



# 2018/19 Annual Report

# MAYOR'S MESSAGE



At the mayoral election in September 2018 it was an honour to be elected by my fellow Councillors to lead Warrumbungle Shire Council as Mayor, together with Councillor Aniello Iannuzzi as Deputy Mayor. I would like to thank my fellow Councillors for their constructive leadership of Warrumbungle Shire Council. I commend Councillors and Council staff on their focus on achieving the best possible outcomes for our area.

One of the major highlights of the year was the commencement of works on the Inland Rail project. The Inland Rail is a significant investment into regional Australia, linking Melbourne to Brisbane through the agricultural areas of Victoria, New South Wales and Queensland. The route passes through the northern end of the Warrumbungle local government area and has the potential to generate long lasting opportunities for the region. In the short term, construction works could have a positive impact for local businesses. Looking to the future, the access to the rail line gives producers a local option for transporting grain and other goods.

Pursuing opportunities to capitalise on the Shire's potential as a location for production of renewable energy is an issue that Council has acted on. During the year a voluntary planning agreement was entered into with the developers of a wind farm proposal. The wind farm is now progressing.

Our Shire has been facing a devastating drought, which continued unabated throughout 2018/19. The impact of the drought is felt by our farmers, businesses, residents and the wider region. Council has taken a leading role in engaging with the NSW Government to provide greater water security for residents and is a strong advocate for adequate resourcing in rural and regional areas.

Our Warrumbungle area is well known for its stunning natural resources, from Coolah Tops in the south to the Warrumbungles in the north and our renowned night skies. We are well-placed regionally to receive the benefits of travellers between Melbourne and Brisbane and to access larger regional centres. At our heart is the communities that make the Warrumbungle area home. We are people who come together during hard times; who value family, friends, a great chat and looking out for each other; who support the local area and who love a good day out at the races or a night at a local ball. Through good times and bad, our communities continue to shine and I look forward to leading Council for the remainder of this term until the local government elections in September 2020.

**DENIS TODD**  
**MAYOR**

# GENERAL MANAGER'S MESSAGE



2018/19 has been a year of both achievements and challenges for Warrumbungle Shire Council. Major investments have been made in the Warrumbungle communities through Council's capital works program, however the year has been dominated by the impacts of drought.

A number of major projects have been delivered in 2018/19. With the generous support of the NSW Government, over \$2 million has been invested into water projects. In Coonabarabran, where the town was facing a water shortage crisis with capacity at Timor Dam rapidly dropping, a series of

new bores has provided vastly increased water security. Water supplies in Binnaway, Coolah and Mendooran have been improved with completion of back up bores at each of those towns. Emergency works were undertaken to upgrade the water treatment plant at Mendooran.

The NSW and Federal Governments have made available a number of grant funding opportunities. In particular, Council was successful in obtaining over \$2.5 million in 2018/19 for projects across the local government area through the Stronger Country Communities Fund and the Drought Communities Programme - Extension.

The NSW Government's Stronger Country Communities Fund projects completed this year were refurbishment of the Coonabarabran Sport and Recreation Centre, installation of multipurpose courts at Coonabarabran Sporting Complex, and upgrade of lighting at Coolah's Bowen Oval.

Under the Federal Government's Drought Communities Programme Council was to demonstrate benefits to drought affected communities, for example by using local suppliers and contractors or by providing long lasting community infrastructure. The Warrumbungle Shire delivered banners and banner poles to five towns, fencing at the Baradine and Coonabarabran aerodromes, a new bore at the Coonabarabran Showground, swimming pool upgrades at Binnaway and Dunedoo, campground upgrades at Binnaway, and an employment and infrastructure programme rolled out across the local government area.

It has been a privilege to work in partnership with the Mayor, Councillors, the Executive Leadership Team and staff of the Warrumbungle Shire. I am pleased to present the 2018/19 Annual Report.

**ROGER BAILEY**  
**GENERAL MANAGER**

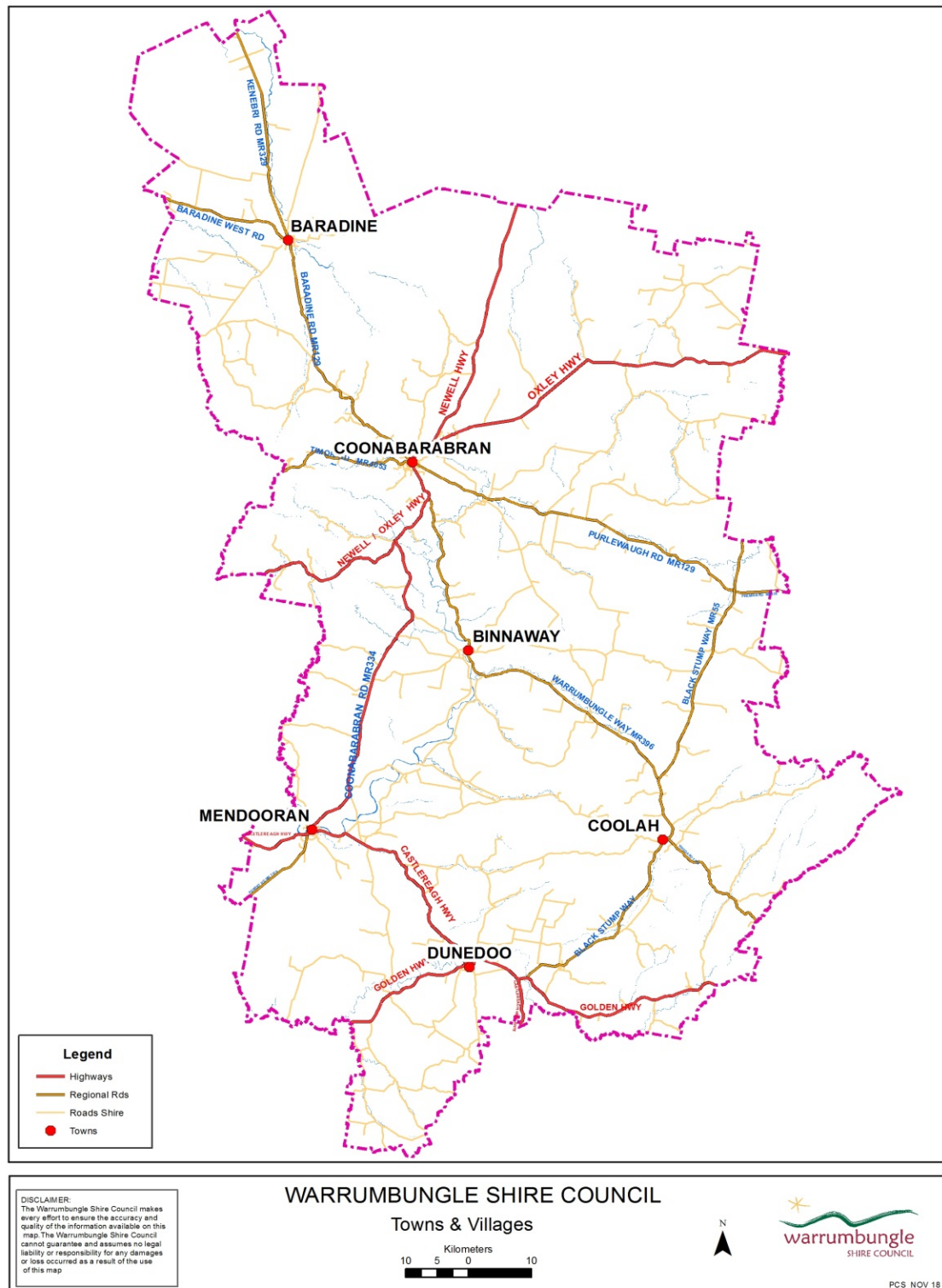
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# OUR COMMUNITY

The Warrumbungle Shire local government area is positioned mid-way between Brisbane and Melbourne on the Newell Highway. Taking in the towns of Baradine, Binnaway, Coolah, Coonabarabran, Dunedoo and Mendooran, our local government area is shown below.



# COMMUNITY SNAPSHOT



**9,348**

**TOTAL POPULATION**

Baradine 593  
Binnaway 425  
Coolah 798  
Coonabarabran 2,537  
Dunedoo 1,215  
Mendooran 302

**0.43% pa**

**AVERAGE  
POPULATION DECLINE**

**917**

**ABORIGINAL AND TORRES STRAIT  
ISLANDER POPULATION**

**49**

**MEDIAN AGE**  
Median age NSW 38  
Median age Australia 37



**55.7%**

**EMPLOYED FULL TIME**

**30.6%**

**EMPLOYED PART TIME**

**7.9%**

**UNEMPLOYMENT RATE**  
Average unemployment NSW 6.3%  
Average unemployment Australia 6.9%



**\$479**

**MEDIAN WEEKLY INCOME**  
Average weekly income NSW \$664  
Average weekly income Australia \$662

**6,600**

**RATED PROPERTIES**  
2,627 designated farmland or rural

**Top industries for employment are Agriculture, Government Administration, Health Care, and Education and Training**

Population, employment and income data sourced from 2016 Census data.

# COUNCILLORS



Denis Todd  
Mayor



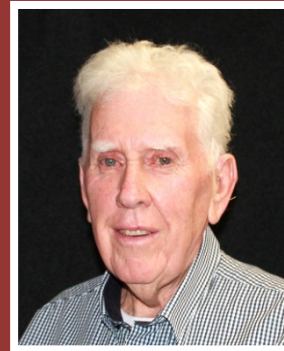
Aniello Iannuzzi  
Deputy Mayor



Kodi Brady



Anne-Louise Capel



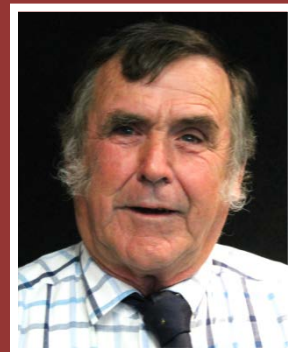
Fred Clancy



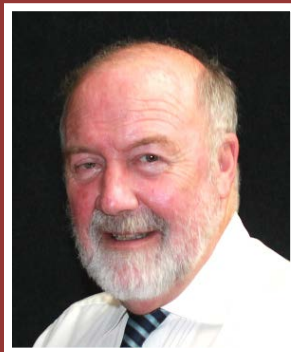
Ambrose Doolan



Wendy Hill



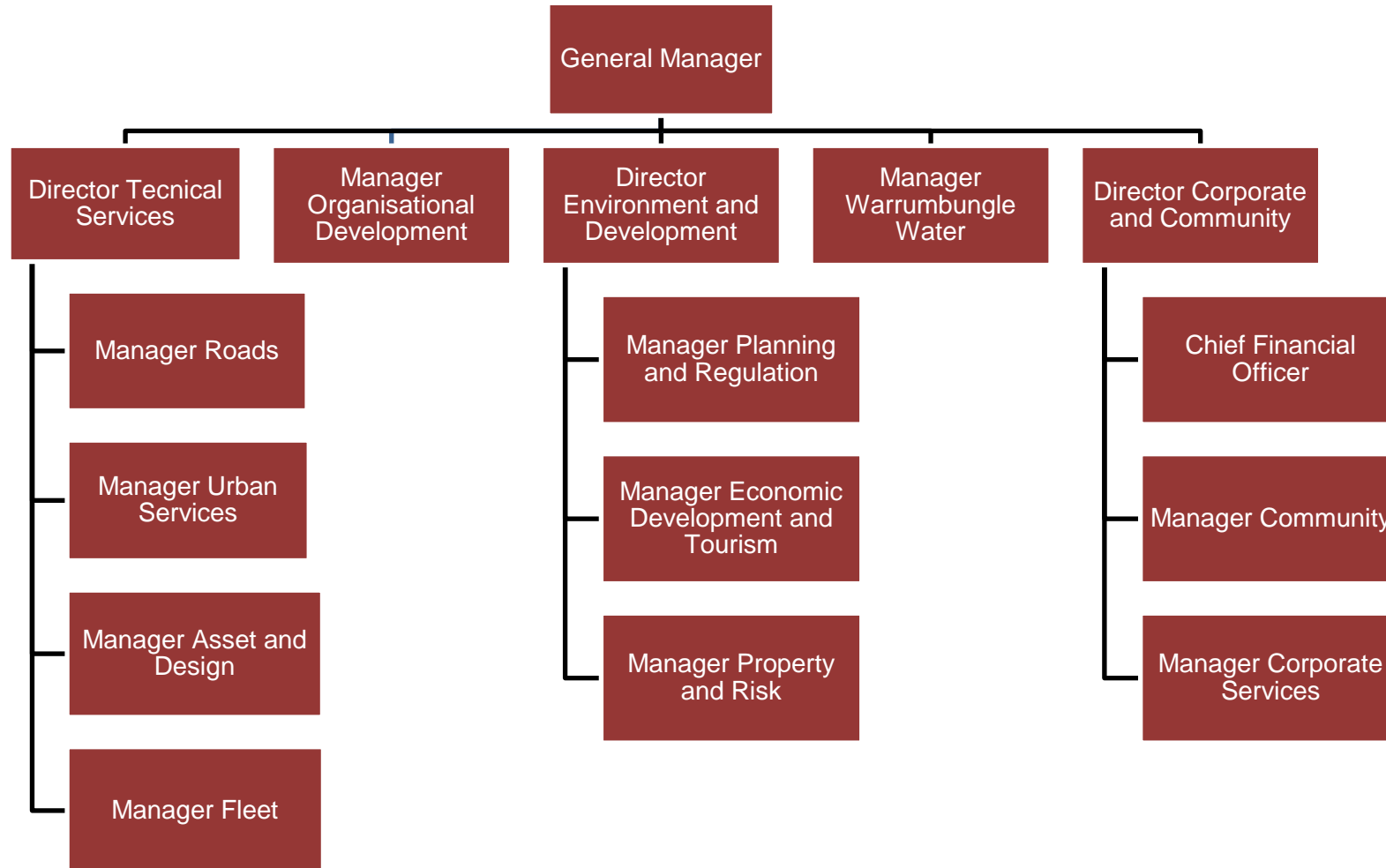
Ray Lewis



Peter Shinton

# ORGANISATION

Warrumbungle Shire Council is managed by a General Manager with three Directorates. Council's organisation structure is shown below.





# VISION, MISSION AND VALUES

## **Vision**

Excellence in Local Government

## **Mission**

Council will provide

- Quality, cost effective services that will enhance our community's lifestyle, environment, opportunity and prosperity;
- Infrastructure and services which meet the social and economic needs and aspirations of the community now and in the future;
- Effective leadership and good governance, by encouraging teamwork, through a dedicated responsible well trained workforce.

## **Values**

### **✓ Honesty**

Frank and open discussion, taking responsibility for our actions

### **✓ Integrity**

Behaving in accordance with our values

### **✓ Fairness**

Consideration of the facts and a commitment to two way communication

### **✓ Compassion**

Working for the benefit and care of our community and the natural environment

### **✓ Respect**

To ourselves, colleagues, the organisation and the community listening actively and responding truthfully

### **✓ Transparency**

Open and honest interactions with each other and our community

### **✓ Passion**

Achievement of activities with energy, enthusiasm and pride

### **✓ Trust**

Striving to be dependable, reliable and delivering outcomes in a spirit of goodwill

### **✓ Opportunity**

To be an enviable workplace creating pathways for staff development

# GUIDING PRINCIPLES

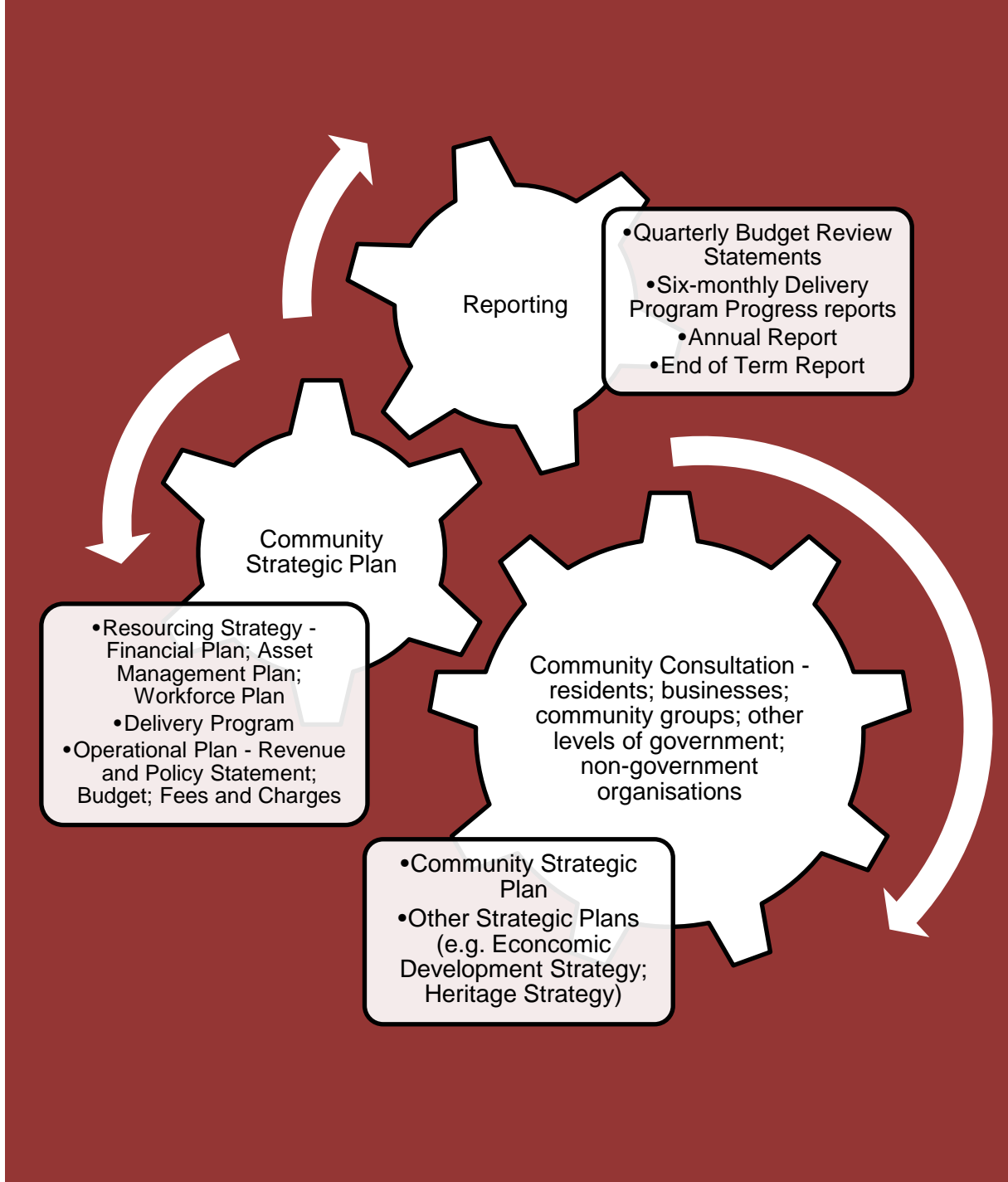
Council is guided by section 8 of the *Local Government Act 1993* (NSW), which contains a set of principles to provide guidance to enable councils to carry out their functions in a way that facilitates local communities that are strong, healthy and prosperous.

*Local Government Act 1993*, section 8A 'Guiding principles for councils':

- (1) Exercise of functions generally. The following general principles apply to the exercise of functions by councils:
  - (i) Councils should provide strong and effective representation, leadership, planning and decision-making.
  - (ii) Councils should carry out functions in a way that provides the best possible value for residents and ratepayers.
  - (iii) Councils should plan strategically, using the integrated planning and reporting framework, for the provision of effective and efficient services and regulation to meet the diverse needs of the local community.
  - (iv) Councils should apply the integrated planning and reporting framework in carrying out functions so as to achieve desired outcomes and continuous improvements.
  - (v) Councils should work cooperatively with other councils and the State government to achieve desired outcomes for the local community.
  - (vi) Councils should manage lands and other assets so that current and future local community needs can be met in an affordable way.
  - (vii) Councils should work with others to secure appropriate services for local community needs.
  - (viii) Councils should act fairly, ethically and without bias in the interests of the local community.
  - (ix) Councils should be responsible employers and provide a consultative and supporting working environment for staff.
- (2) Decision-making. The following principles apply to decision-making by councils (subject to any other applicable law):
  - (a) Councils should recognise diverse local community needs and interests.
  - (b) Councils should consider social justice principles.
  - (c) Councils should consider the long term and cumulative effects of actions on future generations.
  - (d) Councils should consider the principles of ecologically sustainable development.
  - (e) Council decision-making should be transparent and decision-makers are to be accountable for decisions and omissions.
- (3) Community participation. Councils should actively engage with their local communities through the use of the integrated planning and reporting framework and other measures.

# INTEGRATED PLANNING AND REPORTING FRAMEWORK

All councils in NSW are required to operate within the Integrated Planning and Reporting (IP&R) Framework. This framework aims to facilitate a strong and sustainable local government system by ensuring all councils have in place strategic plans, underpinned by community priorities and supported by appropriate resources. Warrumbungle Shire Council's IP&R is illustrated below.



# COMMUNITY PRIORITIES

The Warrumbungle Shire Community Strategic Plan 2017-2032 (the Plan) was developed following community engagement. The Plan's vision describes the importance of our sense of community spirit, our children and our homes. The community's plan for the future will support the growth, resilience and health of our people, our neighbourhoods, the environment and local economy.

The Plan identifies seven key areas of interest to the community's needs and aspirations:

**1 Natural Environment** We value our pristine, healthy, natural environment with clean water resources and diverse flora and fauna. We enjoy the close proximity to National Parks and large areas of forest and bushland. We love that we are surrounded by wide open spaces and spectacular mountain landscapes. We enjoy the peace and quiet, our temperate climate with four distinct season, the fresh, unpolluted air and clear night skies.

**Goal: the good health of our natural environment and biodiversity is preserved and enhanced.**

**2 Local Economy** Our solid local tourism industry is based on local attractions including three National Parks, Siding Spring Observatory and a range of tailored facilities and amenities. The contribution of our diverse agricultural industry is highly valued, made possible by good climate and rainfall, productive soils, clean water supplies and ready access to markets.

We benefit from good transport links within the Shire and to external markets and customers and from an abundance of natural resources which provide our Shire with opportunities for local economic growth. We have diverse local employment and business opportunities and we have access to a wide range of trades, services and businesses that are locally owned and operated, providing personalised customer service.

**Goal: our economy is strong and sustainable, providing our communities with localised employment opportunities and ease of access to markets, goods and services.**



*Wellington Street, Baradine*



**3 Community and Culture** Our communities are strong, resilient and inclusive and provide support and assistance to those in need. Local volunteers contribute greatly to our community wellbeing and we enjoy the freedoms that are afforded through our safe, friendly and caring community. Our Shire is a great place to raise a family and we value the contributions and participation of our younger people who are provided opportunities to support their development. Relationships between our indigenous and non-indigenous communities are harmonious and respectful and our diverse community is reflected through a wide range of arts and cultural activities, festivals and events.

**Goal: the communities of our Shire are safe, harmonious and supportive and are bound by vibrant social and cultural interaction and a strong local identity.**

**4 Rural and Urban Development** Our Shire is centrally located in NSW, within close proximity to regional centres and cities and we offer a range of affordable housing options. We enjoy a relaxed pace of life with low traffic volumes, no overcrowding and our urban centres are enhanced by the surrounding rural landscape and atmosphere. Our local history and heritage is visible in our towns and villages which are clean, tidy and well-presented.

