> Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

# Warrumbungle Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



Benchmark: ————  $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

### Purpose of asset renewals ratio

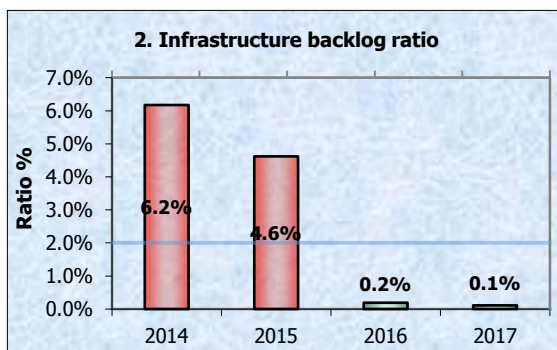
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

### Commentary on 2016/17 result

**2016/17 Ratio 64.44%**

Capital renewals fell far short of initial forecasts yet remained the second best shown. The result was negatively influenced by the revaluation of Water & Sewer which saw an increase in annual depreciation of over \$700k.

Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: ————  $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

### Purpose of infrastructure backlog ratio

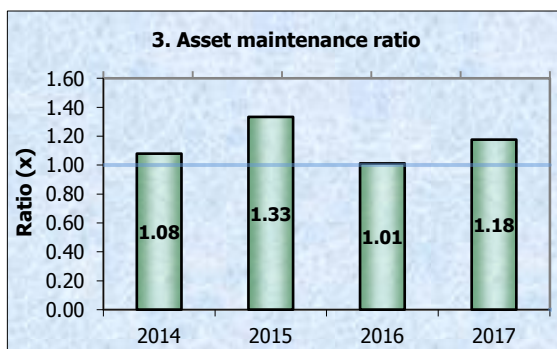
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

### Commentary on 2016/17 result

**2016/17 Ratio 0.11%**

Comparable to last year. The result shows a continued focus on proper identification and rectification of problems with poor infrastructure.

Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: ————  $> 1.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

### Purpose of asset maintenance ratio

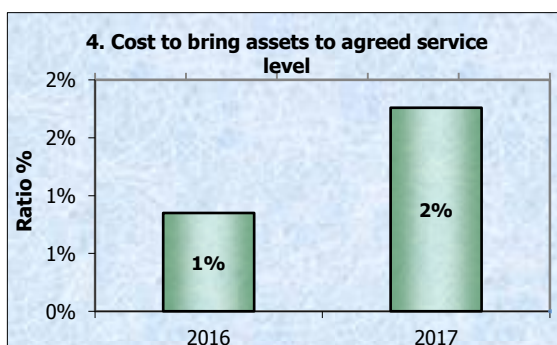
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

### Commentary on 2016/17 result

**2016/17 Ratio 1.18 x**

Whilst it is noteworthy that Council is undertaking more than adequate maintenance this ratio compared to the "Infrastructure Renewals" may indicate that there is an imbalance between renewals and maintenance.

Ratio achieves benchmark  
 Ratio is outside benchmark



### Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

### Commentary on 2016/17 result

**2016/17 Ratio 1.76%**

This jump is almost entirely due to the 2016/17 Water & Sewer Revaluation which saw the recognition of an additional \$5m in assets as well as an update on the condition of the Council's Water and Sewer Infrastructure.

## Warrumbungle Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(2)</sup>	>= 100%	<b>11.56%</b>	<b>38.54%</b>	<b>75.40%</b>
Depreciation, amortisation and impairment	<i>prior period:</i>	22.35%	40.00%	135.23%
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	< 2%	<b>0.70%</b>	<b>0.40%</b>	<b>0.03%</b>
Net carrying amount of infrastructure assets	<i>prior period:</i>	0.08%	1.03%	0.14%
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	> 1	<b>1.41</b>	<b>1.29</b>	<b>1.14</b>
Required asset maintenance	<i>prior period:</i>	1.24	1.03	0.99
<b>4. Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council	> 1	<b>4.16%</b>	<b>6.47%</b>	<b>1.14%</b>
Gross replacement cost				

**Notes**

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

## Warrumbungle Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	7,576	7,631
Plus or minus adjustments <sup>(2)</sup>	b	34	6
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>7,610</b>	<b>7,637</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	137	115
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
<b>Sub-total</b>	<b><math>k = (c + g + h + i + j)</math></b>	<b>7,747</b>	<b>7,752</b>
Plus (or minus) last year's carry forward total	l	(95)	25
Less valuation objections claimed in the previous year	m	(3)	(7)
<b>Sub-total</b>	<b><math>n = (l + m)</math></b>	<b>(98)</b>	<b>18</b>
<b>Total permissible income</b>	<b><math>o = k + n</math></b>	<b>7,649</b>	<b>7,769</b>
Less notional general income yield	p	7,631	7,766
<b>Catch-up or (excess) result</b>	<b><math>q = o - p</math></b>	<b>18</b>	<b>3</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	7	—
Less unused catch-up <sup>(5)</sup>	s	—	—
<b>Carry forward to next year</b>	<b><math>t = q + r - s</math></b>	<b>25</b>	<b>3</b>

## Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



## Warrumbungle Shire Council

### Special Schedule 8 – Independent Auditors Report for the year ended 30 June 2018

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#### **Report on Special Schedule 8**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule 8) of Warrumbungle Shire Council for the year ending 30 June 2018.

#### **Responsibility of Council for Special Schedule 8**

The Council is responsible for the preparation and fair presentation of Special Schedule 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule 8 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.

#### **Auditors' responsibility**

Our responsibility is to express an opinion on Special Schedule 8 based on our audit. 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 Special Schedule 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule 8 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 entity's internal control.

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, Special Schedule 8 of Warrumbungle Shire Council for 2017/18 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

**Basis of accounting**

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

FIRM NAME

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Partner Name here...

**Partner**

**Dated at Sydney this XXth day of XXXXXXXX, 2017**