**Goal: our Shire is characterised by its peaceful rural landscape, its thriving towns and villages and diverse agricultural activities.**

**5 Recreation and Open Space** People within the Shire have opportunities to participate in a diverse range of locally based sports catering for people of all ages, activity levels and interests. Our rural setting provides children with opportunities to play in and explore their natural environment and our communities have easy access to a wide range of active and passive recreational pursuits through close proximity to National Parks and other open spaces. Organised sporting and recreational activities within the Shire are coordinated by an array of active clubs and volunteer organisations and Council provides communities across the Shire with well-maintained sporting facilities, parks and gardens.

**Goal: the communities of our Shire have abundant opportunities to participate in sporting and recreational interests of their choice.**



*School of Arts building, Coolah*

**6 Public Infrastructure and Services** We have a range of essential local services and facilities supporting the health, medical and aged care needs of our communities and we benefit from the local presence of State and Federal agencies and non-government organisations that provide a range of essential services. Local children and young people benefit from provision of high quality educational services and facilities. We have an array of public infrastructure, such as parks, libraries, community halls, swimming pools, sporting facilities and tourism amenities that are important for the prosperity and well-being of our communities.

Our towns benefit from the secure supply of potable water and our villages and rural areas have access to water from rainfall, rivers and artesian systems. Our Shire accommodates major road transport links that are of national importance for the movement of people and freight and Council maintains three aerodromes and an extensive network of roads and bridges that provide connections within the Shire and to other regional centres. We are also supported by volunteer emergency services that are critical in providing immediate accident and disaster response.

**Goal: our communities are provided with safe, functional, and well-maintained infrastructure and a comprehensive range of services.**



*Recycling centre, Coolah*



*Warrumbungles Way, Coolah*

**7 Local Governance and Finance** Our councillors represent the communities of the Shire well and work effectively together, taking their responsibilities as elected officials seriously. Council provides an appropriate range of services and facilities that are responsive to community needs and Council bases its activities and decision-making on principles of openness, transparency and accountability. Council maintains a visible presence across the Shire through decentralised offices, services and depot facilities.

Council is the major employer within the Shire, providing a wide range of local training and employment opportunities and Council's staff members are friendly and approachable and are an integral part of the communities of the Shire. Council is proactive in providing financial, staff and other resources to develop programs and services that support the well-being of its communities.

**Goal: Warrumbungle Shire Council is recognised for its strong community leadership, sound financial and asset management, and ethical, accountable and responsive local government.**

# COUNCIL HIGHLIGHTS

Warrumbungle Shire Council's implementation of its Delivery Program through the 2018/19 Operational Plan included the following highlights.

## NATURAL ENVIRONMENT

### Compliance Services

- *Provide education and regulation relating to the keeping of companion animals*  
Media releases have been issued in accordance with changes to the *Companion Animals Act 1998*.
- *Respond to nuisance complaints relating to the keeping of animals within urban areas*  
Rangers respond to nuisance complaints when they are reported as well as regularly patrol for roaming dogs. Correspondence and Penalty Infringement Notices are issued on an as-needed basis.
- *Respond to complaints regarding overgrown private land in urban areas*  
Rangers respond to complaints regarding overgrown private land in urban areas and issue correspondence and notices when needed.
- *Maintain alcohol free zones throughout the urban areas of the Shire.* Alcohol Free Zones have been re-established for a further four years throughout the main street areas of all towns in the Shire.
- *Ensure tourist/visitor accommodation swimming pool barriers are compliant with legislation.*  
Inspections undertaken to ensure compliance
- *Ensure swimming pool barrier compliance certificate are issued for houses that are leased or sold as per legislation.*  
Swimming pool inspections are performed by rangers upon request and compliance certificates issued for complying barrier fences.
- *Ensure all private swimming pools meet the requirements of pool safety legislation.*  
Swimming pool inspections are performed by rangers upon request and compliance certificates issued for complying barrier fences.
- *Ensure roadways are kept free of unauthorised stock.*  
Rangers patrol and respond to complaints regarding stock on roads. Warnings and Penalty Infringement Notices are regularly issued to prevent further instances of stock on roads.

### Noxious Weeds

Council continued its membership with the Castlereagh Macquarie County Council which is a local government authority for noxious weed control within the Shire.

### Environmental Health Services

- *Implement actions for the strategic plan of the Central West Councils Salinity and Water Quality Alliance.*  
Implementations of actions from the strategic plan have been undertaken.
- *Ensure that Council's State of the Environment Reporting is delivered.*  
Council participated in the State of the Environment Report this year.
- Assist other branches within Council to achieve best practice environmental outcomes.
- Undertake food premises inspection in accordance with partnership arrangement with NSW Food Authority.
- *Promptly respond and take appropriate action to incidents likely to cause harm to the environment.*

Any complaints or reports on environmental incidents are dealt with in a timely manner and in accordance with the relevant legislative requirements.

- *Carry out annual inspections of all high risk On-site Sewerage Management Systems.*

Annual inspection program is currently being drafted to ensure all high risk OSSMS are inspected annually.

- *Ensure installation of OSSMS comply with relevant standards.*

All new OSSMS require Council approval prior to the installation and operation. Assessments are undertaken to ensure that the system complies with standards.

- *Ensure all approvals are processed in a reasonable time period and in accordance with legislation and best practice procedures.*

All applications for approvals are assessed once application and relevant information is received by the EHO.

- *Educate and regulate the local food service and processing industry in accordance with Council's MOU with the Food Safety Authority.*

Food shop inspections are undertaken each year to ensure that compliance with the Food Safety Authority. Food Supervisor training provided through TAFE for food supervisors.

## LOCAL ECONOMY

### Governance

Developing strategic relationships with other levels of government is a Council objective in an effort to ensure that the Shire receives an equitable allocation of resources. Relationships with all levels of government have continued to be developed and maintained. Council is proactive in communication with various State and Federal Ministers and Members of Parliament, as well as with other councils. In January 2018 the NSW Premier visited the Shire to engage with Councillors and the General Manager about the impact of the ongoing drought, and the NSW Government has funded a total of \$1,717,500 for emergency water supply works. Other Ministers and Members of Parliament have visited the area in relation to the drought and also to attend events such as official openings. Council regularly cooperates with other councils and is a member of the Orana Joint Organisation of Councils.

A voluntary planning agreement with wind farm developers was successfully negotiated and entered into in conjunction with the neighbouring Liverpool Plains Shire Council. This agreement was identified in the Delivery Program as an important objective, meeting Council's commitment to identify and pursue opportunities that realise the Shire's potential as a location for the production of renewable energies.

The community has expressed that an important function of Council is to encourage and support local business and industry in creating local employment, and to advocate for long-term creation and retention of high quality services. Council is active in advocacy of local business and industry. In particular, Council has been involved with the Inland Rail project, which will pass through the northern end of the Shire. Support is also given to small business through engagement with the NSW Government Small Business Commissioner, hosting small business workshops and other events like the touring Small Business Bus, and meeting with various industry representatives.

### Private Works

Council staff possess a range of skills and are able to offer services to customers on a commercial basis. These services or private works are undertaken on an agreed fee for service basis and in accordance with rates published in the Fees and Charges section of the operational plan. The types of private works undertaken by staff include roadworks, slashing, mowing, and minor concrete works.



## **Tourism and Economic Development**

- *Distribution of tourism information.*  
Actively and regularly disseminate tourism information through different channels throughout the region.
- Maintenance of an effective visitor information service.
- *Provision of Visitor Information Centre support to outlying communities.*  
Offering continuous visitor information centre support to outlying communities and satellite towns.
- *Provision of a comprehensive range of retail products that are competitively priced to return appropriate profit.*  
Provide a comprehensive and unique range of souvenir retail products at the Visitor Information Centre (VIC) at competitive prices resulting in a 9% increase to last financial year
- *Recording and analysis of statistics on tourism to the Shire Support of the Tourism and Economic Development Advisory Committee.*  
Register and record visitor statistics throughout the region
- Effectively support and action the Tourism and Economic Development Advisory Committee.
- *Well presented building and grounds, meeting WH&S standards.* VIC is maintained by the Urban Services Department on a routine maintenance program. Plans in place to upgrade the Business Information Sign at the VIC in the 2019/20 financial year.

## **Tourism and Economic Promotion**

- *Implementation of a cost effective tourism and marketing campaign aligned to market research.*  
Implementation of a cost effective economic development and tourism strategy.
- *Encourage key organisations to facilitate community economic development.*  
Constantly encouraging key organisations to facilitate community economic development within the region.
- *Submission of bids for hosting conferences and special events.*  
Establishment of a network of government and business agencies to facilitate business development.
- *Promote business needs to stakeholders and council.*  
Advocate for small business needs and support. Workshops held throughout the Shire for small businesses.
- Actively promote the development and investment in Council owned land.
- Review and revise implementation of marketing strategies in partnership with the Tourism and Economic Development (TED) Committee.

## **Warrumbungle Quarry**

Council operates the hard rock quarry near Coonabarabran under a lease agreement with Boral. The quarry produces aggregates for road sealing and local concrete production. The quarry is an important supplier of manufactured sand for the local building industry and the quarry is also a supplier of road base for road pavement construction. The future of the quarry is uncertain as there was an operating loss of just under \$0.4m in 2018/19. Also, Council has not been successful in negotiating a purchase price from Boral for the quarry.

## **COMMUNITY AND CULTURE**

### **Castlereagh Family Day Care**

Castlereagh Family Day Care currently has a voluntary suspension service approval in accordance with the Children (Education and Care Services) National Law, in the exercise of power delegated by the Secretary, Department of Education.

The suspension takes effect on 29 March 2019 and expires on 27 March 2020. While the voluntary suspension is in effect, education and care must not be provided under service approval SE-00006895. Educators and families are being serviced by Gunnedah Family Day Care.

### **Community Care**

Warrumbungle Community Care (WCC) provides a range of services across the Shire to assist the frail aged, people with a disability, and carers. Services include Community Transport, Meals on Wheels, Respite, Social Support and Home Maintenance. WCC is now an Approved Home Care Package provider, and Registered Authorised NDIS provider. These services support people to continue to live independently in their own homes. WCC provides services to almost 800 clients across the Shire. These services are provided by our dedicated team of six (6) staff and a team around 185 volunteers.

In 2018/19 financial year Warrumbungle Community Care provided the following services:

- 13,503 outputs for Meals on Wheels
- 8,953 hours of Social Support
- 2,032 hours of Home Maintenance
- 362 hours of Respite
- 10,302 Community Transport trips
- 14,229 Taxi Vouchers

### **Community Development**

The role of Community Development Coordinator(s) includes seeking funding on behalf of their Development Group and/or Progress Association and other Community Groups, providing support to locally based community groups and organisations to coordinate and promote local events, and to provide a point of contact for Council in local towns.

In 2018/19 the Community Development Coordinators once again had a highly successful year with a large amount of funding being sourced for programs, activities and infrastructure in our local towns. A highlight of the program is the support provided to other groups in the local communities to help them to source funds.

### **Connect Five Children's Service**

Connect Five Children's Services is externally funded by the NSW Department of Education and Communities. Connect Five Children's Services provides play sessions to families with children not yet attending school in nine (9) communities across three (3) Shires – Warrumbungle, Coonamble and Gilgandra.

In 2018/19 Connect Five Children's Services provided 176 Play Sessions at nine (9) different venues. Attendances for 2018/19 were 1,864.

As well providing Play Sessions, Connect Five Children's Services is also a Licensed Service and that provides Occasional Care for those who wish to attend an appointment, school, shopping or something else. Some parents also wish to give their child the opportunity to experience a childcare setting on their own for a short period in preparation for starting pre-school. Although this is a very small part of the Service it is greatly valued by those who use it, particularly in places where there is no childcare service.

The other, very popular, part of the Service is the Mobile Toy Library. The Mobile Toy Library provides toys and equipment for enhancing children's learning and development and may be borrowed at a Play Session or from the Office in Coonabarabran. Other agencies working with young children may also borrow from the Connect Five Children's Services Toy Library.

This is an essential service for isolated and disadvantaged families. We have had over 370 toys borrowed from this service.

Connect Five works with other agencies to support families with visits to play sessions from professionals such as nurses and occupational therapists.

In addition to the core services, Connect Five Children's Services also supports the Mobile Pre-school class run by Yuluwirri Kids. In 2018/19 Monkey Room continued to be run under the Connect Five Children's Services Licence with attendance levels of over 97%.

### **Libraries**

Macquarie Regional Library provides library services in Warrumbungle Shire. Library services are provided in each of our local towns – Coonabarabran, Coolah and Dunedoo and a point of library service at Baradine, Binnaway and Mendooran. The net cost of service position is in the order of \$700,000 per year.

In 2018/19 user numbers for Warrumbungle Shire were again strong. Warrumbungle Shire Council libraries recorded strong numbers in relation to:

- Number of registered users (4,832)
- Proportion of the population who are registered users
- Numbers of items issues (35,078)
- Number of reference/subject enquiries
- Number of items catalogued
- Number of hours the internet is used
- Wi-Fi hotspot log ins
- Online database access

In addition to regular borrowing and utilisation of the internet and other library facilities, local libraries offer a number of other activities in our local communities. In 2018/19 these once again included:

- Maintenance of a service for housebound members and members who are in aged care facilities.
- Involvement in celebration weeks such as National Youth Week, Law Week, Library and Information Week and NAIDOC Week.
- Promotion of events and activities in local towns.
- School Holidays Programs and activities.
- Engagement with local schools, childcare and other children's services – including story time and homework sessions.
- Regular reading and craft sessions with disabled members.
- Hosting meetings of local groups including local book clubs, craft groups and gardening groups.
- Hosting information sessions and other activities for people of all ages.
- Erection of information displays for events including ANZAC Day.



*Coonabarabran Library*

## Public Halls

- *Manage community expectations and access to the halls.*  
Halls throughout the Shire are available for hire. A number of halls within the Shire have undergone upgrades in the past year.
- *Organisation of grant and other funding for updating fixtures and fittings.*  
Grants obtained for a number of upgrades to the halls including a new stage, blinds, fixing of drainage issues, new floor covering and new amenities block.
- *Effective management of public halls.*  
Management of the public halls undertaken through the maintenance and hiring of the halls for local community events.
- *Effective maintenance of public halls.*  
Routine maintenance and upgrades on halls undertaken throughout the year to ensure that halls meet the requirements of the community.
- *Maximising returns on public halls through promotion and advertising.*  
Halls throughout the Shire hired out for various events throughout the year.

## Youth Services

The Youth Services activities in 2018/19 consisted of:

- Youth Development Program and the Transition to Targeted Earlier Intervention (or Community Hub Program)
- National Youth Week
- Living Well Together Project
- Youth Strategy Plan, and
- Support for other service providers.

The Youth Development Program continued to actively engage and empower the youth of our Shire through a variety of programs, activities and initiatives under the Department of Justice and Communities Community Builders Program, (previously Department of Family and Community Services). In addition, it was a period of transition, research and the early stages of implementation of the Targeted Earlier Intervention (TEI) Program to replace the Youth Development Program. This TEI Program is directed at improving connections across the Shire and through a variety of service providers utilising Community Hub structures, such as the one so far set up operating out of Dunedoo on a fortnightly basis.

The Living Well Together Project in Baradine which supported and upskilled local young people finalised in December 2018. Over the 2 year period the Project organised 28 activities and 14 Skills Training Programs for a total of 1,010 participants, of which 15 local young people attained their Driver's Licence and 16 gained employment directly linked to the training programs provided.

2018 National Youth Week provided the opportunity to celebrate young people's contribution to our Shire with 680 young people participating in 12 activities across the Shire.

Strong partnerships and collaborations continued through the ongoing support of local agencies, organisations, schools and community groups ensuring seventy one (71) community events and activities were provided across the Shire for 1800 young people. Some examples include activities out of Coonabarabran Sport and Recreation Centre, High School related programs, Student Traineeships and School Holiday Programs such as Vacation Care.

Council is also endeavouring to undertake the development of a Youth Strategy Plan and has sought grant funding to complete this process so far without success.



## RURAL AND URBAN DEVELOPMENT

### Building Control

- Ensure all Part 4A certificates are processed in a reasonable time period and in accordance with legislation and best practice procedures.
- *Ensure all building certificate are accurate and processed efficiently.*  
Building certificates are issued once application and all relevant information received and onsite inspection undertaken by the Building Certifier to ensure compliance with legislative requirements.
- Ensure processes and procedures meet best practice standards for building surveying.

### Horticulture

Council owns and maintains 19 park areas throughout the Shire and there are eight (8) sets of playground equipment. Some of the maintenance activities in these areas include: grass cutting; watering; weeding; tree pruning; amenities cleaning and maintenance; monitoring and maintenance of playground equipment; and general horticultural tasks associated with numerous garden beds.

The annual cost of parks and gardens maintenance activities in 2018/19 was \$0.24m. Playground soft fall was replaced in Milling Park and Len Guy Park. A swing set was replaced in Milling Park and the irrigation system in Mendooran Park was connected to town water. Funding received under NSW Government's Stronger Country Communities Fund enabled installation of shade over the skate park in Coonabarabran. Funding under the Australian Government's Drought Communities Programme - Extension enabled replacement of a roof structure in Neilson Park and installation of two picnic shelters.



*Trees in John Street, Coonabarabran*



*Coonabarabran Skate Park*

### Street Cleaning

Council owns and operates a street sweeper that sweeps gutters in each of the six towns within the Shire. Working on a three week schedule, gutters are swept in accordance with the following schedule: Coonabarabran 3 days a week; 0.5 days per week in Coolah and Dunedoo; and 0.3 days per week in Baradine, Binnaway and Mendooran. The cost of street cleaning in 2018/19 was \$0.27m.

### Public Amenities

There are twelve (12) public toilets throughout the Shire that are owned and maintained by Council. The toilets generally opened at dawn and closed at dusk, however there are some toilets that are opened 24 hours 7 days a week. The toilets are cleaned at various times during the week, at total of 70 times each week. The cost to clean and maintain these amenities in 2018/19 was \$0.29m.

### **Town Streets**

There are six urban areas in the Warrumbungle Shire Local Government Area, the larger centres of: Coonabarabran, Coolah and Dunedoo and the smaller centres of Baradine, Binnaway and Mendooran. Within these areas there is a total of 139km of roads. Some of the maintenance activities carried out by Council for these roads include emptying of street bins, street garden and tree maintenance, stormwater infrastructure maintenance and cleaning, and road and footpath maintenance. The total cost of these maintenance activities in 2018/19 was \$0.74m.

Some of the projects undertaken on town streets during 2018/19 include new street lights in Coolah and Baradine, new kerb and guttering in two streets in Binnaway, construction of new concrete shared paths in Coolah and Mendooran, renewal of kerb and guttering in Coonabarabran, and construction of stormwater drainage pipe in Belar Street Coonabarabran. There was approximately 4.2km of bitumen resealing undertaken at a cost of \$0.19m.



*Renshaw Street, Binnaway*

### **Village Streets**

Mowing, maintenance grading and tree maintenance was undertaken in the streets of villages across the Shire including Kenebri, Bugaldie, Ulamambri, Merrygoen, Neilrex, Uarbry and Leadville.

## **RECREATION AND OPEN SPACE**

### **Ovals and other Sporting Facilities**

There is a range of sporting and recreational facilities, other than pools, that are owned by Council. Not all of these facilities are operated by Council. Across the Shire there is an oval complex in each town and there are tennis courts in Coonabarabran, Binnaway, Baradine, Mendooran and Coolah. The predominant maintenance activities at oval include irrigation, mowing, line marking and cleaning up after football events. The annual cost of maintenance and operations during 2018/19 was \$0.48m.





*McMaster Park, Coolah*



*Dunedoo Pool*

## **Pools**

Council owns and operates a public pool complex in each of the six towns within the Shire. The 2018/19 season was a particularly challenging due to a shortage of Lifeguards which meant that some pools were closed in February and March. There were 51,000 visits to pools across the Shire and this number is similar patronage numbers in recent years. The nett operating cost of the pools was \$0.5m.

With the aim of increasing opening times and availability of the pools to users, a new timetable was trialled in Baradine, Binnaway and Mendooran. Council adopted the revised timetable for the 2019/20 season which will see availability of all pools combined increase by more than 4000 hours each year.

All of the pools except for Coolah and Mendooran are over 50 years old and they are experiencing chronic maintenance issues particularly in relation to pumps, filter equipment and water leakage. Renewal works during the year included replacement of chemical dosing equipment at Mendooran, replacement of filter media at Coolah, replacement of several pumps and replacement of a shade structure at Dunedoo. A new shade structure was installed at Baradine pool and pipework installed to redirect back wash water to sewer in Coolah. The Australian Government's Drought Communities Program - Extension funded the installation of solar water heating equipment at Binnaway and Dunedoo.

## **PUBLIC INFRASTRUCTURE AND SERVICES**

### **Aerodromes**

There is a registered aerodrome at Coolah and in Coonabarabran, and there is an unregistered aerodrome in Baradine. Maintenance tasks undertaken by Council staff include grass slashing, weekly inspections and maintenance of the bitumen runway surface in Coonabarabran. The annual cost of aerodrome maintenance is \$0.12m.

A new windsock was installed at Coonabarabran that incorporates lights that are pilot activated. Through funding provided by the Australian Government's Drought Communities Program - Extension, the perimeter fences at both Baradine and Coonabarabran aerodromes were replaced. These new feral fences have been very successful in reducing kangaroo access onto the runway at both aerodromes.

### **Emergency Services Management**

The Local Emergency Management Committee (LEMC) was not activated in response to any emergency during 2018/19; however the Committee met on four occasions throughout the year. The meetings were well attended with representatives from NSW Police, Fire & Rescue NSW, Rural Fire Service, Ambulance, State Emergency Service, Volunteer Rescue Association and from the Regional Emergency Management Committee.

The LEMC conducted two exercises during the year: set up of the Emergency Operations Centre, which tested the communication equipment at the new RFS building in Coonabarabran; the other exercise, 'Starship Enterprise', involved multiple agencies and first responders. 'Starship Enterprise' tested the resilience of the community during a power outage that lasted more than seven (7) days.

Council participates in the Bush Fire Management Committee (BFMC) with Councillor Peter Shinton nominated as Chair for the committee and staff also conducting sub-committee meetings. This committee looks at managing the risks of Bush Fires and also co-ordinates Hazard Reduction carried out by RFS, National Parks, Forestry and Council. The Committee also documents fire-trails within the Shire, which assists agencies in applying for funding to maintain fire-trails within the National Parks and also State Forest areas.

### **Local Roads and Infrastructure**

Council is responsible for maintaining and making improvements to 2,276km of local rural roads, of which 450km are sealed. Council is also responsible for 385km of regional main roads. Council also undertakes roadworks under contract to Roads & Maritime Services on 186 km of state roads, including sections of the Golden Highway, Newell Highway and Castlereagh Highway.

The renewal of bitumen seal on local rural roads during the period included 13km bitumen resurfacing at a cost of \$0.21m. There was 18km of bitumen resurfacing works undertaken on various regional main roads throughout the Shire at a cost of \$0.90m.

During the period 602km of maintenance grading was undertaken on unsealed roads across the Shire at a cost of \$2.1m. The expenditure on maintenance activities associated with sealed local rural roads was \$0.36m and includes activities such as pothole patching, mowing of roadside grass and repair of drainage structures.

Council is committed to renewing road assets to maximise remaining life and provide acceptable standard of service for road users. Renewal projects on road assets in 18/19 were many and varied including concrete causeways on Mia Mia Road and Napier Lane, and sealed pavement renewal on Turee Vale Road and Black Stump Way. Renewal of unsealed roads was undertaken through gravel resheeting on the following roads: Munns Rd, Newbank Lane; Bourke and Halls Rd; Wingabutta Rd; Hawkins Rd; Wardens Rd; Mt Hope Rd; Sandy Creek Rd; Dandry Rd; Carmel Lane; ABecketts Rd; Angus Rd; Bingie Grumble Rd; Digilah Rd; and Boltons Creek Rd.

Shoulder reconstruction and pavement widening works were undertaken on the following roads: Black Stump Way; Digilah Road; Timor Road; Baradine Road; Purlewaugh Road; Warrumbungles Way; and Vinegaroy Road.

Bridge construction was completed on Todds Crossing Bridge and on Allison Bridge.

### **Medical Facilities**

- *Effective management of domestic residences for medical practitioners.* Houses in Baradine and Coolah rented to the Hospital for medical practitioners.
- *Property management of professional premises for service providers.* Council's medical properties kept to a professional standard with any issues resolved to ensure the safety of the public.

### **Warrumbungle Waste**

- Ensure Warrumbungle Waste services operations are operated as cost effectively as possible.
- Management of waste services.

- Provide and maintain a landfill facility for the Shire.
- Provide and maintain waste transfer station facilities for the Shire.
- Weekly residential general waste pickup service.
- Weekly residential recycling pick up service.
- Weekly commercial waste pick up service.
- Waste minimisation through two material handling facilities in the Shire.
- Waste Management Strategy.
- Landfill Expansion.
- Implementation of the Container Deposit Scheme across the Shire with collection counters at Coonabarabran and Dunedoo.



*Coolah Waste Transfer Station*

### **Warrumbungle Water and Sewer**

Council provides potable water services to residents in Baradine, Binnaway, Bugaldie, Coolah, Coonabarabran, Dunedoo, Kenebri and Mendooran; and non-potable services to residents in Merrygoen and along the gravity main along Timor Road in Coonabarabran. In all there are 3160 service connections. To provide these services, there are now 23 groundwater bores, 3 river wells, 1 dam, 1 weir, 4 water treatment plants, 23 reservoirs including treatment plant clear water tanks and 168 km of water mains including head works, transfer and reticulation mains.

To improve water security, in 2018/19 the installations of 10 groundwater bores were finalised with one each in Binnaway, Coolah and Mendooran and with 7 in Coonabarabran. To improve water quality and security, 2 km of old water main were replaced and 2 km of new water main were installed. To improve water safety, the integrity of 12 reservoirs and of 2 groundwater bores was restored through repair works; 13 reservoirs were inspected and cleaned; 4 water treatment plants were equipped with new laboratory instrumentation; and chemical dosing systems at 2 water treatment plants were renewed.

Sewerage services are provided to residents in Baradine, Coolah, Coonabarabran and Dunedoo. In all, there are 2396 connections. Infrastructure to support these connections includes 9 pumping stations, 4 sewage treatment plants and 83 km of sewer main.

In 2018/19, 1 km of sewer main was refurbished through relining and 165 boundary shafts were repaired. Studies have commenced in Mendooran and continued in Binnaway to install sewerage services in these currently un-sewered townships



## LOCAL GOVERNANCE AND FINANCE

### Administration and Customer Service

During the reporting period, Administration and Customer Service staff met the following targets:

- Annual Report, Agency Information Guide and statutory documentation prepared as required;
- Correspondence and reports prepared as required;
- In the report period, 13,535 documents were registered in InfoXpert, Council's Document, Records and Content Management System.

### Cemetery Services

- *Maintenance of cemeteries.*  
Cemeteries are maintained by the Urban Services Department with routine maintenance undertaken when required. Grounds are maintained prior to special days like Mothers Day, Fathers Day, Christmas, Easter and ANZAC days.
- *Maintenance and management of historic cemeteries.*  
Council was successful in obtaining a grant for the upgrades to Cemeteries within the Shire, Bomera Cemetery on Black Stump Way received funding to replace the aging fence. The new fence is made of ironbark timber and has been sealed against the elements.
- *Compliance with relevant legislation.*  
All burials are with the relevant legislation requirements.
- *Strategic planning for the future growth needs of the Shire.*  
Native Grove cemetery underwent an upgrade which included new plots, sprinkler system and disabled toilet block.
- *Dealing with the public in regard to interment are carried out professionally.*  
When dealing with the public all internments are carried out professionally .

### Communications and IT

Communications released regarding Council achievements and activities increased by around 44% over the previous 12 month period. A variety of communications methods are used, including traditional print media, website, social media, posters and letter box drops. Council's social media presence increased during the reporting period, with an audience increase of 39% over 2017/18.

Council relies on a robust IT network to allow staff access across a large geographical area. IT capital projects have been in line with the Delivery Program and include a server upgrade and software licensing.

IT security supports the Council network as a stand-alone, resilient and cost effective system. Security and disaster recovery was tested this year when Council's system was subjected to a cyber attack. The system was restored within 40 hours with no Council data removed by the attack.

### Design Services Management

There is a small team in Technical Services that provide technical support across the Council organisation. In particular the design team investigates, designs and prepares drawings for roadworks, drainage works, kerbing and guttering, and footpath works. The design team is also active in preparing funding submissions for road projects, particularly projects under the State Government's Fixing Country Roads program, Safer Roads Program and Active Transport Program.

## Environment and Development Management

- *Ensure the Shire's heritage assets are effectively managed.*  
Council has undertaken a Heritage Study which was funded through a grant from the OEH. This new study ensures that all the Shire heritage assets are captured to ensure they are effectively managed.
- *Operate a local heritage fund each year.*  
Funding has been secured for the Local Heritage Places grant to run for the next two years. This grant helps owners of heritage listed or heritage significant buildings undertake repairs and restoration works.
- Review the current Section 7.12 Contributions Plan.
- Implement changes to waste management practices based on outcome of Waste Management Strategy.
- Management of Development Services Division outcomes and workload.
- Management of Development Services Division staff and resources allocation.
- Interpret, counsel and advise the GM and Council on applicable statutes and policies.
- Actively communicate/network with industry peers, associations and organisations.

## Financial Services

The 2018/19 financial year was an extremely busy year for Council's Finance branch working through changes in structure, process and taking on new responsibilities as well supporting new Council functions such as the bottle return and earn. As well as this, Finance provided extended support for the interim and external audits.

Council's result is lower than last year mainly due to impairment of Three Rivers Regional Retirement Community (TRRRC) works. However, Council is set to record a good result in 2018/19, due to the efforts of our good people in Technical Services and Development Services and other staffs who secured excellent grant funding for the Warrumbungle community and completed over \$15m in capital works. The result was further boosted by the pre payment of the first two quarters of the 2019/20 year Financial Assistance Grant being made in 2018/19.

Whilst the Fit for the Future assessment by the Office of Local Government is officially over, it does not mean that the Warrumbungle Shire Council (WSC) is not being monitored and measured against these benchmarks. So although Council received \$5.9m in capital grants it is wise to recognise that these types of funds cannot be relied upon year on year and that WSC needs to consider robustly review its way forward financially.

The ability of Council to adjust for the possibility of falling grant income is limited to increasing revenue from user charges and other services, coupled with a preparedness of expenditure reductions through a combination of efficiencies and service reductions.

There were some significant achievements made by Council's Finance branch in the financial year, including:

- Completion of Council's 2018/19 financial statements and lodgement by the statutory deadlines;
- Continued improvement in reporting for RMS contracted works;
- Completion of all other IP&R requirements, including the re-casting of Council's Long Term Financial Plan and Delivery Program Plan.
- Furthermore there were no WH&S incidents or lost time to injuries in Financial Services during the 2018/19 financial year.

## **Fleet Services**

To support Council's wide range of services, Council operates workshops in Coolah and Coonabarabran. The mechanics in these workshops provide maintenance and support services for a large fleet of vehicles including 86 sedans and utilities, 8 graders, 3 loaders, 3 excavators, 4 backhoes, 7 rollers, 7 tractors, 5 large tippers, 23 medium sized trucks, 2 garbage trucks and a street sweeper. The total cost associated with operations and maintenance of these vehicles for the year was \$2.5m.

Council workshops and mechanics also provide maintenance and registration services to 81 trucks and vehicles used by the Rural Fire Service.

The fleet replacement program was extensive, with \$3.5m expended on replacing the following items: 14 vehicles in the light vehicle fleet; front end loader; grader; 2 rollers; water truck; 5 trucks; low loader; 2 tractors; telehandler; forklift; 2 mowers; and 2 slashers.

## **Organisational Development**

2018/2019 saw Council implement *Scout* recruitment software for the first time, which has assisted with streamlining internal recruitment processes and increased our ability to attract applications from online job sites, widening the applicant base, particularly for specialist and professional roles. Council's turnover decreased to 11.28% from the previous year's 17.03%.

Council's sick leave reduced by 16.5% on the previous year's six-year high and there was a 7.6% improvement in hours lost as a result of workplace injuries.

Council continues to focus attention on getting any injured workers back to the workplace in its updated Return to Work Program, as it is recognised that staff recover more quickly at work. Council also completely reviewed its Work Health and Safety consultation processes during 2018/2019, and the new committee is working to re-invigorate safety within the workplace.

Council continues to support our youth through its apprentice and traineeship programs, appointing four School-Based Trainees in early 2019. An Urban Services trainee is based at Dunedoo, with trainees in Urban Services, Tourism and Automotive located in Coonabarabran. This is a great opportunity for some of our local students to gain a qualification that counts towards their higher school certificate and also earn while they learn. Council also employs trainees in Warrumbungle Water and at Yuluwirri Kids, and has two Apprentice Plumbers.

## **Property and Risk Management**

- *Crown Land management*  
Crown Land managed through the leases and licences. A Plan of Management for all Crown Lands will need to be completed in the next 2 years. Grant funding of \$89,000 for the Plan of Management has been successfully obtained.
- *Property management, maintenance and repair works.*  
All Council properties are managed and maintained to ensure the safety of both staff and members of the public, with repairs undertaken as a matter of urgency.
- *Public liaison on property matters and complaints.*  
Consultation with community members when upgrading the halls to ensure that the needs of the community are met.
- *Oversee the security arrangements for all Council buildings.*  
Security of all Council owned buildings maintained throughout the year.
- *Ensure cleaning services to all internal business units and relevant community units.*  
Contract for cleaning renewed in 2018 for three years. Cleaning undertaken to the schedule in the tender.

- *Maintenance of Council's property register and adherence to legislative requirements.*  
Council does not have a property register. New property officer will be undertaking this requirement to ensure legislative requirements.
- *Management of property services including leases, licences and legal compliance.*  
Legal advice obtained in relation to the management of Council properties under lease or licence
- *Risk Management including insurance and risk mitigation.*  
Council's insurance and risk mitigation was undertaken throughout the year. Insurance claims managed to ensure Council is not put at risk.
- *Completion of a Plan of Management for all council owned land.*  
Plan of Management completed for all Community Land owned by Council. Plan of Management for all Crown Lands under Councils control to be completed in the next two years.

### **Road Safety Officer**

Council's Road Safety Officer has been involved in a number of road safety programs throughout the year including 'Free Cuppa for the Driver', child restraint checking day, 'Bike Week', workshops for parents of learner drivers, 'Slow Down on Local Roads', 'Plan B', Click every Trip', and Stock on Road. In addition the RSO is now actively promoting road safety messages through social media and through the local radio station.

### **Town Planning**

- *Review the current Local Environment Plan (LEP).*  
Council is currently undertaking a review of the Warrumbungle LEP, public consultation meetings will be held throughout the Shire once the draft has been adopted.
- *Ensure all planning instruments under Council control are effective and relevant.*  
Council is currently undertaking a review of the LEP
- *Ensure all development applications are processed in a reasonable time period and in accordance with legislation and best practice procedures.*  
Council received 78 development applications in 2018/19. The average approval time for approvals to be sent was 42 days with the average of 15 stop the clock days.
- *Ensure all 10.7 planning certificates are accurate and processed efficiently.*  
All 10.7 planning certificates processed within the 7 day timeframe with urgent certificates being processed within 3 working days. Council issued 399 10.7 planning certificates in 2018/19.

### **Workshops**

There is a workshop in the Coonabarabran depot and the Coolah depot that provides mechanical repair services to Council's vehicle fleet. The total cost of operating the workshops in 2018/19 was \$52,000.

# FINANCIAL SNAPSHOT

|   | 2019<br>\$ '000 | 2018<br>\$ '000 |
|---|-----------------|-----------------|
| <b>Income Statement</b>   |                 |                 |
| Total income from continuing operations   | 43,515          | 47,557          |
| Total expenses from continuing operations   | 42,613          | 45,087          |
| <b>Operating result from continuing operations</b>  | <b>902</b>      | <b>2,470</b>    |
| <b>Net operating result for the year</b>  | <b>902</b>      | <b>2,470</b>    |
| <b>Net operating result before grants and contributions provided for capital purposes</b> | <b>(4,984)</b>  | <b>(4,770)</b>  |
| <b>Statement of Financial Position</b>  |                 |                 |
| Total current assets  | 22,086          | 24,155          |
| Total current liabilities   | (7,279)         | (7,624)         |
| Total non-current assets  | 488,875         | 485,547         |
| Total non-current liabilities   | (7,045)         | (7,168)         |
| <b>Total equity</b>   | <b>496,637</b>  | <b>494,910</b>  |
| <b>Other financial information</b>  |                 |                 |
| Unrestricted current ratio (times)  | 4.37            | 4.05            |
| Operating performance ratio (%)   | (16.38)%        | (8.96)%         |
| Debt service cover ratio (times)  | 5.05            | 7.30            |
| Rates and annual charges outstanding ratio (%)  | 10.22%          | 8.69%           |
| Infrastructure renewals ratio (%)   | 54.98%          | 106.99%         |
| Own source operating revenue ratio (%)  | 47.00%          | 46.45%          |
| Cash expense cover ratio (months)   | 6.97            | 5.76            |



# STATUTORY REPORTING

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## DELIVERY PROGRAM IMPLEMENTATION

Within 5 months after the end of each year, a council must prepare a report (its “**annual report**”) for that year reporting as to its achievements in implementing its delivery program and the effectiveness of the principal activities undertaken in achieving the objectives at which those principal activities are directed.

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Council’s achievements in implementing its *Delivery Program 2018/19* are detailed above at ‘Council Highlights’.

## AUDITED FINANCIAL REPORTS

A copy of the council’s audited financial reports prepared in accordance with the *Local Government Code of Accounting Practice and Financial Reporting* published by the Department, as in force from time to time.

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Copies of Council’s financial statements are provided as Attachments to this Annual Report (Attachments 1-3).

## RATES AND CHARGES WRITTEN OFF

The Council’s Annual Report must include the amount of rates and charges written off during the year.

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Rates and charges written off by Warrumbungle Shire Council in 2018/19:

| Description   | Amount (\$) |
|---------------|-------------|
| Rates         | 0           |
| Water charges | 1,362.33    |

## OVERSEAS VISITS

Details (including the purpose) of overseas visits undertaken during the year by councillors, council staff or other persons while representing the council (including visits sponsored by other organisations).

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Councillors and Staff were not involved in any overseas travel during the year.

# PAYMENT OF EXPENSES AND PROVISION OF FACILITIES TO COUNCILLORS

Details of the total cost during the year of the payment of the expenses of, and the provision of facilities to, councillors in relation to their civic functions (as paid by the council, reimbursed to the councillor or reconciled with the councillor), including separate details on the total cost of each of the following:

- (i) the provision during the year of dedicated office equipment allocated to councillors on a personal basis, such as laptop computers, mobile telephones and landline telephones and facsimile machines installed in councillors' homes (including equipment and line rental costs and internet access costs but not including call costs);
- (ii) telephone calls made by councillors, including calls made from mobile telephones provided by the council and from landline telephones and facsimile services installed in councillors' homes;
- (iii) the attendance of councillors at conferences and seminars;
  - a. the provision of induction training for councillors, supplementary induction training for mayors and professional development programs for mayors and other councillors;
- (iv) other training of mayors and councillors and the provision of skill development for mayors and councillors;
- (v) interstate visits undertaken during the year by councillors while representing the council, including the cost of transport, the cost of accommodation and other out-of-pocket travelling expenses;
- (vi) overseas visits undertaken during the year by councillors while representing the council, including the cost of transport, the cost of accommodation and other out-of-pocket travelling expenses;
- (vii) the expenses of any spouse, partner (whether of the same or opposite sex) or other person who accompanied a councillor in the performance of his or her civic functions, being expenses payable in accordance with the *Guidelines for the payment of expenses and the provision of facilities for Mayors and Councillors for Local Councils in NSW* prepared by the Director-General from time to time;
- (viii) expenses involved in the provision of care for a child of, or an immediate family member of, a councillor, to allow the councillor to undertake his or her civic functions.

## Councillor Fees

| Description       | Amount (\$) |
|-------------------|-------------|
| Election expenses | 0           |
| Mayor             | 25,880.04   |
| Councillors (8)   | 106,739.64  |

## Councillor Allowances

| Description   | Amount (\$) |
|---|-------------|
| Travel and accommodation  | 27,030.82   |
| Meal allowance  | 2,540.46    |
| Provision of dedicated office equipment   | 0           |
| Telephone calls made by Councillors   | 10,866.46   |
| Attendance at conferences and seminars  | 20,549.00   |
| Training and provision of skill development   | 0           |
| Interstate visits, including transport, accommodation and other out of pocket travelling expenses | 3,591.00    |
| Overseas visits, including transport, accommodation and other out of pocket travelling expenses   | 0           |
| Expenses of any spouse, partner or other person who accompanied a Councillor                      | 0           |
| Expenses involved in the provision of care for a child or an immediate family member              | 0           |
| Other allowances – subscriptions and publications   | 75,513.27   |

## CONTRACTS AWARDED

Details of each contract awarded by the council during that year (whether as a result of tender or otherwise) other than:

- (i) employment contracts (that is, contracts of service but not contracts for services), and
- (ii) contracts for less than \$150,000 or such other amount as may be prescribed by the regulations,

including the name of the contractor, the nature of the goods or services supplied by the contractor and the total amount payable to the contractor under the contract.

| Contractor                         | Goods/Services   | Amount (\$)              |
|------------------------------------|--|--------------------------|
| A1 Tree Services                   | Tree maintenance and removal                               | 150,270.00               |
| Advanced National Services Pty Ltd | Provision of cleaning services                             | 197,642.01               |
| Guy Andrews Electrical             | Electrical work  | 221,968.77               |
| Aqua West Pty Ltd                  | Equipment purchases and parts                              | 477,478.94               |
| Boral Construction Materials       | Quarry costs   | 168,229.01               |
| Bowdaze Pty Ltd                    | Plant hire   | 158,863.21               |
| Bridging Australia Pty Ltd         | Bridge construction  | 359,090.91               |
| Cadia Group Pty Ltd                | Plumbing equipment and supplies                            | 183,791.84               |
| Commonwealth Bank                  | Banking services   | 288,703.19               |
| Coona Fuel and Gas                 | Supply and delivery of bulk fuel – 3 year contract         | 271,441.54               |
| DATA#3 Limited                     | Software licensing   | 247,786.11               |
| N & B Egan Pty Ltd                 | Plant hire   | 233,405.91               |
| JT Fossey                          | Plant purchases  | 327,767.45               |
| JT Fossey (Sales) Pty Ltd          | Purchase one Fuso FU51 Water Truck                         | 220,675.00<br>(excl GST) |
| JT Fossey (Sales) Pty Ltd          | Purchase one Volvo FM1346R Gravel Truck                    | 253,021.00<br>(excl GST) |
| Fulton Hogan Australia Pty Ltd     | Sealing and reseals  | 1,427,263.76             |
| Gilgandra Shire Council            | Plant hire   | 213,230.59               |
| Hartwigs Trucks Pty Ltd            | Plant purchases  | 203,559.56               |
| Hinchcliffe Concrete Constructions | Construction of netball courts – Coonabarabran             | 351,744.23               |
| Holcim (Australia)                 | Quarry products  | 262,565.46               |
| Hollis Agricultural Welding        | Plant hire   | 267,680.91               |
| K & K Directional Drilling         | Drilling – back up bores at Binnaway, Coolah and Mendooran | 154,250.00               |
| LGSS Accumulation Scheme           | Superannuation   | 1,271,000.65             |



| <b>Contractor</b>                                    | <b>Goods/Services</b>  | <b>Amount (\$)</b>       |
|--|--|--------------------------|
| LGSS Retirement Scheme                               | Superannuation   | 224,681.67               |
| Liberty Rural TA Coona Fuel and Gas                  | Fuel purchases – 3 year contract                                 | 710,705.67               |
| M & I Plant Hire                                     | Plant hire   | 248,937.72               |
| McEvoy's Earthmoving and Haulage                     | Plant hire   | 285,056.47               |
| Macquarie Regional Library                           | Regional library services  | 658,780.56               |
| Mid Coast Automotive Group                           | Plan purchases   | 241,021.17               |
| Midland Pty Ltd                                      | Trailer purchase   | 156,043.00               |
| NSW Office of State Revenue (quarterly contribution) | Emergency Service Levy   | 642,984.76               |
| NSW Public Works                                     | Feasibility Study – raising Timor Dam wall                       | 184,770.00               |
| Origin Energy Electricity                            | Electricity provision  | 554,181.87               |
| Peel Valley Group Pty Ltd                            | Plant purchases  | 173,738.96               |
| Pettet Family Trust                                  | Bowen Oval Lighting Upgrade                                      | 285,895<br>(incl GST)    |
| Rollers Australia Pty Ltd                            | Plant hire   | 196,178.55               |
| Ronin G P/L TA Hofman Electrical Group               | Electrical supply works  | 169,465.31               |
| State Cover Mutual Ltd                               | Insurance  | 571,642.98               |
| Statewide Mutual                                     | Insurance  | 726,593.45               |
| Tamworth Regional Council                            | Provision of IT services   | 301,867.00               |
| Telstra  | Telephones – government contract                                 | 168,360.90               |
| Tracserv Pty Ltd                                     | 1 Doosan DL300 Wheel Loader                                      | 249,960.00<br>(excl GST) |
| Tracserv Pty Ltd                                     | Plant purchases and parts  | 859,093.93               |
| Tracserv Pty Ltd                                     | Purchase one Isuzu FRR 1207 Tipping truck                        | 151,337.81<br>(excl GST) |
| Vincent Young  | Legal costs (Three Rivers Regional Retirement Community project) | 612,929.20               |
| Warrumbungle Steel Building                          | Supply and construct Mowrock Rural Fire Service Station          | 280,304.00               |
| Westrac Pty Ltd                                      | 1 Caterpillar 12M Motor Grader                                   | 391,971.28<br>(excl GST) |
| Westrac Pty Ltd                                      | 1 Caterpillar CS68B Smooth Drum Roller                           | 157,060.68<br>(excl GST) |
| Westrac Pty Ltd                                      | 1 Caterpillar CS68B Smooth Drum Roller                           | 157,060.68<br>(excl GST) |
| Westrac  | Plant purchases and parts  | 734,650.58               |

## LEGAL PROCEEDINGS

A summary of the amounts incurred by the council during the year in relation to legal proceedings taken by or against the council (including amounts, costs and expenses paid or received by way of out of court settlements, other than those the terms of which are not to be disclosed) and a summary of the state of progress of each legal proceeding and (if it has been finalised) the result.

| Details   | Amount incurred<br>2018/19 (\$) | Amount recovered<br>(\$) | Status of progress                                   | Result                          |
|---|---------------------------------|--------------------------|--|---------------------------------|
| NSWLEC Proceedings No 2017/286656<br>WSC v Ou                                       | 9,118.01                        | 0                        | Debt recovery proceedings for costs awarded by Court | Orders made in Council's favour |
| NSWSC Proceedings No 2018/00340246  | 637,679.33                      | 0                        | Ongoing  | Ongoing                         |
| NSWDC Proceedings No 2018/267726<br>Insurance claim against Council – road accident | 13,502.49                       | 0                        | Ongoing  | Ongoing                         |
| Insurance claim against Council. Footpath, Dunedoo                                  | 6,328.85                        | 0                        | Matter settled out of Court                          | Settled                         |
| Insurance claim against Council.<br>Footpath, Coonabarabran                         | 12,670.99                       | 0                        | Matter settled out of Court                          | Settled                         |

## PRIVATE WORKS

Details or a summary (as required by section 67(3) of the Act) of resolutions made during that year under section 67 of the Act concerning work carried out on private land and details or a summary of such work if the cost of the work has been fully or partly subsidised by the council, together with a statement of the total amount by which the council has subsidised any such work during that year.

There were no resolutions made during 2018/19 relating to private works and no private works that were either fully or partly subsidised by Council.

# CONTRIBUTIONS

The total amount contributed or otherwise granted under section 356 of the Act.

| Organisation                             | Donation (\$) |
|--|---------------|
| 2357 Partnership Incorporated            | 25,000.00     |
| Art Unlimited Dunedoo Lions Club         | 500.00        |
| Baradine Anglican Church                 | 411.50        |
| Baradine Catholic Church                 | 411.50        |
| Baradine Central School                  | 70.00         |
| Baradine CWA                             | 763.72        |
| Baradine Golf Club                       | 1000.00       |
| Baradine Men's Shed                      | 1,000.00      |
| Baradine PA & H Association              | 500.00        |
| Baradine Preschool Incorporated          | 500.00        |
| Baradine Progress Association            | 25,100.00     |
| Binnaway Anglican Church                 | 229.50        |
| Binnaway Catholic Church                 | 229.50        |
| Binnaway Central School                  | 70.00         |
| Binnaway Jockey Club                     | 1,000.00      |
| Binnaway Men's Shed Inc.                 | 500.00        |
| Binnaway Progress Association            | 25,650.00     |
| Binnaway Showground Management Committee | 500.00        |
| Coolah Catholic Church                   | 512.50        |
| Coolah Central School                    | 70.00         |
| Coolah District Development Group Inc.   | 26,000.00     |
| Coolah Junior Sports Club                | 500.00        |
| Coolah Lions Club                        | 500.00        |
| Coolah Presbyterian Church               | 512.50        |
| Coolah Sacred Heart Primary School       | 70.00         |
| Coolah Youth Centre                      | 451.00        |
| Coonabarabran Anglican Church            | 512.50        |
| Coonabarabran Boy Scouts                 | 512.50        |
| Coonabarabran Cancer Support Group       | 500.00        |
| Coonabarabran Catholic Church            | 512.50        |
| Coonabarabran Christmas Spectacular      | 500.00        |
| Coonabarabran Community Christmas Lunch  | 500.00        |

| Organisation                                       | Donation (\$)     |
|--|-------------------|
| Coonabarabran CWA                                  | 1,314.47          |
| Coonabarabran Girl Guides                          | 512.50            |
| Coonabarabran Golf Club Co-Op                      | 500.00            |
| Coonabarabran High School                          | 570.00            |
| Coonabarabran Jehovah's Witnesses                  | 512.50            |
| Coonabarabran New Life Centre (Assemblies of God)  | 512.50            |
| Coonabarabran Presbyterian Church                  | 411.50            |
| Coonabarabran Seventh Day Adventist Church         | 512.50            |
| Coonabarabran Uniting Church                       | 411.50            |
| Dunedoo & District Development Group               | 27,000.00         |
| Dunedoo & District Development Group – Bush Poetry | 500.00            |
| Dunedoo & District Historical Society              | 500.00            |
| Dunedoo Anglican Church                            | 415.50            |
| Dunedoo Catholic Church                            | 512.50            |
| Dunedoo Central School                             | 70.00             |
| Dunedoo Lions Club                                 | 500.00            |
| Dunedoo Presbyterian Church                        | 229.50            |
| Goolhi Reserve Committee                           | 500.00            |
| Leadville Town Improvement Society                 | 106.00            |
| Mendooran & District Development Group             | 25,000.00         |
| Mendooran Anglican Church                          | 377.00            |
| Mendooran Catholic Church                          | 377.00            |
| Mendooran Central School                           | 70.00             |
| Mendooran CWA                                      | 377.00            |
| Mendooran PA & H Association Inc                   | 731.00            |
| Mendooran Tennis Club                              | 500.00            |
| St Vincent De Paul - Coonabarabran                 | 512.50            |
| Ulamambri Hall Committee                           | 451.00            |
| Warrumbungle Arts And Crafts Inc.                  | 1,000.00          |
| Warrumbungle Shire Council                         | 1,889.80          |
| <b>Total</b>                                       | <b>181,965.49</b> |

## EXTERNAL BODIES

A statement of all external bodies that during the year exercised functions delegated by the council.

---

| External Body                        | Function   |
|--------------------------------------|--|
| Castlereagh Macquarie County Council | Control noxious weeds on public land and waterways |
| Macquarie Regional Library           | Library Services                                   |

During the report period Council also had a number of Committees that advised Council on specific issues. The advice from these Committees is used to assist in the decision making process of Council.

There are four (4) Committees formed as a requirement of statutory obligations or with delegations to perform functions of Council. Those Committees report to Council although have no formal link to Council. A Councillor representing on these Committees is appointed for the term of the Council.

| Committee                        | Function                 |
|----------------------------------|--------------------------|
| Castlereagh Bushfire Management  | Fire mitigation          |
| Local Emergency Management       | Emergency co-ordination  |
| Traffic Advisory                 | Traffic management       |
| North West Weight of Loads Group | Heavy vehicle regulation |

## CONTROLLING INTERESTS

A statement of all corporations, partnerships, trusts, joint ventures, syndicates or other bodies (whether or not incorporated) in which the council (whether alone or in conjunction with other councils) held a controlling interest during that year.

Warrumbungle Shire Council did not hold a controlling interest in any company during the reporting period.



## JOINT VENTURES

A statement of all corporations, partnerships, trusts, joint ventures, syndicates or other bodies (whether or not incorporated) in which the council participated that year.

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During 2018/19 Council was a joint venture member of the Macquarie Regional Library Service with Dubbo City Council, Wellington Shire Council and Narromine Shire Council. During this period Council was also a joint venture member of the Castlereagh Macquarie County Council.

Council coordinated the Castlereagh Family Day Care Scheme servicing Warrumbungle, Coonamble and Gilgandra local government areas for part of the year, and Connect Five Children's Services which service Warrumbungle and Gilgandra Local Government Areas.

Council is also part of Statewide and State Cover which are Mutuals for the provision of public liability, property insurance, fidelity guarantee and workers compensation insurances.

## EQUAL EMPLOYMENT OPPORTUNITY

A statement of the activities undertaken by the council during that year to implement its equal employment opportunity management plan.

---

In relation to Council's Equal Employment Opportunity (EEO) Management Plan:

- Council's Recruitment and Selection Policy ensures ongoing compliance with EEO and merit selection principles and practices.
- Council utilises online recruitment software which provides increased transparency of decision making.
- Council's statement of being an EEO employer is included in all job advertisements.
- Council conducts ongoing reviews of Council's policies, procedures and practice to ensure they are compliant with EEO principles and practices.

## REMUNERATION – SENIOR STAFF

A statement of the total remuneration comprised in the remuneration package of the general manager during the year that is to include the following:

- (i) the total value of the salary component of the package;
  - (ii) the total amount of any bonus payments, performance payments or other payments made to the general manager that do not form part of the salary component of the general manager;
  - (iii) the total amount payable by the council by way of the employer's contribution or salary sacrifice to any superannuation scheme to which the general manager may be a contributor;
  - (iv) the total value of any non-cash benefits for which the general manager may elect under the package;
  - (v) the total amount payable by the council by way of fringe benefits tax for any such non-cash benefits.
- 

A statement of the total remuneration comprised in the remuneration packages of all senior staff members (other than the general manager) employed during the year, expressed as the total remuneration of all the senior staff members concerned (not of the individual senior staff members) and including total of each of the following:

- (i) the total values of the salary component of their packages;
  - (ii) the total amount of any bonus payments, performance payments or other payments made to them that do not form part of the salary components of their packages;
  - (iii) the total amount payable by the council by way of the employer's contribution or salary sacrifice to any superannuation scheme to which any of them may be a contributor;
  - (iv) the total value of any non-cash benefits for which any of them may elect under the package;
  - (v) the total amount payable by the council by way of fringe benefits tax for any such non-cash benefits.
- 

The General Manager is Council's only designated Senior Staff member as prescribed by section 332 of the Act. The General Manager's total remuneration package was:

| Component  | Amount (\$) |
|--|-------------|
| Salary   | 237,439.80  |
| Bonus payments, performance payments or other payments not forming part of salary component                            | 0           |
| Employer's contribution or salary sacrifice to any superannuation scheme to which the General Manager is a contributor | 25,012.00   |
| Non-cash benefits  | 0           |
| Fringe benefits tax for any such non-cash benefits   | 8,694.00    |

## STORMWATER MANAGEMENT SERVICES

If the council has levied an annual charge for stormwater management services - a statement detailing the stormwater management services provided by the council during that year.

Council implemented a stormwater levy in 2017/18 to fund stormwater projects that Council is currently unable to fund, due to funding limitations, from General Fund. This stormwater levy was introduced and is made under section 496A of the *Local Government Act 1993*. Land within an urban area rated as either residential or business for rating purposes (except vacant land) will be charged an annual levy for Council to provide a stormwater management service.

Within the local government area there are a total of 3,828 assessments rated as residential and 379 assessments rated as business. In accordance with section 125AA of the *Local Government (General) Regulation 2005*, the maximum annual charge for stormwater management services levied in respect of a parcel of rateable land is for land categorised as urban residential land at \$25 and for businesses up to \$25 per 350m<sup>2</sup>.

The stormwater levy helps councils improve the management of the quality and quantity of stormwater that flows off a parcel of a privately owned land and also includes a service to manage the re-use of stormwater for any purpose. Council will accrue additional revenue of \$105,175 per annum for expenditure for stormwater management, assuming each business and residential assessment is charged a flat \$25 per assessment. Projects funded in 2018/19 from the stormwater levy were construction of the Belar Street stormwater extension in Coonabarabran and construction of the Cobra Street drainage pipe in Mendooran.

## SPECIAL VARIATIONS

A report on special variation expenditure if required to do so by the instrument made by the Minister.

As no special variation was received by Council, there are no outcomes or expenditures to report.

# COMPANION ANIMALS ACT AND REGULATION

A detailed statement, prepared in accordance with such guidelines as may be issued by the Director-General from time to time, of the council's activities during the year in relation to enforcing, and ensuring compliance with, the provisions of the *Companion Animals Act 1998* and the regulations under that Act.

Statement of enforcement and ensuring compliance with the provisions of the *Companion Animals Act 1988* (CA Act) and the *Companion Animal Regulation 2018*, including:

|   |  |
|---|--|
| Lodgement of pound data collection returns with the Office of Local Government (survey of Council seizures of cats and dogs)            | Survey has been submitted to OLG to be included in their annual report regarding seizures of cats and dogs |
| Lodgement of data about dog attacks with the Office of Local Government   | Yes – data lodged through Companion Animals  |
| Amount of funding spent on companion animal management and activities   | No funding received for these activities   |
| Community education programs carried out and strategies the Council has in place to promote and assist the de-sexing of dogs and cats   | No programs currently in place. This program is carried out locally by veterinarians.                      |
| Strategies in place for complying with the requirements under s64 of the CA Act to seek alternatives to euthanasia of unclaimed animals | Re-homing program in place   |
| Off leash areas provided in the Council area  | One (1) area is available in each town in the Shire. Information is provided on Council's website          |
| Detailed information on fund money used for managing and controlling companion animals in its area                                      | No funding received for these activities   |

# GOVERNMENT INFORMATION (PUBLIC ACCESS)

Each agency (other than a Minister) must, within 4 months after the end of each reporting year, prepare an annual report on the agency's obligations under this Act for submission to the Minister responsible for the agency. A copy of the report is to be provided to the Information Commissioner.

The annual report of an agency (other than a Minister) required to be prepared under section 125 of the Act must include the following:

(Note: An agency's report under section 125 of the Act can be included in the agency's annual report required to be prepared under the annual reporting legislation – see section 6 of the *Annual Reports (Departments) Act 1985* or section 5A of the *Annual Reports (Statutory Bodies) Act 1984* [as the case requires].)

- (a) details of the review carried out by the agency under section 7(3) of the Act during the reporting year and the details of any information made publicly available by the agency as a result of that review;
- (b) the total number of access applications received by the agency during the reporting year (including withdrawn applications but not including invalid applications);
- (c) the total number of access applications received by the agency during the reporting year that the agency refused, either wholly or partly, because the application was for the disclosure of information referred to in Schedule 1 to the Act (Information for which there is conclusive presumption of overriding public interest against disclosure).

(Note: Table D in Schedule 2 also requires information relating to access applications in respect of which there is a conclusive presumption of overriding public interest against disclosure.)

- (d) information, as set out in the form required by the tables in Schedule 2, relating to the access applications (if any) made to the agency during the reporting year.

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Council received two (2) access applications during the reporting period. Details are provided in the table on the following page.

### Number of Applications by Type of Application Outcome

|   | Access<br>Granted<br>in Full | Access<br>Granted<br>in Part | Access<br>Refused<br>in Full | Information<br>not Held | Information<br>Already<br>Available | Refuse to<br>Deal with<br>Application | Refuse to<br>Confirm/<br>Deny<br>Information<br>Held | Application<br>Withdrawn | Total | % of<br>Total |
|---|------------------------------|------------------------------|------------------------------|-------------------------|-------------------------------------|---------------------------------------|--|--------------------------|-------|---------------|
| Media   | 0                            | 0                            | 0                            | 0                       | 0                                   | 0                                     | 0  | 0                        | 0     | 0%            |
| Members of<br>Parliament                                  | 0                            | 0                            | 0                            | 0                       | 0                                   | 0                                     | 0  | 0                        | 0     | 0%            |
| Private sector<br>business                                | 0                            | 0                            | 0                            | 0                       | 0                                   | 0                                     | 0  | 0                        | 0     | 0%            |
| Not for profit<br>organisations or<br>community<br>groups | 0                            | 0                            | 0                            | 0                       | 0                                   | 0                                     | 0  | 0                        | 0     | 0%            |
| Members of the<br>public (by legal<br>representative/s)   | 0                            | 0                            | 0                            | 0                       | 0                                   | 0                                     | 0  | 0                        | 0     | 0%            |
| Members of the<br>public (other)                          | 1                            | 0                            | 1                            | 0                       | 0                                   | 0                                     | 0  | 0                        | 2     | 100%          |
| Total   | 1                            | 0                            | 1                            | 0                       | 0                                   | 0                                     | 0  | 0                        | 2     |               |
| % of total  | 50%                          | 0%                           | 50%                          | 0%                      | 0%                                  | 0%                                    | 0%   | 0%                       |       |               |

Note: A personal information application is an access application for personal information (as defined in clause 4 of schedule 4 to the Act) about the application (the applicant being an individual).

## PLANNING AGREEMENTS

A planning authority that has entered into one or more planning agreements must, while any such planning agreements remain in force, include in its annual report particulars of compliance with and the effect of the planning agreements during the year to which the report relates.

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Council does not have any planning agreements in force as per section 93G (5) of the *Environmental Planning and Assessment Act 1979*.

## PUBLIC INTEREST DISCLOSURES

Information required to be provided in accordance with s2 of the *Public Disclosures Regulation 2011* is included herewith:

---

Personal Interest Disclosures (PID) submitted to the Ombudsman in 2018/19 are outlined in the table below.

|   |   |   |   |
|---|---|---|---|
| PID applications by public officials                | 0 | 0 | 0 |
| Access applications other than personal information | 0 | 0 | 0 |
| • Corrupt conduct                                   | 0 | 0 | 0 |
| • Maladministration                                 | 0 | 0 | 0 |
| • Serious and substantial waste                     | 0 | 0 | 0 |
| • Government information convention                 | 0 | 0 | 0 |
| • Local government pecuniary interest convention    | 0 | 0 | 0 |



# ATTACHMENTS

Attachments 1-3: 2018/19 Audited Financial Statements

# Warrumbungle Shire Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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## Warrumbungle Shire Council

Financial Statements 2019

## General Purpose Financial Statements

for the year ended 30 June 2019

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## Overview

Warrumbungle Shire Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

14-22 John Street  
Coonabarabran NSW 2357

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: [www.warrumbungle.nsw.gov.au](http://www.warrumbungle.nsw.gov.au).

## Warrumbungle Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council 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 2019.

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 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

Financial Statements 2019

### General Purpose Financial Statements

for the year ended 30 June 2019

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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 other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

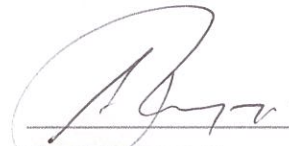
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 17 October 2019.



Clr Denis Todd  
**Mayor**  
17 October 2019



Clr Aniello Iannuzzi  
**Councillor**  
17 October 2019



Roger Bailey  
**General Manager**  
17 October 2019



Khurram Javed  
**Responsible Accounting Officer**  
17 October 2019



## Warrumbungle Shire Council

Financial Statements 2019

## Income Statement

for the year ended 30 June 2019

| Original<br>unaudited<br>budget<br>2019    | \$ '000  | Notes | Actual<br>2019 | Restated<br>Actual<br>2018 |
|--|--|-------|----------------|----------------------------|
| <b>Income from continuing operations</b>   |  |       |                |                            |
| <u>Revenue:</u>                            |  |       |                |                            |
| 12,778                                     | Rates and annual charges   | 3a    | 13,015         | 12,293                     |
| 8,401                                      | User charges and fees  | 3b    | 5,642          | 8,357                      |
| 460  | Interest and investment revenue  | 3c    | 461            | 423                        |
| 1,097                                      | Other revenues   | 3d    | 1,073          | 1,214                      |
| 17,871                                     | Grants and contributions provided for operating purposes   | 3e,3f | 16,424         | 17,989                     |
| 3,849                                      | Grants and contributions provided for capital purposes   | 3e,3f | 5,886          | 7,240                      |
| <u>Other income:</u>                       |  |       |                |                            |
| 240  | Net gains from the disposal of assets  | 5     | 999            | —                          |
| —  | Net share of interests in joint ventures and associates using the equity method                        | 15    | 15             | 41                         |
| 44,696                                     | <b>Total income from continuing operations</b>   |       | <b>43,515</b>  | <b>47,557</b>              |
| <b>Expenses from continuing operations</b> |  |       |                |                            |
| 15,664                                     | Employee benefits and on-costs   | 4a    | 14,484         | 15,943                     |
| 236  | Borrowing costs  | 4b    | 327            | 335                        |
| 5,949                                      | Materials and contracts  | 4c    | 10,024         | 7,186                      |
| 11,688                                     | Depreciation and amortisation  | 4d    | 12,267         | 11,769                     |
| 8,049                                      | Other expenses   | 4e    | 5,511          | 8,653                      |
| —  | Net losses from the disposal of assets   | 5     | —              | 1,201                      |
| 41,586                                     | <b>Total expenses from continuing operations</b>   |       | <b>42,613</b>  | <b>45,087</b>              |
| 3,110                                      | <b>Operating result from continuing operations</b>   |       | <b>902</b>     | <b>2,470</b>               |
| 3,110                                      | <b>Net operating result for the year</b>   |       | <b>902</b>     | <b>2,470</b>               |
| 3,110                                      | Net operating result attributable to council   |       | 902            | 2,470                      |
| (739)                                      | <b>Net operating result for the year before grants and contributions provided for capital purposes</b> |       | <b>(4,984)</b> | <b>(4,770)</b>             |

The above Income Statement should be read in conjunction with the accompanying notes.



## Warrumbungle Shire Council

Financial Statements 2019

## Statement of Comprehensive Income

for the year ended 30 June 2019

| \$ '000  | Notes | 2019         | Restated<br>2018 |
|--|-------|--------------|------------------|
| <b>Net operating result for the year (as per Income Statement)</b>                     |       | <b>902</b>   | <b>2,470</b>     |
| <b>Other comprehensive income:</b>   |       |              |                  |
| Amounts which will not be reclassified subsequently to the operating result            |       |              |                  |
| Gain (loss) on revaluation of IPP&E  | 9     | 825          | (5,849)          |
| Impairment (loss) reversal relating to IPP&E   | 9     | —            | 62               |
| <b>Total items which will not be reclassified subsequently to the operating result</b> |       | <b>825</b>   | <b>(5,787)</b>   |
| <b>Total other comprehensive income for the year</b>                                   |       | <b>825</b>   | <b>(5,787)</b>   |
| <b>Total comprehensive income for the year</b>   |       | <b>1,727</b> | <b>(3,317)</b>   |
| Total comprehensive income attributable to Council                                     |       | 1,727        | (3,317)          |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Warrumbungle Shire Council

Financial Statements 2019

## Statement of Financial Position

as at 30 June 2019

| \$ '000   | Notes | 2019           | Restated<br>2018 | Restated<br>1 July 2017 |
|---|-------|----------------|------------------|-------------------------|
| <b>ASSETS</b>                                     |       |                |                  |                         |
| <b>Current assets</b>                             |       |                |                  |                         |
| Cash and cash equivalent assets                   | 6(a)  | 4,738          | 5,544            | 15,348                  |
| Investments                                       | 6(b)  | 13,000         | 11,500           | 3,000                   |
| Receivables                                       | 7     | 3,501          | 6,153            | 5,040                   |
| Inventories                                       | 8a    | 758            | 738              | 911                     |
| Other   | 8b    | 89             | 220              | 179                     |
| <b>Total current assets</b>                       |       | <b>22,086</b>  | <b>24,155</b>    | <b>24,478</b>           |
| <b>Non-current assets</b>                         |       |                |                  |                         |
| Receivables                                       | 7     | —              | 2                | —                       |
| Inventories                                       | 8a    | 299            | 299              | 299                     |
| Infrastructure, property, plant and equipment     | 9     | 488,081        | 484,694          | 488,117                 |
| Intangible assets                                 | 10    | 95             | 167              | 285                     |
| Investments accounted for using the equity method | 15    | 400            | 385              | 344                     |
| <b>Total non-current assets</b>                   |       | <b>488,875</b> | <b>485,547</b>   | <b>489,045</b>          |
| <b>TOTAL ASSETS</b>                               |       | <b>510,961</b> | <b>509,702</b>   | <b>513,523</b>          |
| <b>LIABILITIES</b>                                |       |                |                  |                         |
| <b>Current liabilities</b>                        |       |                |                  |                         |
| Payables  | 11    | 2,038          | 1,775            | 1,769                   |
| Income received in advance                        | 11    | —              | 544              | 150                     |
| Borrowings  | 11    | 795            | 867              | 827                     |
| Provisions  | 12    | 4,446          | 4,438            | 4,579                   |
| <b>Total current liabilities</b>                  |       | <b>7,279</b>   | <b>7,624</b>     | <b>7,325</b>            |
| <b>Non-current liabilities</b>                    |       |                |                  |                         |
| Borrowings  | 11    | 3,870          | 4,777            | 5,645                   |
| Provisions  | 12    | 3,175          | 2,391            | 2,326                   |
| <b>Total non-current liabilities</b>              |       | <b>7,045</b>   | <b>7,168</b>     | <b>7,971</b>            |
| <b>TOTAL LIABILITIES</b>                          |       | <b>14,324</b>  | <b>14,792</b>    | <b>15,296</b>           |
| <b>Net assets</b>                                 |       | <b>496,637</b> | <b>494,910</b>   | <b>498,227</b>          |
| <b>EQUITY</b>                                     |       |                |                  |                         |
| Accumulated surplus                               | 13a   | 408,952        | 408,050          | 405,580                 |
| Revaluation reserves                              | 13a   | 87,685         | 86,860           | 92,647                  |
| <b>Council equity interest</b>                    |       | <b>496,637</b> | <b>494,910</b>   | <b>498,227</b>          |
| <b>Total equity</b>                               |       | <b>496,637</b> | <b>494,910</b>   | <b>498,227</b>          |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# Warrumbungle Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2019

| \$ '000  | Notes | 2019                |                           |                | 2018                |                           |                |
|--|-------|---------------------|---------------------------|----------------|---------------------|---------------------------|----------------|
|  |       | Accumulated surplus | IPP&E revaluation reserve | Total equity   | Accumulated surplus | IPP&E revaluation reserve | Total equity   |
|  |       |                     |                           |                | Restated            | Restated                  | Restated       |
| Opening balance  |       | 404,494             | 86,860                    | 491,354        | 402,631             | 92,647                    | 495,278        |
| Correction of prior period errors                      | 13b   | 3,556               | —                         | 3,556          | 2,949               | —                         | 2,949          |
| <b>Restated opening balance</b>                        |       | <b>408,050</b>      | <b>86,860</b>             | <b>494,910</b> | <b>405,580</b>      | <b>92,647</b>             | <b>498,227</b> |
| Net operating result for the year                      |       | 902                 | —                         | 902            | 1,863               | —                         | 1,863          |
| Correction of prior period errors                      | 13b   | —                   | —                         | —              | 607                 | —                         | 607            |
| <b>Restated net operating result for the period</b>    |       | <b>902</b>          | <b>—</b>                  | <b>902</b>     | <b>2,470</b>        | <b>—</b>                  | <b>2,470</b>   |
| <b>Other comprehensive income</b>                      |       |                     |                           |                |                     |                           |                |
| — Gain (loss) on revaluation of IPP&E                  | 9     | —                   | 825                       | 825            | —                   | (5,849)                   | (5,849)        |
| — Impairment (loss) reversal relating to IPP&E         | 9     | —                   | —                         | —              | —                   | 62                        | 62             |
| <b>Other comprehensive income</b>                      |       | <b>—</b>            | <b>825</b>                | <b>825</b>     | <b>—</b>            | <b>(5,787)</b>            | <b>(5,787)</b> |
| <b>Total comprehensive income</b>                      |       | <b>902</b>          | <b>825</b>                | <b>1,727</b>   | <b>2,470</b>        | <b>(5,787)</b>            | <b>(3,317)</b> |
| <b>Equity – balance at end of the reporting period</b> |       | <b>408,952</b>      | <b>87,685</b>             | <b>496,637</b> | <b>408,050</b>      | <b>86,860</b>             | <b>494,910</b> |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Warrumbungle Shire Council

Financial Statements 2019

## Statement of Cash Flows

for the year ended 30 June 2019

| Original<br>unaudited<br>budget<br>2019     | \$ '000  | Notes | Actual<br>2019 | Actual<br>2018 |
|---|--|-------|----------------|----------------|
| <b>Cash flows from operating activities</b> |  |       |                |                |
| <u>Receipts</u>                             |  |       |                |                |
| 12,778                                      | Rates and annual charges                                     |       | 12,815         | 12,009         |
| 8,400                                       | User charges and fees  |       | 4,986          | 9,501          |
| 461   | Investment and interest revenue received                     |       | 397            | 348            |
| 21,720                                      | Grants and contributions                                     |       | 21,812         | 24,608         |
| –   | Bonds, deposits and retention amounts received               |       | 378            | –              |
| 1,066                                       | Other  |       | 4,553          | 1,851          |
| <u>Payments</u>                             |  |       |                |                |
| (15,663)                                    | Employee benefits and on-costs                               |       | (14,650)       | (16,202)       |
| (5,919)                                     | Materials and contracts                                      |       | (10,137)       | (7,666)        |
| (236)                                       | Borrowing costs  |       | (274)          | (341)          |
| –   | Bonds, deposits and retention amounts refunded               |       | –              | (32)           |
| (8,049)                                     | Other  |       | (4,497)        | (10,438)       |
| 14,558                                      | <b>Net cash provided (or used in) operating activities</b>   | 14b   | 15,383         | 13,638         |
| <b>Cash flows from investing activities</b> |  |       |                |                |
| <u>Receipts</u>                             |  |       |                |                |
| 840   | Sale of infrastructure, property, plant and equipment        |       | 1,303          | 1,005          |
| <u>Payments</u>                             |  |       |                |                |
| –   | Purchase of investment securities                            |       | (1,500)        | (8,500)        |
| (15,257)                                    | Purchase of infrastructure, property, plant and equipment    |       | (15,012)       | (15,119)       |
| –   | Purchase of intangible assets                                |       | (1)            | –              |
| (14,417)                                    | <b>Net cash provided (or used in) investing activities</b>   |       | (15,210)       | (22,614)       |
| <b>Cash flows from financing activities</b> |  |       |                |                |
| <u>Payments</u>                             |  |       |                |                |
| (867)                                       | Repayment of borrowings and advances                         |       | (979)          | (828)          |
| (867)                                       | <b>Net cash flow provided (used in) financing activities</b> |       | (979)          | (828)          |
| (726)                                       | <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | (806)          | (9,804)        |
| 9,307                                       | Plus: cash and cash equivalents – beginning of year          | 14a   | 5,544          | 15,348         |
| 8,581                                       | <b>Cash and cash equivalents – end of the year</b>           | 14a   | 4,738          | 5,544          |
| Additional Information:                     |  |       |                |                |
| 11,500                                      | plus: Investments on hand – end of year                      | 6(b)  | 13,000         | 11,500         |
| 20,081                                      | <b>Total cash, cash equivalents and investments</b>          |       | 17,738         | 17,044         |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 17 October 2019. Council has the power to amend and reissue these financial statements.

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.

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.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

**(a) New and amended standards adopted by Council**

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 13.

**(b) 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 infrastructure, property, plant and equipment and investment property.

**(c) 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 infrastructure, property, plant and equipment – refer Note 9
- (ii) estimated tip remediation provisions – refer Note 12
- (iii) employee benefit provisions – refer Note 12.



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation (continued)

**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 – refer Note 7.

**Monies and other assets received by Council****(a) 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 Consolidated Fund has been included in the Council's financial statements.

Cash and other 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

**(b) 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.

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge

**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 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 that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

**New accounting standards and interpretations issued not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. Council's assessment of the impact of the new standards, and interpretations relevant to them, is set out below:

**AASB 16 Leases***Nature of change in accounting policy*

AASB 16 will result in most of the operating leases of the Council being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments. A corresponding right to use assets will be recognised, which will be amortised over the term of the lease. Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges.

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation (continued)

*Effective date*

Annual reporting periods beginning on or after 1 January 2019; i.e. Council's financial statements for year ended 30 June 2020.

*Expected impact on Council's financial statements*

Council reviewed each of the leases in place along with other contracts which can be potentially treated as leases under new AASB 16. As a result of this review, there will not be any effects on the contracts existing as at June 30 2019.

Council expects that a new contract for lease of the Coonabarabran library building commencing in December 2019 will result in recognition of right-of-use asset (RUA) and lease liability in the amount of \$300 thousand. Following the requirements of lease accounting, as at 30 June 2020, value of RUA will be \$246 thousand, current lease liability will be \$45 thousand and non current lease liability will be \$223 thousand. Since commencement date 1 December 2019 until the end of June 2020, Council will also recognise amortisation of RUA in the amount of \$49 thousand and interest expense in the amount of \$6 thousand.

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

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

Based on comprehensive analysis of council's income streams, the impact of AASB15 is expected to be not material. Majority of income streams subject to requirements of AASB 15 in the next year will have the same treatment as under existing AASB 118 Revenue.

**AASB 1058 Income of NFP Entities**

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions. Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income. It is expected that the main effect of AASB 1058 will be on specific purpose capital grants.

Based on review of majority of existing council's income streams and unspent grant money as at 30 June 2019, council does not expect significant impact on transition date 1 July 2019. In fact, council will have to recognise about \$100k of liability on transition date. The liability represents amount of unsatisfied performance obligation as at 30 June 2019 for uncompleted grants (contracts), income for which will be accounted for under AASB 1058 with income recognised when performance obligation is

## Warrumbungle Shire Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Basis of preparation (continued)

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satisfied. This liability will be settled through recognition of income once performance obligation is satisfied in 2020 financial year.

From 1 July 2019 onwards, accounting for income related to majority of specific purpose capital grants will change with income recognition deferred until performance obligation is satisfied.



## Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| Income, expenses and assets have been directly attributed to the following functions or activities.<br>Details of those functions or activities are provided in Note 2(b). |                                      |                   |  |                   |  |                   |  |                   |   |                   |
|--|--------------------------------------|-------------------|--|-------------------|--|-------------------|--|-------------------|---|-------------------|
|  | Income from<br>continuing operations |                   | Expenses from<br>continuing operations |                   | Operating result from<br>continuing operations |                   | Grants included<br>in income from<br>continuing operations |                   | Total assets held<br>(current and<br>non-current) |                   |
|  | 2019                                 | 2018 <sup>1</sup> | 2019                                   | 2018 <sup>1</sup> | 2019   | 2018 <sup>1</sup> | 2019   | 2018 <sup>1</sup> | 2019  | 2018 <sup>1</sup> |
| <b>Functions or activities</b>   |                                      |                   |  |                   |  |                   |  |                   |   |                   |
| General Revenue  | 15,557                               | 14,947            | —                                      | —                 | 15,557   | 14,947            | 7,337  | 7,033             | 2,299   | 3,485             |
| Executive  | 1,542                                | 3,372             | 3,043                                  | 2,745             | (1,501)  | 627               | —  | —                 | 49  | —                 |
| Technical Services   | 8,859                                | 10,303            | 17,145                                 | 17,005            | (8,286)  | (6,702)           | 5,057  | 7,192             | 365,144   | 367,395           |
| Development Services   | 1,525                                | 1,596             | 3,529                                  | 3,437             | (2,004)  | (1,841)           | 611  | 1,056             | 16,580  | 15,299            |
| Corporate and Community Services   | 6,789                                | 8,522             | 9,497                                  | 12,569            | (2,708)  | (4,047)           | 5,047  | 6,034             | 58,551  | 56,611            |
| Warrumbungle Water   | 4,415                                | 4,008             | 4,149                                  | 4,023             | 266  | (15)              | 1,345  | 1,065             | 43,486  | 43,148            |
| Warrumbungle Sewer   | 1,787                                | 1,591             | 1,860                                  | 1,831             | (73)   | (240)             | 34   | 51                | 22,159  | 21,968            |
| Warrumbungle Waste   | 2,400                                | 2,116             | 2,369                                  | 2,248             | 31   | (132)             | —  | —                 | 456   | 290               |
| Warrumbungle Quarry  | 641                                  | 1,102             | 1,021                                  | 1,229             | (380)  | (127)             | —  | —                 | 2,237   | 1,506             |
| <b>Total functions and activities</b>  | <b>43,515</b>                        | <b>47,557</b>     | <b>42,613</b>                          | <b>45,087</b>     | <b>902</b>                                     | <b>2,470</b>      | <b>19,431</b>  | <b>22,431</b>     | <b>510,961</b>                                    | <b>509,702</b>    |

(1) Values have been restated - refer note 13

## Warrumbungle Shire Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

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Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

**General Revenue**

Includes rates revenue, interest revenue and general grants.

**General Manager**

Includes management and leadership, governance, Cobbora Transition Fund, human resource management, payroll services, WH&S and risk management and learning and development services.

**Technical Services**

Includes technical services management, design services, road operations, fleet services and urban services.

**Development Services**

Includes development services management, regulatory services, property and risk and development and tourism.

**Corporate and Community Services**

Includes corporate services, community and banking agency, bushfire and emergency services, children's and community services.

**Warrumbungle Water**

The core function of Warrumbungle Water is the provision of water supply to connected properties in each town within the Shire.

**Warrumbungle Sewer**

The core function of Warrumbungle Sewer is the collection and treatment of sewage effluent from connected properties in Baradine, Coolah, Coonabarabran and Dunedoo.

**Warrumbungle Waste**

Warrumbungle Waste provides waste services throughout the Warrumbungle Shire as a business arm of Council. The waste services are provided to residential and non-residential customers for both general waste and recycling.

**Warrumbungle Quarry**

Council has entered into a lease agreement with Boral to operate the basalt quarry south of Coonabarabran. The purpose of the operation is to produce aggregates for bitumen sealing and concrete production on a commercial basis.

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

| \$ '000  | 2019          | 2018          |
|--|---------------|---------------|
| <b>(a) Rates and annual charges</b>                |               |               |
| <b>Ordinary rates</b>                              |               |               |
| Residential  | 2,271         | 2,209         |
| Farmland   | 5,080         | 4,977         |
| Business   | 582           | 576           |
| Less: pensioner rebates (mandatory)                | (159)         | (169)         |
| <b>Rates levied to ratepayers</b>                  | <b>7,774</b>  | <b>7,593</b>  |
| Pensioner rate subsidies received                  | 88            | 92            |
| <b>Total ordinary rates</b>                        | <b>7,862</b>  | <b>7,685</b>  |
| <b>Annual charges</b>                              |               |               |
| (pursuant to s.496, s.496A, s.496B, s.501 & s.611) |               |               |
| Domestic waste management services                 | 1,632         | 1,545         |
| Water supply services                              | 1,609         | 1,412         |
| Sewerage services                                  | 1,535         | 1,284         |
| Waste management services (non-domestic)           | 364           | 358           |
| Less: pensioner rebates (mandatory)                | (228)         | (231)         |
| Liquid trade waste                                 | 9             | 9             |
| Stormwater levy                                    | 105           | 106           |
| <b>Annual charges levied</b>                       | <b>5,026</b>  | <b>4,483</b>  |
| Pensioner subsidies received:                      |               |               |
| – Water  | 39            | 39            |
| – Sewerage   | 29            | 28            |
| – Domestic waste management                        | 59            | 58            |
| <b>Total annual charges</b>                        | <b>5,153</b>  | <b>4,608</b>  |
| <b>TOTAL RATES AND ANNUAL CHARGES</b>              | <b>13,015</b> | <b>12,293</b> |

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

**Accounting policy for rates and charges**

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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.



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000   | 2019         | 2018         |
|---|--------------|--------------|
| <b>(b) User charges and fees</b>  |              |              |
| <b>Specific user charges</b>  |              |              |
| (per s.502 - specific 'actual use' charges)                                   |              |              |
| Water supply services   | 1,431        | 1,449        |
| Sewerage services   | 95           | 104          |
| Liquid trade waste  | 40           | 56           |
| <b>Total specific user charges</b>  | <b>1,566</b> | <b>1,609</b> |
| <b>Other user charges and fees</b>  |              |              |
| <b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>  |              |              |
| Building regulation   | 63           | 52           |
| Private works – section 67  | 59           | 146          |
| Registration fees   | 10           | 39           |
| Regulatory fees   | 45           | 32           |
| Section 10.7 certificates (EP&A Act)  | 30           | 29           |
| Section 603 certificates  | 18           | 24           |
| Planning regulation   | 52           | 36           |
| <b>Total fees and charges – statutory/regulatory</b>                          | <b>277</b>   | <b>358</b>   |
| <b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b> |              |              |
| Aged care   | 460          | 239          |
| Cemeteries  | 93           | 116          |
| Child care  | 766          | 1,085        |
| Lease rentals   | 14           | 11           |
| Leaseback fees – Council vehicles   | 62           | 76           |
| Quarry revenues   | 555          | 1,069        |
| RMS (formerly RTA) charges (state roads not controlled by Council)            | 1,587        | 3,515        |
| Swimming centres  | 118          | 120          |
| Tourism   | 63           | 58           |
| Waste disposal tipping fees   | 47           | 29           |
| Other   | 34           | 72           |
| <b>Total fees and charges – other</b>   | <b>3,799</b> | <b>6,390</b> |
| <b>TOTAL USER CHARGES AND FEES</b>  | <b>5,642</b> | <b>8,357</b> |

**Accounting policy for user charges and fees**

User charges and fees are recognised as revenue when the service has been provided.

**(c) Interest and investment revenue (including losses)****Interest on financial assets measured at amortised cost**

|  |            |            |
|--|------------|------------|
| – Overdue rates and annual charges (incl. special purpose rates) | 136        | 97         |
| – Cash and investments   | 313        | 314        |
| <b>Other</b>   | <b>12</b>  | <b>12</b>  |
| <b>TOTAL INTEREST AND INVESTMENT REVENUE</b>                     | <b>461</b> | <b>423</b> |

**Accounting policy for interest and investment revenue**

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

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000   | 2019                | 2018                |
|---|---------------------|---------------------|
| <b>(d) Other revenues</b>                               |                     |                     |
| Rental income – other council properties                | 140                 | 169                 |
| Legal fees recovery – rates and charges (extra charges) | 17                  | 93                  |
| Commissions and agency fees                             | 192                 | 191                 |
| Diesel rebate   | 192                 | 172                 |
| Insurance claims recoveries                             | 15                  | 137                 |
| Recycling income (non-domestic)                         | 71                  | 83                  |
| Container deposit Scheme                                | 310                 | 132                 |
| Gift of TRRRC land                                      | –                   | 147                 |
| Other   | 136                 | 90                  |
| <b><u>TOTAL OTHER REVENUE</u></b>                       | <b><u>1,073</u></b> | <b><u>1,214</u></b> |

**Accounting policy for other revenue**

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.

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

|  | Operating<br>2019 | Operating<br>2018 | Capital<br>2019 | Capital<br>2018<br>Restated |
|--|-------------------|-------------------|-----------------|-----------------------------|
| \$ '000  |                   |                   |                 |                             |
| <b>(e) Grants</b>                                  |                   |                   |                 |                             |
| <b>General purpose (untied)</b>                    |                   |                   |                 |                             |
| <b>Current year allocation</b>                     |                   |                   |                 |                             |
| Financial assistance – general component           | 2,331             | 2,207             | –               | –                           |
| Financial assistance – local roads component       | 1,227             | 1,188             | –               | –                           |
| <b>Payment in advance - future year allocation</b> |                   |                   |                 |                             |
| Financial assistance – general component           | 2,417             | 2,250             | –               | –                           |
| Financial assistance – local roads component       | 1,273             | 1,235             | –               | –                           |
| <b>Other</b>                                       |                   |                   |                 |                             |
| Other grants                                       | 17                | 61                | –               | –                           |
| <b>Total general purpose</b>                       | <b>7,265</b>      | <b>6,941</b>      | <b>–</b>        | <b>–</b>                    |
| <b>Specific purpose</b>                            |                   |                   |                 |                             |
| Aged care  | 677               | 766               | –               | –                           |
| Bushfire and emergency services                    | 479               | 3,649             | 776             | 1,141                       |
| Child care   | 1,289             | 812               | –               | –                           |
| Cobbora transition fund                            | –                 | –                 | (327)           | 3,250                       |
| Drought Communities                                | 72                | –                 | 494             | –                           |
| Economic development                               | 120               | 129               | –               | –                           |
| Employment and training programs                   | 53                | 99                | –               | –                           |
| Heritage and cultural                              | 36                | 23                | –               | –                           |
| Library  | 51                | 58                | –               | –                           |
| LIRS subsidy                                       | 112               | 130               | –               | –                           |
| Recreation and culture                             | 90                | –                 | 589             | 179                         |
| Secure Communities                                 | 266               | 94                | 683             | –                           |
| Sewerage services                                  | –                 | –                 | 34              | 51                          |
| Street lighting                                    | –                 | 23                | –               | –                           |
| Transport (other roads and bridges funding)        | 787               | 106               | 2,190           | 1,515                       |
| Transport (roads to recovery)                      | 2,297             | 2,191             | –               | –                           |
| Other  | 20                | 209               | 33              | –                           |
| Water supplies                                     | 16                | –                 | 1,329           | 1,065                       |
| <b>Total specific purpose</b>                      | <b>6,365</b>      | <b>8,289</b>      | <b>5,801</b>    | <b>7,201</b>                |
| <b>Total grants</b>                                | <b>13,630</b>     | <b>15,230</b>     | <b>5,801</b>    | <b>7,201</b>                |
| <b>Grant revenue is attributable to:</b>           |                   |                   |                 |                             |
| – Commonwealth funding                             | 11,257            | 10,506            | 494             | –                           |
| – State funding                                    | 2,373             | 4,721             | 5,307           | 6,971                       |
| – Other funding                                    | –                 | 3                 | –               | 230                         |
|  | <b>13,630</b>     | <b>15,230</b>     | <b>5,801</b>    | <b>7,201</b>                |



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

|   |       | Operating<br>2019 | Operating<br>2018 | Capital<br>2019 | Capital<br>2018<br>Restated |
|---|-------|-------------------|-------------------|-----------------|-----------------------------|
| \$ '000   | Notes |                   |                   |                 |                             |
| <b>(f) Contributions</b>                                  |       |                   |                   |                 |                             |
| <b>Developer contributions:</b>                           |       |                   |                   |                 |                             |
| <b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b> |       |                   |                   |                 |                             |
| <b>Cash contributions</b>                                 |       |                   |                   |                 |                             |
| S 7.12 – fixed development consent levies                 |       | –                 | –                 | 37              | 39                          |
| <b>Total developer contributions</b>                      | 22    | –                 | –                 | 37              | 39                          |
| <b>Other contributions:</b>                               |       |                   |                   |                 |                             |
| <b>Cash contributions</b>                                 |       |                   |                   |                 |                             |
| RMS contributions (regional roads, block grant)           |       | 2,794             | 2,759             | –               | –                           |
| <b>Total other contributions – cash</b>                   |       | 2,794             | 2,759             | –               | –                           |
| <b>Non-cash contributions</b>                             |       |                   |                   |                 |                             |
| Heritage/cultural (Non-cash)                              |       | –                 | –                 | 48              | –                           |
| <b>Total other contributions – non-cash</b>               |       | –                 | –                 | 48              | –                           |
| <b>Total other contributions</b>                          |       | 2,794             | 2,759             | 48              | –                           |
| <b>Total contributions</b>                                |       | 2,794             | 2,759             | 85              | 39                          |
| <b>TOTAL GRANTS AND CONTRIBUTIONS</b>                     |       | 16,424            | 17,989            | 5,886           | 7,240                       |

**Accounting policy for grants and contributions**

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset 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 below.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*. While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules. A 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.

|         |      |      |
|---------|------|------|
| \$ '000 | 2019 | 2018 |
|---------|------|------|

**(g) Unspent grants and contributions**

**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

**Operating grants**

|   |              |              |
|---|--------------|--------------|
| Unexpended at the close of the previous reporting period                          | 3,050        | 3,461        |
| <b>Add:</b> operating grants recognised in the current period but not yet spent   | 1,556        | 416          |
| <b>Less:</b> operating grants recognised in a previous reporting period now spent | (3,111)      | (827)        |
| <b>Unexpended and held as restricted assets (operating grants)</b>                | <b>1,495</b> | <b>3,050</b> |

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

| \$ '000  | 2019          | 2018          |
|--|---------------|---------------|
| <b>(a) Employee benefits and on-costs</b>                                      |               |               |
| Salaries and wages   | 11,957        | 12,742        |
| Employee termination costs   | –             | 249           |
| Employee leave entitlements (ELE)  | 2,357         | 2,382         |
| Superannuation   | 1,301         | 1,367         |
| Workers' compensation insurance  | 572           | 647           |
| Fringe benefit tax (FBT)   | 60            | 44            |
| Protective clothing  | 80            | 83            |
| <b>Total employee costs</b>  | <b>16,327</b> | <b>17,514</b> |
| Less: capitalised costs  | (1,843)       | (1,571)       |
| <b>TOTAL EMPLOYEE COSTS EXPENSED</b>   | <b>14,484</b> | <b>15,943</b> |
| Number of 'full-time equivalent' employees (FTE) at year end                   | 177           | 175           |
| Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies) | 213           | 204           |

**Accounting policy for employee benefits and on-costs**

Employee benefit expenses are recorded when the service has been provided by the employee.

*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.

*Superannuation 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.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore 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 – refer to Note 17 for more information.

| \$ '000  | Notes | 2019       | 2018       |
|--|-------|------------|------------|
| <b>(b) Borrowing costs</b>                             |       |            |            |
| <b>(i) Interest bearing liability costs</b>            |       |            |            |
| Interest on loans                                      |       | 242        | 277        |
| <b>Total interest bearing liability costs expensed</b> |       | <b>242</b> | <b>277</b> |
| <b>(ii) Other borrowing costs</b>                      |       |            |            |
| Amortisation of discounts and premiums                 |       |            |            |
| – Remediation liabilities                              | 12    | 85         | 58         |
| <b>Total other borrowing costs</b>                     |       | <b>85</b>  | <b>58</b>  |
| <b>TOTAL BORROWING COSTS EXPENSED</b>                  |       | <b>327</b> | <b>335</b> |

**Accounting policy for 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.



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000  | 2019          | 2018          |
|--|---------------|---------------|
| <b>(c) Materials and contracts</b>                             |               |               |
| Raw materials and consumables                                  | 5,312         | 4,895         |
| Contractor and consultancy costs                               | 15,596        | 13,087        |
| Auditors remuneration <sup>2</sup>                             | 48            | 106           |
| <b>Legal expenses:</b>   |               |               |
| – Legal expenses: planning and development                     | 24            | 38            |
| – Legal expenses: debt recovery                                | 33            | 138           |
| – Legal expenses: other  | 785           | 50            |
| <b>Operating leases:</b>                                       |               |               |
| – Operating lease rentals: minimum lease payments <sup>1</sup> | 67            | 90            |
| Other  | 557           | 611           |
| <b>Total materials and contracts</b>                           | <b>22,422</b> | <b>19,015</b> |
| Less: capitalised costs  | (12,398)      | (11,829)      |
| <b>TOTAL MATERIALS AND CONTRACTS</b>                           | <b>10,024</b> | <b>7,186</b>  |

**Accounting policy for operating leases**

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.

**1. Operating lease payments are attributable to:**

|                  |           |           |
|------------------|-----------|-----------|
| Library Building | 60        | 63        |
| Office Equipment | 7         | 27        |
|                  | <b>67</b> | <b>90</b> |

**2. Auditor remuneration**

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

**Auditors of the Council - NSW Auditor-General:****(i) Audit and other assurance services**

|  |           |           |
|--|-----------|-----------|
| Audit and review of financial statements                   | 48        | 65        |
| <b>Remuneration for audit and other assurance services</b> | <b>48</b> | <b>65</b> |
| <b>Total Auditor-General remuneration</b>                  | <b>48</b> | <b>65</b> |

**Non NSW Auditor-General audit firms****(i) Audit and other assurance services**

|  |           |            |
|--|-----------|------------|
| Forensic Audit   | –         | 41         |
| <b>Remuneration for audit and other assurance services</b>       | <b>–</b>  | <b>41</b>  |
| <b>Total remuneration of non NSW Auditor-General audit firms</b> | <b>–</b>  | <b>41</b>  |
| <b>Total Auditor remuneration</b>                                | <b>48</b> | <b>106</b> |



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000   | Notes | 2019                 | 2018<br>Restated     |
|---|-------|----------------------|----------------------|
| <b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>                             |       |                      |                      |
| <b>Depreciation and amortisation</b>  |       |                      |                      |
| Plant and equipment   |       | 2,613                | 2,399                |
| Office equipment  |       | 15                   | 15                   |
| Furniture and fittings  |       | 29                   | 39                   |
| Land improvements (depreciable)   |       | 49                   | 43                   |
| <b>Infrastructure:</b>  |       |                      |                      |
| – Buildings – non-specialised   |       | 555                  | 546                  |
| – Buildings – specialised   |       | 1,337                | 1,328                |
| – Other structures  |       | 639                  | 630                  |
| – Roads   |       | 4,346                | 4,193                |
| – Bridges   |       | 382                  | 361                  |
| – Footpaths   |       | 137                  | 127                  |
| – Stormwater drainage   |       | 110                  | 106                  |
| – Water supply network  |       | 1,316                | 1,217                |
| – Sewerage network  |       | 603                  | 574                  |
| <b>Reinstatement, rehabilitation and restoration assets:</b>  |       |                      |                      |
| – Tip assets  | 9.12  | 15                   | 14                   |
| – Quarry assets   | 9.12  | 48                   | 47                   |
| Intangible assets   | 10    | 73                   | 130                  |
| <b>Total depreciation and amortisation costs</b>  |       | <b>12,267</b>        | <b>11,769</b>        |
| <b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</u></b> |       | <b><u>12,267</u></b> | <b><u>11,769</u></b> |

**Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E****Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

**Impairment of non-financial assets**

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above 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 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.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000  | 2019                | 2018                |
|--|---------------------|---------------------|
| <b>(e) Other expenses</b>  |                     |                     |
| Advertising  | 138                 | 151                 |
| Bad and doubtful debts   | 186                 | 179                 |
| Bank charges   | 47                  | 48                  |
| Conferences  | 55                  | 56                  |
| Contributions/levies to other levels of government                           |                     |                     |
| – Noxious weeds  | 105                 | 103                 |
| – NSW fire brigade levy  | 46                  | 46                  |
| – NSW rural fire service levy  | 584                 | 3,596               |
| Councillor expenses – mayoral fee  | 26                  | 26                  |
| Councillor expenses – councillors' fees                                      | 107                 | 103                 |
| Councillors' expenses (incl. mayor) – other (excluding fees above)           | 26                  | 20                  |
| Donations, contributions and assistance to other organisations (Section 356) | 241                 | 350                 |
| – Regional library contributions   | 577                 | 550                 |
| Electricity and heating  | 660                 | 583                 |
| Insurance  | 775                 | 850                 |
| Postage  | 45                  | 43                  |
| Printing and stationery  | 137                 | 158                 |
| Quarry product cost of goods sold  | 194                 | 311                 |
| Registration and licences  | 430                 | 508                 |
| Training Costs   | 166                 | 137                 |
| Street lighting  | 181                 | 120                 |
| Subscriptions and publications   | 148                 | 141                 |
| Telephone and communications   | 154                 | 172                 |
| Valuation fees   | 108                 | 20                  |
| Other  | 375                 | 382                 |
| <b><u>TOTAL OTHER EXPENSES</u></b>   | <b><u>5,511</u></b> | <b><u>8,653</u></b> |

**Accounting policy for other expenses**

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

## Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

| \$ '000  | Notes | 2019              | 2018                  |
|--|-------|-------------------|-----------------------|
| <b>Plant and equipment</b>   | 9     |                   |                       |
| Proceeds from disposal – plant and equipment                         |       | 1,303             | 1,005                 |
| Less: carrying amount of plant and equipment assets sold/written off |       | (304)             | (650)                 |
| <b>Net gain/(loss) on disposal</b>                                   |       | <b><u>999</u></b> | <b><u>355</u></b>     |
| <b>Infrastructure</b>  | 9     |                   |                       |
| Less: carrying amount of infrastructure assets sold/written off      |       | –                 | (1,556)               |
| <b>Net gain/(loss) on disposal</b>                                   |       | <b><u>–</u></b>   | <b><u>(1,556)</u></b> |
| <b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>                  |       | <b><u>999</u></b> | <b><u>(1,201)</u></b> |

**Accounting policy for disposal of assets**

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement. The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(a). Cash and cash equivalent assets

| \$ '000                                | 2019         | 2018         |
|--|--------------|--------------|
| <b>Cash and cash equivalents</b>       |              |              |
| Cash on hand and at bank               | 1,476        | 362          |
| Cash-equivalent assets                 |              |              |
| – Deposits at call                     | 3,262        | 5,182        |
| <b>Total cash and cash equivalents</b> | <b>4,738</b> | <b>5,544</b> |

**Accounting policy for cash and cash equivalents**

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: 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.

## Note 6(b). Investments

| \$ '000  | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Investments</b>   |                 |                     |                 |                     |
| 'Financial assets at amortised cost' / 'held to maturity' (2018) | 13,000          | –                   | 11,500          | –                   |
| <b>Total Investments</b>   | <b>13,000</b>   | <b>–</b>            | <b>11,500</b>   | <b>–</b>            |
| <b>TOTAL CASH ASSETS, CASH<br/>EQUIVALENTS AND INVESTMENTS</b>   | <b>17,738</b>   | <b>–</b>            | <b>17,044</b>   | <b>–</b>            |
| Long term deposits (>3 months original maturity)                 | 13,000          | –                   | 11,500          | –                   |
| <b>Total</b>   | <b>13,000</b>   | <b>–</b>            | <b>11,500</b>   | <b>–</b>            |

**Investments - Southern Phone Company Limited**

Southern Phone Company Limited (Company) is an unlisted public company which provides fixed line, mobile and Internet communication services in regional Australia. It is owned by 35 local council shareholders, each of whom own an equal share. As a result, council holds 2.9 per cent equity interest in the Company which does not give control or influence over Company's related activities. The redeemable preference share gives council right to receive a formula-based portion of the 80% of the declared dividends.

In 2019 council received dividends from both ordinary and redeemable preference shares in amount of \$12 thousand for the 2018 financial year which was recognised as interest and investment revenue (\$12 thousand received in 2018).

Council did not recognise investments in ordinary and redeemable preference shares due to immateriality. If recognised, the investment in ordinary share would have to be classified as either Fair Value through Other Comprehensive Income or Fair Value through Profit or Loss starting 1 July 2018 (Available for Sale financial asset - before 1 July 2018) at a fair value of \$55.5 thousand as at 30 June 2019 (\$88.1 thousand as at 30 June 2018). Valuation was performed by Ernst & Young in August 2019. Valuation of the redeemable preference share at fair value would mostly be based on the dividends cash flows. Based on Company's advice the industry is undergoing significant disruption with expected loss to be recognised in 2019 financial year. Company does not expect to declare dividends for the 2019 financial year. As a result, council believes the value of redeemable preference share as at 30 June 2019 and 30 June 2018 would be immaterial as well.

**Accounting policy for investments****Accounting policy under AASB 9 – applicable from 1 July 2018**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(b). Investments (continued)

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification**

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

As at 30 June 2019, Council did not have any investments at FVTPL or FVOCI-equity recognised.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and investments in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gain or loss on de-recognition are recognised in profit or loss.

**Accounting policy under AASB 139 – applicable for 2018 comparatives only****Classification**

Council classifies its investments in the following categories: financial assets at fair value through profit or loss; 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. Council did not have any financial assets at fair value through profit and loss at 30 June 2018.

**(a) 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. Assets in this category are measured at amortised cost.

**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. Investments 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.

**Impairment of financial assets**

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.



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000                                      | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Total cash, cash equivalents and investments | 17,738          | –                   | 17,044          | –                   |
| <b>attributable to:</b>                      |                 |                     |                 |                     |
| External restrictions                        | 6,179           | –                   | 8,722           | –                   |
| Internal restrictions                        | 9,491           | –                   | 7,310           | –                   |
| Unrestricted                                 | 2,068           | –                   | 1,012           | –                   |
|  | 17,738          | –                   | 17,044          | –                   |

| \$ '000  | 2019   | 2018   |
|--|--------|--------|
| <b>Details of restrictions</b>                             |        |        |
| <b>External restrictions – included in liabilities</b>     |        |        |
| Trust  | 667    | 293    |
| Emergency Water Grants                                     | –      | 97     |
| Coonabarabran Netball Courts                               | –      | 89     |
| <b>External restrictions – included in liabilities</b>     | 667    | 479    |
| <b>External restrictions – other</b>                       |        |        |
| Developer contributions – general                          | 150    | 123    |
| Developer contributions – water fund                       | 101    | 99     |
| Developer contributions – sewer fund                       | 31     | 30     |
| Specific purpose unexpended grants                         | 1,495  | 2,711  |
| Specific purpose unexpended grants-water fund              | –      | 33     |
| Specific purpose unexpended grants-sewer fund              | –      | 24     |
| Water supplies   | 934    | 2,047  |
| Sewerage services  | 2,764  | 2,657  |
| Domestic waste management                                  | –      | (14)   |
| Stormwater levy  | 37     | 6      |
| Flood Repair Grant   | –      | 503    |
| Other  | –      | 24     |
| <b>External restrictions – other</b>                       | 5,512  | 8,243  |
| <b>Total external restrictions</b>                         | 6,179  | 8,722  |
| <b>Internal restrictions</b>                               |        |        |
| Plant and vehicle replacement (fleet fund)                 | 1,872  | 1,396  |
| Employees leave entitlement                                | 1,401  | 1,400  |
| Carry over works (excl fleet carry overs)                  | 1,946  | 757    |
| FAG's 1st and 2nd qtr. prepayment                          | 3,690  | 3,485  |
| L.E.P.   | –      | 48     |
| Information technology (Software upgrade/telephone system) | 358    | –      |
| Quarry remediation fund                                    | 224    | 224    |
| <b>Total internal restrictions</b>                         | 9,491  | 7,310  |
| <b>TOTAL RESTRICTIONS</b>                                  | 15,670 | 16,032 |



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables

| \$ '000   | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| <b>Purpose</b>                                      |                 |                     |                 |                     |
| Rates and annual charges                            | 1,464           | –                   | 1,060           | –                   |
| Interest and extra charges                          | 298             | –                   | 213             | –                   |
| User charges and fees                               | 903             | –                   | 791             | –                   |
| Accrued revenues                                    |                 |                     |                 |                     |
| – Interest on investments                           | 16              | –                   | 37              | –                   |
| – Other income accruals                             | 171             | –                   | 2,267           | –                   |
| Government grants and subsidies                     | 450             | –                   | –               | –                   |
| Bonds & Deposits                                    | 2               | –                   | –               | 2                   |
| Other debtors                                       | 657             | –                   | 2,081           | –                   |
| <b>Total</b>  | <b>3,961</b>    | <b>–</b>            | <b>6,449</b>    | <b>2</b>            |
| <b>Less: provision of impairment</b>                |                 |                     |                 |                     |
| Rates and annual charges                            | (320)           | –                   | (116)           | –                   |
| Other debtors                                       | (140)           | –                   | (180)           | –                   |
| <b>Total provision for impairment – receivables</b> | <b>(460)</b>    | <b>–</b>            | <b>(296)</b>    | <b>–</b>            |
| <b>TOTAL NET RECEIVABLES</b>                        | <b>3,501</b>    | <b>–</b>            | <b>6,153</b>    | <b>2</b>            |

| \$ '000   | 2019       | 2018       |
|---|------------|------------|
| <b>Movement in provision for impairment of receivables</b>                    |            |            |
| Balance at the beginning of the year (calculated in accordance with AASB 139) | 296        | 219        |
| + new provisions recognised during the year                                   | 164        | 180        |
| – previous impairment losses reversed   | –          | (103)      |
| <b>Balance at the end of the period</b>                                       | <b>460</b> | <b>296</b> |

## Accounting policy for receivables

## Recognition and measurement

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 are classified as non-current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## Impairment

## Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for debtors relating to rates and annual charges, council takes into account that these are secured against the property.

For non-rates debtors (other than amounts due from Government Departments), council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

## Warrumbungle Shire Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 7. Receivables (continued)

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The council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the council in full, without recourse by the council to actions such as realising security (if any is held); or
- the financial assets (for non-rates debtors) are more than 60 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a provision matrix ("loss rate") approach.

#### **Accounting policy under AASB 139 – applicable for 2018 comparatives only**

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.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable 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 the 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 60 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Rates and annual charges outstanding are secured against the property.

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets

| \$ '000                          | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|----------------------------------|-----------------|---------------------|-----------------|---------------------|
| <b>(a) Inventories</b>           |                 |                     |                 |                     |
| <b>(i) Inventories at cost</b>   |                 |                     |                 |                     |
| Real estate for resale           | –               | 299                 | –               | 299                 |
| Stores and materials             | 420             | –                   | 400             | –                   |
| Loose tools                      | 22              | –                   | 22              | –                   |
| Other (quarry product)           | 316             | –                   | 316             | –                   |
| <b>Total inventories at cost</b> | <b>758</b>      | <b>299</b>          | <b>738</b>      | <b>299</b>          |
| <b>TOTAL INVENTORIES</b>         | <b>758</b>      | <b>299</b>          | <b>738</b>      | <b>299</b>          |
| <b>(b) Other assets</b>          |                 |                     |                 |                     |
| Prepayments                      | 89              | –                   | 220             | –                   |
| <b>TOTAL OTHER ASSETS</b>        | <b>89</b>       | <b>–</b>            | <b>220</b>      | <b>–</b>            |

**(i) Other disclosures**

| \$ '000  | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <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>                                 |                 |                     |                 |                     |
| Other properties – book value                          | –               | 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>          |

**Accounting policy for inventories and other assets****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. Costs are assigned to individual items of inventory on the 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.

**Inventory held for distribution**

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

**Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred. Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.



## Warrumbungle Shire Council

Financial Statements 2019

Notes to the Financial Statements  
for the year ended 30 June 2019

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

| \$ '000   | as at 30/6/2018       |                          |                     | Asset movements during the reporting period |                      |                             |                      |               |                           |  | as at 30/6/2019       |                          |                     |
|---|-----------------------|--------------------------|---------------------|---|----------------------|-----------------------------|----------------------|---------------|---------------------------|--|-----------------------|--------------------------|---------------------|
|   | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions renewals <sup>1</sup>             | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Revaluation increments to equity (ARF) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| Capital work in progress  | 8,532                 | —                        | 8,532               | —   | 1,246                | —                           | —                    | (2,655)       | —                         | —                                      | 7,123                 | —                        | 7,123               |
| Plant and equipment <sup>2</sup>                                      | 33,045                | (20,708)                 | 12,337              | 4,233                                       | 102                  | (305)                       | (2,613)              | —             | —                         | —                                      | 34,351                | (20,597)                 | 13,754              |
| Office equipment  | 1,665                 | (1,637)                  | 28                  | 121   | 15                   | —                           | (15)                 | —             | —                         | —                                      | 1,801                 | (1,652)                  | 149                 |
| Furniture and fittings  | 738                   | (643)                    | 95                  | —   | —                    | —                           | (29)                 | —             | (1)                       | —                                      | 737                   | (672)                    | 65                  |
| Land:   |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| — Operational land  | 5,738                 | —                        | 5,738               | —   | —                    | —                           | —                    | —             | 55                        | 8                                      | 5,801                 | —                        | 5,801               |
| — Community land  | 1,485                 | —                        | 1,485               | —   | —                    | —                           | —                    | —             | (56)                      | —                                      | 1,429                 | —                        | 1,429               |
| Land improvements – depreciable                                       | 1,861                 | (357)                    | 1,504               | —   | 11                   | —                           | (49)                 | —             | 1                         | —                                      | 1,873                 | (406)                    | 1,467               |
| Infrastructure:   |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| — Buildings – non-specialised   | 26,127                | (15,064)                 | 11,063              | 107   | —                    | —                           | (555)                | —             | —                         | —                                      | 26,234                | (15,619)                 | 10,615              |
| — Buildings – specialised   | 57,158                | (32,058)                 | 25,100              | 123   | 780                  | —                           | (1,337)              | 128           | (480)                     | —                                      | 57,709                | (33,395)                 | 24,314              |
| — Other structures  | 21,903                | (8,248)                  | 13,655              | 295   | 1,161                | —                           | (639)                | 280           | 480                       | —                                      | 24,119                | (8,887)                  | 15,232              |
| — Roads   | 256,543               | (55,670)                 | 200,873             | 4,037                                       | 281                  | —                           | (4,346)              | 1,137         | —                         | —                                      | 262,003               | (60,021)                 | 201,982             |
| — Bridges   | 56,540                | (3,929)                  | 52,611              | 20  | 571                  | —                           | (382)                | 127           | —                         | —                                      | 57,257                | (4,310)                  | 52,947              |
| — Footpaths   | 6,019                 | (1,891)                  | 4,128               | 71  | 229                  | —                           | (137)                | 216           | —                         | —                                      | 6,535                 | (2,028)                  | 4,507               |
| — Bulk earthworks (non-depreciable)                                   | 88,646                | —                        | 88,646              | —   | —                    | —                           | —                    | —             | (1)                       | —                                      | 88,645                | —                        | 88,645              |
| — Stormwater drainage   | 8,419                 | (3,567)                  | 4,852               | —   | 84                   | —                           | (110)                | 3             | —                         | —                                      | 8,506                 | (3,677)                  | 4,829               |
| — Water supply network  | 67,256                | (30,938)                 | 36,318              | 339   | 241                  | —                           | (1,316)              | 304           | —                         | 560                                    | 69,216                | (32,770)                 | 36,446              |
| — Sewerage network  | 32,946                | (16,350)                 | 16,596              | 190   | 16                   | —                           | (603)                | 460           | —                         | 257                                    | 34,139                | (17,223)                 | 16,916              |
| Other assets:   |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| — Other   | 91                    | (91)                     | —                   | —   | —                    | —                           | —                    | —             | —                         | —                                      | 91                    | (91)                     | —                   |
| Reinstatement, rehabilitation and restoration assets (refer Note 12): |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| — Tip assets  | 359                   | (69)                     | 290                 | —   | 181                  | —                           | (15)                 | —             | —                         | —                                      | 539                   | (83)                     | 456                 |
| — Quarry assets   | 1,335                 | (492)                    | 843                 | —   | 609                  | —                           | (48)                 | —             | —                         | —                                      | 1,944                 | (540)                    | 1,404               |
| Total Infrastructure, property, plant and equipment                   | 676,406               | (191,712)                | 484,694             | 9,536                                       | 5,527                | (305)                       | (12,194)             | —             | (2)                       | 825                                    | 690,052               | (201,971)                | 488,081             |

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

(2) Values have been restated - refer note 13

continued on next page ...

## Warrumbungle Shire Council

Financial Statements 2019

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 9. Infrastructure, property, plant and equipment (continued)

|   | as at 30/06/2017      |                          |                     |           |                      |                             |                      |  |  |  | Asset movements during the reporting period |                           |  |  |                       |                          |                     |  |  |  | as at 30/06/2018 |  |
|---|-----------------------|--------------------------|---------------------|-----------|----------------------|-----------------------------|----------------------|--|--|--|---|---------------------------|--|--|-----------------------|--------------------------|---------------------|--|--|--|------------------|--|
|   | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions | Additions new assets | Carrying value of disposals | Depreciation expense | Impairment losses / revaluation decrements (recognised in P/L) | Impairment losses (recognised in equity) | Impairment reversal (recognised in equity) | WMP transfers                               | Adjustments and transfers | Revaluation decrements to equity (ARR) | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |  |  |  |                  |  |
| \$ '000   |                       |                          |                     |           |                      |                             |                      |  |  |  |   |                           |  |  |                       |                          |                     |  |  |  |                  |  |
| Capital work in progress  | 8,702                 | –                        | 8,702               | 1,298     | 4,646                | –                           | –                    | –  | (48)                                     | –  | (5,902)                                     | (164)                     | –                                      | –                                      | 8,532                 | –                        | 8,532               |  |  |  |                  |  |
| Plant and equipment <sup>2</sup>                                      | 30,966                | (19,817)                 | 11,149              | 1,001     | 3,020                | (650)                       | (2,399)              | –  | –  | –  | 216   | –                         | –                                      | –                                      | 33,045                | (20,708)                 | 12,337              |  |  |  |                  |  |
| Office equipment  | 1,665                 | (1,622)                  | 43                  | –         | –                    | –                           | (15)                 | –  | –  | –  | –   | –                         | –                                      | –                                      | 1,665                 | (1,637)                  | 28                  |  |  |  |                  |  |
| Furniture and fittings  | 737                   | (603)                    | 134                 | –         | –                    | –                           | (39)                 | –  | –  | –  | –   | –                         | –                                      | –                                      | 738                   | (643)                    | 95                  |  |  |  |                  |  |
| Land:   |                       |                          |                     |           |                      |                             |                      |  |  |  |   |                           |  |  |                       |                          |                     |  |  |  |                  |  |
| – Operational land  | 5,523                 | –                        | 5,523               | –         | –                    | –                           | –                    | –  | –  | –  | –   | 55                        | –                                      | 160                                    | 5,738                 | –                        | 5,738               |  |  |  |                  |  |
| – Community land  | 1,393                 | –                        | 1,393               | –         | –                    | –                           | –                    | –  | –  | –  | –   | 92                        | –                                      | –                                      | 1,485                 | –                        | 1,485               |  |  |  |                  |  |
| Land improvements – depreciable                                       | 1,680                 | (314)                    | 1,366               | 5         | 5                    | –                           | (43)                 | –  | –  | –  | 171   | –                         | –                                      | –                                      | 1,861                 | (357)                    | 1,504               |  |  |  |                  |  |
| Infrastructure:   |                       |                          |                     |           |                      |                             |                      |  |  |  |   |                           |  |  |                       |                          |                     |  |  |  |                  |  |
| – Buildings – non-specialised   | 21,308                | (6,225)                  | 15,083              | –         | 39                   | –                           | (546)                | –  | –  | –  | 362   | –                         | (8,294)                                | 4,419                                  | 26,127                | (15,064)                 | 11,063              |  |  |  |                  |  |
| – Buildings – specialised   | 43,287                | (14,010)                 | 29,277              | 40        | 237                  | –                           | (1,328)              | –  | –  | –  | 96  | –                         | (16,720)                               | 13,498                                 | 57,168                | (32,058)                 | 25,100              |  |  |  |                  |  |
| – Other structures  | 21,612                | (7,618)                  | 13,994              | 93        | 116                  | –                           | (630)                | –  | –  | –  | 82  | –                         | –                                      | –                                      | 21,903                | (8,248)                  | 13,655              |  |  |  |                  |  |
| – Roads   | 251,479               | (52,120)                 | 199,359             | 3,377     | 532                  | (944)                       | (4,193)              | (110)  | –  | 110  | 2,632                                       | –                         | –                                      | –                                      | 256,543               | (55,670)                 | 200,873             |  |  |  |                  |  |
| – Bridges   | 54,876                | (3,942)                  | 50,934              | 790       | –                    | (564)                       | (361)                | –  | –  | –  | 1,812                                       | –                         | –                                      | –                                      | 56,540                | (3,929)                  | 52,611              |  |  |  |                  |  |
| – Footpaths   | 5,637                 | (1,790)                  | 3,847               | 94        | 156                  | (48)                        | (127)                | –  | –  | –  | 206   | –                         | –                                      | –                                      | 6,019                 | (1,891)                  | 4,128               |  |  |  |                  |  |
| – Bulk earthworks (non-depreciable)                                   | 88,458                | –                        | 88,458              | 139       | –                    | –                           | –                    | –  | –  | –  | 49  | –                         | –                                      | –                                      | 88,646                | –                        | 88,646              |  |  |  |                  |  |
| – Stormwater drainage   | 8,145                 | (3,460)                  | 4,685               | 14        | 172                  | –                           | (106)                | –  | –  | –  | 87  | –                         | –                                      | –                                      | 8,419                 | (3,567)                  | 4,852               |  |  |  |                  |  |
| – Water supply network  | 65,411                | (29,084)                 | 36,327              | 242       | 36                   | –                           | (1,217)              | –  | –  | –  | 183   | –                         | –                                      | 747                                    | 67,266                | (30,938)                 | 36,318              |  |  |  |                  |  |
| – Sewerage network  | 32,093                | (15,439)                 | 16,654              | 169       | –                    | –                           | (574)                | –  | –  | –  | 6   | –                         | –                                      | 341                                    | 32,946                | (16,350)                 | 16,596              |  |  |  |                  |  |
| – Other infrastructure  | –                     | –                        | –                   | –         | –                    | –                           | –                    | 62   | (62)                                     | –  | –   | –                         | –                                      | –                                      | –                     | –                        | –                   |  |  |  |                  |  |
| Other assets:   |                       |                          |                     |           |                      |                             |                      |  |  |  |   |                           |  |  |                       |                          |                     |  |  |  |                  |  |
| – Other   | 91                    | (91)                     | –                   | –         | –                    | –                           | –                    | –  | –  | –  | –   | –                         | –                                      | –                                      | 91                    | (91)                     | –                   |  |  |  |                  |  |
| Reinstatement, rehabilitation and restoration assets (refer Note 12): |                       |                          |                     |           |                      |                             |                      |  |  |  |   |                           |  |  |                       |                          |                     |  |  |  |                  |  |
| – Tip assets  | 361                   | (54)                     | 307                 | –         | –                    | –                           | (14)                 | –  | –  | –  | –   | (2)                       | –                                      | –                                      | 359                   | (69)                     | 290                 |  |  |  |                  |  |
| – Quarry assets   | 1,327                 | (445)                    | 882                 | –         | –                    | –                           | (47)                 | –  | –  | –  | –   | 8                         | –                                      | –                                      | 1,335                 | (492)                    | 843                 |  |  |  |                  |  |
| Total Infrastructure, property, plant and equipment                   | 644,751               | (156,634)                | 488,117             | 7,262     | 8,959                | (2,206)                     | (11,639)             | (48)   | (110)                                    | 110  | –   | (11)                      | (25,014)                               | 19,165                                 | 676,406               | (191,712)                | 484,694             |  |  |  |                  |  |

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

(2) Values have been restated - refer note 13

continued on next page ...



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Infrastructure, property, plant and equipment (continued)

**Accounting policy for infrastructure, property, plant and equipment**

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

Increases in the carrying amounts arising on revaluation are credited to the 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.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. 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 the Council will obtain ownership at the end of the lease term. 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:

| <b>Plant and equipment</b>        | <b>Years</b> | <b>Other equipment</b>             | <b>Years</b> |
|-----------------------------------|--------------|------------------------------------|--------------|
| Office equipment                  | 5 to 20      | Playground equipment               | 5 to 15      |
| Office furniture                  | 7 to 33      | Benches, seats etc.                | 10 to 20     |
| Computer equipment                | 4 to 5       |                                    |              |
| Vehicles                          | 5 to 8       | <b>Buildings</b>                   |              |
| Heavy plant/road making equipment | 7 to 20      | Buildings: masonry                 | 30 to 90     |
| Other plant and equipment         | 5 to 30      | Buildings: other                   | 15 to 90     |
| <b>Water and sewer assets</b>     |              | <b>Stormwater assets</b>           |              |
| Dams and reservoirs               | 15 to 200    | Drains                             | 67 to 87     |
| Bores                             | 20 to 60     | Culverts                           | 90 to 115    |
| Reticulation pipes                | 40 to 80     |                                    |              |
| Pumps and telemetry               | 10 to 80     |                                    |              |
| Treatment plants                  | 15 to 80     |                                    |              |
| <b>Transportation assets</b>      |              | <b>Other infrastructure assets</b> |              |
| Sealed roads: surface             | 20           | Bulk earthworks                    | Nil          |
| Sealed roads: structure           | 35 to 80     | Other structures                   | 10 to 70     |
| Unsealed roads                    | 30 to 60     | Aerodromes                         | 10 to 60     |
| Bridges: concrete                 | 135 to 180   |                                    |              |
| Bridges: other                    | 100 to 170   | <b>Land improvements</b>           |              |
| Road pavements                    | 35 to 80     | Land improvements                  | 5 to 50      |
| Kerb, gutter and footpaths        | 25 to 155    |                                    |              |

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

**Land under roads**

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

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

## Warrumbungle Shire Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 9. Infrastructure, property, plant and equipment (continued)

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

##### **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.

##### **Rural Fire Service assets**

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting 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 firefighting equipment has been purchased or constructed".

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Intangible assets

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

## Intangible assets are as follows:

## Opening values at 1 July

|   |            |            |
|---|------------|------------|
| Gross book value                        | 710        | 697        |
| Accumulated amortisation                | (543)      | (412)      |
| <b>Net book value – opening balance</b> | <b>167</b> | <b>285</b> |

## Movements for the year

|                        |      |       |
|------------------------|------|-------|
| – Development costs    | –    | 13    |
| – Amortisation charges | (73) | (131) |

## Closing values at 30 June

|                          |       |       |
|--------------------------|-------|-------|
| Gross book value         | 710   | 710   |
| Accumulated amortisation | (615) | (543) |

**TOTAL INTANGIBLE ASSETS – NET BOOK VALUE**

|           |            |
|-----------|------------|
| <b>95</b> | <b>167</b> |
|-----------|------------|

## The net book value of intangible assets represents:

|            |           |            |
|------------|-----------|------------|
| – Software | 95        | 167        |
|            | <b>95</b> | <b>167</b> |

## Accounting policy for 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.

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings

| \$ '000   | 2019<br>Current     | 2019<br>Non-current | 2018<br>Current     | 2018<br>Non-current |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Payables</b>                                 |                     |                     |                     |                     |
| Goods and services                              | 556                 | —                   | 649                 | —                   |
| Accrued expenses:                               |                     |                     |                     |                     |
| — Borrowings                                    | 10                  | —                   | 42                  | —                   |
| — Salaries and wages                            | —                   | —                   | 82                  | —                   |
| — Other expenditure accruals                    | 728                 | —                   | 630                 | —                   |
| Security bonds, deposits and retentions         | 728                 | —                   | 350                 | —                   |
| Other   | 16                  | —                   | 22                  | —                   |
| <b>Total payables</b>                           | <b>2,038</b>        | <b>—</b>            | <b>1,775</b>        | <b>—</b>            |
| <b>Income received in advance</b>               |                     |                     |                     |                     |
| Payments received in advance                    | —                   | —                   | 544                 | —                   |
| <b>Total income received in advance</b>         | <b>—</b>            | <b>—</b>            | <b>544</b>          | <b>—</b>            |
| <b>Borrowings</b>                               |                     |                     |                     |                     |
| Loans – secured <sup>1</sup>                    | 795                 | 3,870               | 867                 | 4,777               |
| <b>Total borrowings</b>                         | <b>795</b>          | <b>3,870</b>        | <b>867</b>          | <b>4,777</b>        |
| <b><u>TOTAL PAYABLES AND<br/>BORROWINGS</u></b> | <b><u>2,833</u></b> | <b><u>3,870</u></b> | <b><u>3,186</u></b> | <b><u>4,777</u></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 18.

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

**(a) Current payables and borrowings 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.

|  |          |           |
|--|----------|-----------|
| Payables – security bonds, deposits and retentions | —        | 37        |
| <b>Total payables and borrowings</b>               | <b>—</b> | <b>37</b> |



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

## (b) Changes in liabilities arising from financing activities

|                 | as at<br>30/6/2018 |              |                          |                                   |                                | as at<br>30/6/2019 |
|-----------------|--------------------|--------------|--------------------------|-----------------------------------|--------------------------------|--------------------|
| \$ '000         | Opening<br>Balance | Cash flows   | Non-cash<br>acquisitions | Non-cash<br>fair value<br>changes | Other<br>non-cash<br>movements | Closing<br>balance |
| Loans – secured | 5,644              | (979)        | –                        | –                                 | –                              | 4,665              |
| <b>TOTAL</b>    | <b>5,644</b>       | <b>(979)</b> | <b>–</b>                 | <b>–</b>                          | <b>–</b>                       | <b>4,665</b>       |

|                 | as at<br>30/6/2017 |              |                          |                                   |                                | as at<br>30/6/2018 |
|-----------------|--------------------|--------------|--------------------------|-----------------------------------|--------------------------------|--------------------|
| \$ '000         | Opening<br>Balance | Cash flows   | Non-cash<br>acquisitions | Non-cash<br>fair value<br>changes | Other<br>non-cash<br>movements | Closing<br>balance |
| Loans – secured | 6,472              | (828)        | –                        | –                                 | –                              | 5,644              |
| <b>TOTAL</b>    | <b>6,472</b>       | <b>(828)</b> | <b>–</b>                 | <b>–</b>                          | <b>–</b>                       | <b>5,644</b>       |

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

## (c) Financing arrangements

## (i) Unrestricted access was available at balance date to the following lines of credit:

|  |            |            |
|--|------------|------------|
| Bank overdraft facilities <sup>1</sup> | 500        | 500        |
| Credit cards/purchase cards            | 79         | 79         |
| <b>Total financing arrangements</b>    | <b>579</b> | <b>579</b> |

## Drawn facilities as at balance date:

|   |           |           |
|---|-----------|-----------|
| – Credit cards/purchase cards             | 39        | 19        |
| <b>Total drawn financing arrangements</b> | <b>39</b> | <b>19</b> |

## Undrawn facilities as at balance date:

|   |            |            |
|---|------------|------------|
| – Bank overdraft facilities                 | 500        | 500        |
| – Credit cards/purchase cards               | 40         | 60         |
| <b>Total undrawn financing arrangements</b> | <b>540</b> | <b>560</b> |

## Additional financing arrangements information

## Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.



## Warrumbungle Shire Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 11. Payables and borrowings (continued)

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##### **Accounting policy for payables and borrowings**

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans.

##### **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.

##### **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 drawdown occurs. To the extent that 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

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions

| \$ '000  | 2019<br>Current     | 2019<br>Non-current | 2018<br>Current     | 2018<br>Non-current |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>Provisions</b>                                |                     |                     |                     |                     |
| <b>Employee benefits</b>                         |                     |                     |                     |                     |
| Annual leave                                     | 1,430               | —                   | 1,420               | —                   |
| Long service leave                               | 2,619               | —                   | 2,561               | 79                  |
| Other leave                                      | 71                  | —                   | 112                 | —                   |
| ELE on-costs                                     | 326                 | —                   | 345                 | 13                  |
| <b>Sub-total – aggregate employee benefits</b>   | <b>4,446</b>        | <b>—</b>            | <b>4,438</b>        | <b>92</b>           |
| <b>Asset remediation/restoration:</b>            |                     |                     |                     |                     |
| Asset remediation/restoration (future works)     | —                   | 3,175               | —                   | 2,299               |
| <b>Sub-total – asset remediation/restoration</b> | <b>—</b>            | <b>3,175</b>        | <b>—</b>            | <b>2,299</b>        |
| <b><u>TOTAL PROVISIONS</u></b>                   | <b><u>4,446</u></b> | <b><u>3,175</u></b> | <b><u>4,438</u></b> | <b><u>2,391</u></b> |

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

**(a) Current provisions not anticipated to be settled within the next twelve months**

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

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Provisions – employees benefits | 3,035        | 3,091        |
|                                 | <u>3,035</u> | <u>3,091</u> |

**(b) Description of and movements in provisions**

| \$ '000                                 | Other provisions     |              |
|---|----------------------|--------------|
|   | Asset<br>remediation | Total        |
| <b>2019</b>                             |                      |              |
| At beginning of year                    | 2,299                | 2,299        |
| Remeasurement effects                   | 791                  | 791          |
| Unwinding of discount                   | 85                   | 85           |
| Total other provisions at end of period | <u>3,175</u>         | <u>3,175</u> |
| <b>2018</b>                             |                      |              |
| At beginning of year                    | 2,236                | 2,236        |
| Additional provisions                   | 58                   | 58           |
| Remeasurement effects                   | 5                    | 5            |
| Total other provisions at end of period | <u>2,299</u>         | <u>2,299</u> |

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions (continued)

**Nature and purpose of non-employee benefit provisions****Asset remediation**

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tips and private gravel quarries it has used.

**Accounting policy for 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.

**Employee benefits****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.

**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.

**On-costs**

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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.

**Provisions for close-down and restoration, and 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



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions (continued)

the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

**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.

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.

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.

**Self-insurance**

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

## (a) 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.

## (b) Correction of errors relating to a previous reporting period

**Nature of prior-period error**

Council had not previously recognised rural fire-fighting equipment and vehicles used by the Rural Fire Service as Council assets. The impact of recognising these assets resulted in an increase of \$3.7 million to Infrastructure, Property, Plant and Equipment assets within the Statement of Financial Position at 30 June 2019.

As a result of this recognition, income from capital grants and depreciation have also changed in the income statement for 2018. The error identified above has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through accumulated surplus at that date of \$2.9 million. Comparative figures have also been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

**Changes to the opening Statement of Financial Position at 1 July 2017****Statement of Financial Position**

| \$ '000                                      | Original<br>Balance<br>1 July, 2017 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>1 July, 2017 |
|--|-------------------------------------|-----------------------------------|-------------------------------------|
| Infrastructure, Property Plant and Equipment | 485,168                             | 2,949                             | 488,117                             |
| <b>Total assets</b>                          | <b>510,574</b>                      | <b>2,949</b>                      | <b>513,523</b>                      |
| <b>Total liabilities</b>                     | <b>15,296</b>                       | <b>—</b>                          | <b>15,296</b>                       |
| Accumulated Surplus                          | 402,631                             | 2,949                             | 405,580                             |
| Revaluation Reserve                          | 92,647                              | —                                 | 92,647                              |
| <b>Total equity</b>                          | <b>495,278</b>                      | <b>2,949</b>                      | <b>498,227</b>                      |

**Adjustments to the comparative figures for the year ended 30 June 2018****Statement of Financial Position**

| \$ '000                                     | Original<br>Balance<br>30 June, 2018 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>30 June, 2018 |
|---|--------------------------------------|-----------------------------------|--------------------------------------|
| Infrastructure Property Plant and Equipment | 481,138                              | 3,556                             | 484,694                              |
| <b>Total assets</b>                         | <b>506,146</b>                       | <b>3,556</b>                      | <b>509,702</b>                       |
| <b>Total liabilities</b>                    | <b>14,792</b>                        | <b>—</b>                          | <b>14,792</b>                        |
| Accumulated Surplus                         | 404,494                              | 3,556                             | 408,050                              |
| Revaluation Reserves                        | 86,860                               | —                                 | 86,860                               |
| <b>Total equity</b>                         | <b>491,354</b>                       | <b>3,556</b>                      | <b>494,910</b>                       |



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

## Income Statement

| \$ '000  | Original<br>Balance<br>30 June, 2018 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>30 June, 2018 |
|--|--------------------------------------|-----------------------------------|--------------------------------------|
| Grants and contributions provided for capital purposes | 6,285                                | 955                               | 7,240                                |
| <b>Total income from continuing operations</b>         | <b>46,602</b>                        | <b>955</b>                        | <b>47,557</b>                        |
| Depreciation and amortisation                          | 11,421                               | 348                               | 11,769                               |
| <b>Total expenses from continuing operations</b>       | <b>44,739</b>                        | <b>348</b>                        | <b>45,087</b>                        |
| <b>Net operating result for the year</b>               | <b>1,863</b>                         | <b>607</b>                        | <b>2,470</b>                         |

## Statement of Comprehensive Income

| \$ '000  | Original<br>Balance<br>30 June, 2018 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>30 June, 2018 |
|--|--------------------------------------|-----------------------------------|--------------------------------------|
| <b>Net operating result for the year</b>       | <b>1,863</b>                         | <b>607</b>                        | <b>2,470</b>                         |
| <b>Total comprehensive income for the year</b> | <b>1,863</b>                         | <b>607</b>                        | <b>2,470</b>                         |

## (c) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

## Classification of financial assets

The financial assets of Council have been reclassified into the measured at amortised cost category on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics.

## Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

**Transition Adjustment**

Application of the new Expected Credit Loss model to impairment of trade receivables under AASB 9 did not result in a materially different amount of bad debt provision for trade receivables on transition date at 1 July 2018. Council, therefore, decided not to recognise extra amounts of bad debt provision on transition.

**Classification of financial assets and financial liabilities**

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

*Financial Assets*

| Financial assets  | Classification under AASB 139 | Classification under AASB 9 | Carrying amount under AASB 139 | Re-measurement | Carrying amount under AASB 9 |
|---|-------------------------------|-----------------------------|--------------------------------|----------------|------------------------------|
|   |                               |                             | \$'000                         | \$'000         | \$'000                       |
| Cash and cash equivalents                                 | Cost                          | Cost                        | 5,544                          | -              | 5,544                        |
| Investments (Term deposits (i))                           | Held to maturity              | Amortised cost              | 11,500                         | -              | 11,500                       |
| Trade and other receivables                               | Loans and receivables         | Amortised cost              | 6,153                          | -              | 6,153                        |
| <b>Total financial assets under AASB 9 at 1 July 2018</b> |                               |                             | <b>23,197</b>                  | <b>-</b>       | <b>23,197</b>                |

*Financial Liabilities*

| Financial liability  | Classification under AASB 139 | Classification under AASB 9 | Carrying amount under AASB 139 | Re-measurement | Carrying amount under AASB 9 |
|--|-------------------------------|-----------------------------|--------------------------------|----------------|------------------------------|
|  |                               |                             | \$'000                         | \$'000         | \$'000                       |
| Payables   | Amortised cost                | Amortised cost              | 1,775                          | -              | 1,775                        |
| Borrowings   | Amortised cost                | Amortised cost              | 5,644                          | -              | 5,644                        |
| <b>Total financial liabilities under AASB 9 at 1 July 2018</b> |                               |                             | <b>7,419</b>                   | <b>-</b>       | <b>7,419</b>                 |

Notes to the table:

- *Reclassification from 'held to maturity' to 'amortised cost'*

Term deposits that would previously have been classified as 'held to maturity' are now classified as 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Statement of cash flows - additional information

| \$ '000   | Notes | 2019          | 2018          |
|---|-------|---------------|---------------|
| <b>(a) Reconciliation of cash assets</b>  |       |               |               |
| Total cash and cash equivalent assets   | 6(a)  | 4,738         | 5,544         |
| <b>Balance as per the Statement of Cash Flows</b>   |       | <b>4,738</b>  | <b>5,544</b>  |
| <b>(b) Reconciliation of net operating result to cash provided from operating activities</b>  |       |               |               |
| <b>Net operating result from Income Statement</b>   |       | 902           | 2,470         |
| <b>Adjust for non-cash items:</b>   |       |               |               |
| Depreciation and amortisation   |       | 12,267        | 11,421        |
| Net losses/(gains) on disposal of assets  |       | (999)         | 1,201         |
| Non-cash capital grants and contributions   |       | (48)          | (147)         |
| Unwinding of discount rates on reinstatement provisions                                       |       | 85            | —             |
| Share of net (profits)/losses of associates/joint ventures using the equity method            |       | (15)          | (41)          |
| <b>+/- Movement in operating assets and liabilities and other cash items:</b>                 |       |               |               |
| Decrease/(increase) in receivables  |       | 2,490         | (1,192)       |
| Increase/(decrease) in provision for impairment of receivables                                |       | 164           | 77            |
| Decrease/(increase) in inventories  |       | (20)          | 173           |
| Decrease/(increase) in other current assets   |       | 131           | (41)          |
| Increase/(decrease) in payables   |       | (93)          | 66            |
| Increase/(decrease) in accrued interest payable   |       | (32)          | (6)           |
| Increase/(decrease) in other accrued expenses payable   |       | 16            | (28)          |
| Increase/(decrease) in other liabilities  |       | (172)         | 368           |
| Increase/(decrease) in provision for employee benefits  |       | (84)          | (139)         |
| Increase/(decrease) in other provisions   |       | 791           | 63            |
| <b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b> |       | <b>15,383</b> | <b>14,245</b> |
| <b>(c) Non-cash investing and financing activities</b>  |       |               |               |
| Asset contributions   |       | 48            | 147           |
| <b>Total non-cash investing and financing activities</b>                                      |       | <b>48</b>     | <b>147</b>    |



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Interests in other entities

| \$ '000        | Council's share of net income |           | Council's share of net assets |            |
|----------------|-------------------------------|-----------|-------------------------------|------------|
|                | 2019                          | 2018      | 2019                          | 2018       |
| Joint ventures | 15                            | 41        | 400                           | 385        |
| <b>Total</b>   | <b>15</b>                     | <b>41</b> | <b>400</b>                    | <b>385</b> |

## Joint arrangements

## (i) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

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

| \$ '000   | Nature of relationship | Measurement method | 2019       | 2018       |
|---|------------------------|--------------------|------------|------------|
|   |                        |                    |            |            |
| Macquarie Regional Library                              | Joint venture          | Equity             | 400        | 385        |
| <b>Total carrying amounts – material joint ventures</b> |                        |                    | <b>400</b> | <b>385</b> |

## (b) Details

| Principal activity         |                            | Place of business   |
|----------------------------|----------------------------|---|
| Macquarie Regional Library | Community library services | Dubbo, Coolah, Dunedoo, Coonabarabran, Narromine and Wellington |

## (c) Relevant interests and fair values

| \$ '000                    | Interest in outputs |       | Interest in ownership |       | Proportion of voting power |       |
|----------------------------|---------------------|-------|-----------------------|-------|----------------------------|-------|
|                            | 2019                | 2018  | 2019                  | 2018  | 2019                       | 2018  |
| Macquarie Regional Library | 20.1%               | 19.0% | 20.1%                 | 19.0% | 25.0%                      | 25.0% |



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Interests in other entities (continued)

| \$ '000   | Macquarie Regional Library |              |
|---|----------------------------|--------------|
|   | 2019                       | 2018         |
| <b>(d) Summarised financial information for joint ventures</b>                        |                            |              |
| <b>Statement of financial position</b>  |                            |              |
| <b>Current assets</b>   |                            |              |
| Cash and cash equivalents   | 1,598                      | 1,930        |
| Other current assets  | 19                         | 32           |
| <b>Non-current assets</b>   | 1,246                      | 1,128        |
| <b>Current liabilities</b>  |                            |              |
| Other current liabilities   | 690                        | 1,009        |
| <b>Non-current liabilities</b>  |                            |              |
| Non-current financial liabilities (excluding trade and other payables and provisions) | 49                         | 32           |
| <b>Net assets</b>   | <b>2,124</b>               | <b>2,049</b> |
| <b>Reconciliation of the carrying amount</b>  |                            |              |
| Opening net assets (1 July)   | 2,049                      | 1,829        |
| Profit/(loss) for the period  | 75                         | 220          |
| <b>Closing net assets</b>   | <b>2,124</b>               | <b>2,049</b> |
| <b>Council's share of net assets (%)</b>  | 20.1%                      | 18.8%        |
| <b>Council's share of net assets (\$)</b>   | 426                        | 384          |
| <b>Statement of comprehensive income</b>  |                            |              |
| Income  | 2,962                      | 2,666        |
| Interest income   | 45                         | 45           |
| Depreciation and amortisation   | (340)                      | (331)        |
| Other expenses  | (2,593)                    | (2,160)      |
| <b>Profit/(loss) from continuing operations</b>                                       | <b>74</b>                  | <b>220</b>   |
| <b>Profit/(loss) for the period</b>   | <b>74</b>                  | <b>220</b>   |
| <b>Total comprehensive income</b>   | <b>74</b>                  | <b>220</b>   |
| <b>Share of income – Council (%)</b>  | 20.1%                      | 18.8%        |
| <b>Profit/(loss) – Council (\$)</b>   | 15                         | 41           |
| <b>Total comprehensive income – Council (\$)</b>                                      | 15                         | 41           |

**Reconciliation**

Reconciliation of carrying amount of interest in joint venture to summarised financial information for individually material joint ventures accounted for using the equity method.

|   | Current year end \$'000 | Prior year end \$'000 |
|---|-------------------------|-----------------------|
| Share of 20.1% (18.8%) of net assets                  | 426                     | 384                   |
| Adjustment to share                                   | 26                      | 0                     |
| Carrying amount                                       | 400                     | 384                   |
| Fair value of investment (if there is a quoted price) | 426                     | 384                   |

## Warrumbungle Shire Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 15. Interests in other entities (continued)

##### **Accounting policy for joint arrangements**

The council has determined that it has joint ventures only.

##### ***Joint ventures:***

Interests in joint ventures are accounted for using the equity method in accordance with *AASB128 Investments in 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 joint venture 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 purposes of the consolidated financial statements.

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Commitments

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

**(a) Capital commitments (exclusive of GST)**

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

**Property, plant and equipment**

|                          |              |              |
|--------------------------|--------------|--------------|
| Land and buildings       | 236          | 5,537        |
| Plant and equipment      | 201          | 1,503        |
| Bridges                  | —            | 359          |
| Infrastructure           | 765          | 259          |
| <b>Total commitments</b> | <b>1,202</b> | <b>7,658</b> |

**These expenditures are payable as follows:**

|                      |              |              |
|----------------------|--------------|--------------|
| Within the next year | 1,202        | 7,658        |
| <b>Total payable</b> | <b>1,202</b> | <b>7,658</b> |

**(b) Operating lease commitments (non-cancellable)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

|  |           |            |
|--|-----------|------------|
| Within the next year                                     | 22        | 151        |
| Later than one year and not later than 5 years           | —         | 22         |
| <b>Total non-cancellable operating lease commitments</b> | <b>22</b> | <b>173</b> |

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

Council had leased computer servers, photocopy machines and a library building in Coonabarabran. A new lease for office equipment has not been negotiated.



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Contingencies and other assets/liabilities not recognised

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 is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

*Description of the funding arrangements.*

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

|            |                                   |
|------------|-----------------------------------|
| Division B | 1.9 times employee contributions  |
| Division C | 2.5% salaries                     |
| Division D | 1.64 times employee contributions |

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

*Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan*

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 141,767.28 The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018 and covers the period ended 30 June 2019.



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Contingencies and other assets/liabilities not recognised (continued)

Council's expected contribution to the plan for the next annual reporting period is \$130,291.36.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

| Employer reserves only * | \$millions | Asset Coverage |
|--------------------------|------------|----------------|
| Assets                   | 1,798.7    |                |
| Past Service Liabilities | 1,784.2    | 100.8%         |
| Vested Benefits 100.4    | 1,792.0    | 100.4%         |

\* excluding member accounts and reserves in both assets and liabilities.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$169,400 as at 30 June 2019.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

|                   |                 |
|-------------------|-----------------|
| Investment return | 5.75% per annum |
| Salary inflation  | 3.5% per annum  |
| Increase in CPI   | 2.5% per annum  |

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

**(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

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Contingencies and other assets/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) 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.

**(iii) Potential Liability relating to the TRRRC development**

Council received funding from State and Federal governments to construct the Three Rivers Regional Retirement Community (TRRRC). After tendering the project, Council engaged a contractor to undertake the construction of the facility. The contract with the contractor was terminated on 2 August 2018 due to default of contract. The contractor has listed the matter for consideration through the Supreme Court, which is being defended by Council. This action may lead to a future liability which at this stage is unable to be determined. Council has resolved to prefer an option to demolish all partially completed units, and seek permission from the two funding bodies to utilise remaining funding for site infrastructure and civil works relating to the project in possible readiness for construction of a smaller number of units if future funding is forthcoming.

**ASSETS NOT RECOGNISED****(i) 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

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management

## 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.

| \$ '000  | Carrying value<br>2019 | Carrying value<br>2018 | Fair value<br>2019 | Fair value<br>2018 |
|--|------------------------|------------------------|--------------------|--------------------|
| <b>Financial assets</b>  |                        |                        |                    |                    |
| <b>Measured at amortised cost</b>                                  |                        |                        |                    |                    |
| Cash and cash equivalents  | 4,738                  | 5,544                  | 10,738             | 5,544              |
| Receivables  | 3,501                  | 6,155                  | 3,501              | 6,155              |
| Investments  |                        |                        |                    |                    |
| – 'Financial assets at amortised cost' / 'held to maturity' (2018) | 13,000                 | 11,500                 | 7,000              | 11,500             |
| <b>Total financial assets</b>                                      | <b>21,239</b>          | <b>23,199</b>          | <b>21,239</b>      | <b>23,199</b>      |
| <b>Financial liabilities</b>                                       |                        |                        |                    |                    |
| Payables   | 2,038                  | 1,775                  | 2,038              | 1,775              |
| Loans/advances   | 4,665                  | 5,644                  | 4,665              | 5,644              |
| <b>Total financial liabilities</b>                                 | <b>6,703</b>           | <b>7,419</b>           | <b>6,703</b>       | <b>7,419</b>       |

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

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 625. 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 as required by Local Government regulations.

The risks associated with the instruments 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.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

- **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 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 impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

| \$ '000  | Increase of values/rates |        | Decrease of values/rates |        |
|--|--------------------------|--------|--------------------------|--------|
|  | Profit                   | Equity | Profit                   | Equity |
| <b>2019</b>  |                          |        |                          |        |
| Possible impact of a 1% movement in interest rates | 177                      | 177    | (177)                    | (177)  |
| <b>2018</b>  |                          |        |                          |        |
| Possible impact of a 1% movement in interest rates | 170                      | 170    | (170)                    | (170)  |



## Warrumbungle Shire Council

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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

## (b) Credit risk

Council's major receivables comprise rates and annual charges and other receivables. The latter comprises of accrued income for government grants, user charges and fees, interest and extra charges, other debtors.

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 policies.

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

Council makes suitable provision for doubtful receivables as required based on the lifetime expected credit loss at each reporting date.

A profile of Council's receivables credit risk at the reporting date follows.

## Credit risk profile

## Receivables – rates and annual charges

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.

| \$ '000               | Not yet<br>overdue | < 1 year<br>overdue | 1 - 2 years<br>overdue | 2 - 5 years<br>overdue | > 5 years<br>overdue | Total |
|-----------------------|--------------------|---------------------|------------------------|------------------------|----------------------|-------|
| <b>2019</b>           |                    |                     |                        |                        |                      |       |
| Gross carrying amount | –                  | 1,274               | 190                    | –                      | –                    | 1,464 |
| <b>2018</b>           |                    |                     |                        |                        |                      |       |
| Gross carrying amount | –                  | 1,060               | –                      | –                      | –                    | 1,060 |

## Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate the result of a provision matrix which considers historical credit loss experience.

| \$ '000                | Not yet<br>overdue | 0 - 30 days<br>overdue | 31 - 60 days<br>overdue | 61 - 90 days<br>overdue | > 91 days<br>overdue | Total      |
|------------------------|--------------------|------------------------|-------------------------|-------------------------|----------------------|------------|
| <b>2019</b>            |                    |                        |                         |                         |                      |            |
| Gross carrying amount  | 1,851              | 90                     | 297                     | 18                      | 241                  | 2,497      |
| Expected loss rate (%) | 1.00%              | 5.00%                  | 10.00%                  | 20.00%                  | 34.00%               | 5.54%      |
| <b>ECL provision</b>   | <b>19</b>          | <b>5</b>               | <b>30</b>               | <b>4</b>                | <b>82</b>            | <b>140</b> |
| <b>2018</b>            |                    |                        |                         |                         |                      |            |
| Gross carrying amount  | 3,186              | 1,308                  | 51                      | 649                     | 197                  | 5,391      |
| Expected loss rate (%) | 0.50%              | 1.10%                  | 5.00%                   | 8.00%                   | 48.00%               | 3.33%      |
| <b>ECL provision</b>   | <b>16</b>          | <b>14</b>              | <b>3</b>                | <b>52</b>               | <b>95</b>            | <b>180</b> |

## Warrumbungle Shire Council

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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

## (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.

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 diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

| \$ '000                            | Weighted<br>average<br>interest<br>rate | Subject<br>to no<br>maturity | ≤ 1 Year     | payable in:<br>1 - 5<br>Years | > 5 Years    | Total cash<br>outflows | Actual<br>carrying<br>values |
|------------------------------------|---|------------------------------|--------------|-------------------------------|--------------|------------------------|------------------------------|
| <b>2019</b>                        |   |                              |              |                               |              |                        |                              |
| Trade/other payables               | 0.00%                                   | 728                          | 1,310        | –                             | –            | 2,038                  | 2,038                        |
| Loans and advances                 | 4.70%                                   | –                            | 795          | 3,396                         | 474          | 4,665                  | 4,665                        |
| <b>Total financial liabilities</b> |   | <b>728</b>                   | <b>2,105</b> | <b>3,396</b>                  | <b>474</b>   | <b>6,703</b>           | <b>6,703</b>                 |
| <b>2018</b>                        |   |                              |              |                               |              |                        |                              |
| Trade/other payables               | 0.00%                                   | 350                          | 1,425        | –                             | –            | 1,775                  | 1,775                        |
| Loans and advances                 | 4.70%                                   | –                            | 1,103        | 3,484                         | 1,057        | 5,644                  | 5,644                        |
| <b>Total financial liabilities</b> |   | <b>350</b>                   | <b>2,528</b> | <b>3,484</b>                  | <b>1,057</b> | <b>7,419</b>           | <b>7,419</b>                 |

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 21/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements 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.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

**Variation Key:** **F** = Favourable budget variation, **U** = Unfavourable budget variation.

| \$ '000  | 2019<br>Budget | 2019<br>Actual | 2019<br>----- Variance ----- |                |
|--|----------------|----------------|------------------------------|----------------|
| <b>REVENUES</b>  |                |                |                              |                |
| Rates and annual charges                                     | 12,778         | 13,015         | 237                          | 2% <b>F</b>    |
| User charges and fees  | 8,401          | 5,642          | (2,759)                      | (33)% <b>U</b> |
| \$222k Family Day Care Service put on hold for twelve months |                |                |                              |                |
| \$1,524k RMCC Contact work orders down                       |                |                |                              |                |
| \$522k Quarry income down                                    |                |                |                              |                |
| \$125k Waste Transfer income down                            |                |                |                              |                |
| Interest and investment revenue                              | 460            | 461            | 1                            | 0% <b>F</b>    |
| Other revenues   | 1,097          | 1,073          | (24)                         | (2)% <b>U</b>  |
| Operating grants and contributions                           | 17,871         | 16,424         | (1,447)                      | (8)% <b>U</b>  |
| Capital grants and contributions                             | 3,849          | 5,886          | 2,037                        | 53% <b>F</b>   |
| Major variation for capital grants for Bushfire equipment    |                |                |                              |                |
| Net gains from disposal of assets                            | 240            | 999            | 759                          | 316% <b>F</b>  |
| Better sales values realised than anticipated                |                |                |                              |                |
| Joint ventures and associates – net profits                  | –              | 15             | 15                           | ∞ <b>F</b>     |

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Material budget variations

| \$ '000  | 2019<br>Budget | 2019<br>Actual | 2019<br>----- Variance ----- |                |
|--|----------------|----------------|------------------------------|----------------|
| <b>EXPENSES</b>  |                |                |                              |                |
| Employee benefits and on-costs   | 15,664         | 14,484         | 1,180                        | 8% <b>F</b>    |
| Borrowing costs  | 236            | 327            | (91)                         | (39)% <b>U</b> |
| Original Budget missed a loan.   |                |                |                              |                |
| Materials and contracts  | 5,949          | 10,024         | (4,075)                      | (68)% <b>U</b> |
| Major variation due to TRRRC, capital work in progress impairment of \$3.47m |                |                |                              |                |
| Depreciation and amortisation  | 11,688         | 12,267         | (579)                        | (5)% <b>U</b>  |
| Other expenses   | 8,049          | 5,511          | 2,538                        | 32% <b>F</b>   |
| \$2,608k RFS Budget overstated as only Mow Creek Station capitalised         |                |                |                              |                |
| \$138k Communications IT exp down  |                |                |                              |                |
| \$110k Insurances on Buildings down  |                |                |                              |                |
| \$204k up - provision for debts not prev allowed                             |                |                |                              |                |

## STATEMENT OF CASH FLOWS

|   |          |          |       |              |
|---|----------|----------|-------|--------------|
| Net cash provided from (used in) operating activities   | 14,558   | 15,383   | 825   | 6% <b>F</b>  |
| The key variations are the same as those for other expenses above.  |          |          |       |              |
| Net cash provided from (used in) investing activities   | (14,417) | (15,210) | (793) | 6% <b>U</b>  |
| Unexpended grants from the prior year resulted in increased capital expenditure of over \$2.5M                  |          |          |       |              |
| Net cash provided from (used in) financing activities   | (867)    | (979)    | (112) | 13% <b>U</b> |
| As per details above the missed loan repayment in the budget resulted in the variation to financing activities. |          |          |       |              |



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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) Assets and liabilities that have been measured and recognised at fair values

| 2019   | Notes | Fair value measurement hierarchy |                                      |                                       |   | Total          |
|--|-------|----------------------------------|--------------------------------------|---------------------------------------|---|----------------|
|  |       | Date of latest valuation         | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs |                |
| <b>Recurring fair value measurements</b>                   |       |                                  |                                      |                                       |   |                |
| <b>Infrastructure, property, plant and equipment</b>       |       |                                  |                                      |                                       |   |                |
|  | 9     |                                  |                                      |                                       |   |                |
| Plant and equipment  |       | 30/06/19                         | —                                    | —                                     | 13,754                                  | 13,754         |
| Office equipment   |       | 30/06/19                         | —                                    | —                                     | 149                                     | 149            |
| Furniture and fittings                                     |       | 30/06/19                         | —                                    | —                                     | 65                                      | 65             |
| Land – Community   |       | 30/06/16                         | —                                    | 74                                    | 1,355                                   | 1,429          |
| Land – Operational   |       | 30/06/18                         | —                                    | 2,721                                 | 3,080                                   | 5,801          |
| Land improvements – depreciable                            |       | 30/06/16                         | —                                    | —                                     | 1,467                                   | 1,467          |
| Buildings  |       | 30/06/18                         | —                                    | —                                     | 34,929                                  | 34,929         |
| Other structures   |       | 30/06/16                         | —                                    | —                                     | 15,232                                  | 15,232         |
| Roads  |       | 30/06/15                         | —                                    | —                                     | 201,982                                 | 201,982        |
| Bridges  |       | 30/06/15                         | —                                    | —                                     | 52,947                                  | 52,947         |
| Footpaths  |       | 30/06/15                         | —                                    | —                                     | 4,507                                   | 4,507          |
| Bulk earthworks  |       | 30/06/15                         | —                                    | —                                     | 88,645                                  | 88,645         |
| Stormwater drainage  |       | 30/06/15                         | —                                    | —                                     | 4,829                                   | 4,829          |
| Water supply network                                       |       | 30/06/17                         | —                                    | —                                     | 36,446                                  | 36,446         |
| Sewerage network   |       | 30/06/17                         | —                                    | —                                     | 16,916                                  | 16,916         |
| Tip assets   |       | 30/06/19                         | —                                    | —                                     | 456                                     | 456            |
| Quarry assets  |       | 30/06/19                         | —                                    | —                                     | 1,404                                   | 1,404          |
| <b>Total infrastructure, property, plant and equipment</b> |       |                                  | <b>—</b>                             | <b>2,795</b>                          | <b>478,163</b>                          | <b>480,958</b> |

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

| 2018  | Notes | Fair value measurement hierarchy |                                      |                                       |   | Total Restated |
|---|-------|----------------------------------|--------------------------------------|---------------------------------------|---|----------------|
|   |       | Date of latest valuation         | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobserv-able inputs Restated |                |
| Recurring fair value measurements                   |       |                                  |                                      |                                       |   |                |
| Infrastructure, property, plant and equipment       | 9     |                                  |                                      |                                       |   |                |
| Plant and equipment                                 |       | 30/06/18                         | —                                    | —                                     | 12,337  | 12,337         |
| Office equipment                                    |       | 30/06/18                         | —                                    | —                                     | 28  | 28             |
| Furniture and fittings                              |       | 30/06/18                         | —                                    | —                                     | 95  | 95             |
| Land – Community                                    |       | 30/06/16                         | —                                    | 74                                    | 1,411   | 1,485          |
| Land – Operational                                  |       | 30/06/18                         | —                                    | 2,721                                 | 3,017   | 5,738          |
| Land improvements – depreciable                     |       | 30/06/16                         | —                                    | —                                     | 1,505   | 1,505          |
| Buildings   |       | 30/06/18                         | —                                    | —                                     | 36,164  | 36,164         |
| Other structures                                    |       | 30/06/16                         | —                                    | —                                     | 13,655  | 13,655         |
| Roads   |       | 30/06/15                         | —                                    | —                                     | 200,873   | 200,873        |
| Bridges   |       | 30/06/15                         | —                                    | —                                     | 52,611  | 52,611         |
| Footpaths   |       | 30/06/15                         | —                                    | —                                     | 4,128   | 4,128          |
| Bulk earthworks                                     |       | 30/06/15                         | —                                    | —                                     | 88,645  | 88,645         |
| Stormwater drainage                                 |       | 30/06/15                         | —                                    | —                                     | 4,852   | 4,852          |
| Water supply network                                |       | 30/06/17                         | —                                    | —                                     | 36,316  | 36,316         |
| Sewerage network                                    |       | 30/06/17                         | —                                    | —                                     | 16,596  | 16,596         |
| Tip assets  |       | 30/06/14                         | —                                    | —                                     | 289   | 289            |
| Quarry assets                                       |       | 30/06/14                         | —                                    | —                                     | 843   | 843            |
| Total infrastructure, property, plant and equipment |       |                                  | —                                    | 2,795                                 | 473,365   | 476,160        |

Note that capital WIP is not included above since it is carried at cost.

## (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.

## (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 (ie. 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 (IPP&E)**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



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

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 9.

Operational and community land

Land has been valued at market value, having regard to the "highest and best use", after identifying elements that would be taken into account by buyers and sellers in settling the price. These elements include: land description and dimensions, planning and other constraints on development and the potential for alternative use. Operational land has been valued by Assetval in 2017/18 using a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs). For community land, some are valued by Assetval in 2017/18 using observable inputs (level 2 inputs) while the majority is previously 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 Assetval in 2017/18). Buildings assets are componentised into Super structure, Sub structure, Finishes, Fittings and Services. Each component is assigned a 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

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

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

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

| \$ '000                                 | Restated<br>Plant and<br>equipment | Office<br>equipment | Furniture and<br>fittings | Land         | Land imp –<br>depreciable |
|---|------------------------------------|---------------------|---------------------------|--------------|---------------------------|
| <b>2018</b>                             |                                    |                     |                           |              |                           |
| <b>Opening balance</b>                  | 11,149                             | 43                  | 134                       | 6,916        | 1,366                     |
| Purchases (GBV)                         | 4,237                              | –                   | –                         | –            | 182                       |
| Disposals (WDV)                         | (650)                              | –                   | –                         | –            | –                         |
| Depreciation and impairment             | (2,399)                            | (15)                | (39)                      | –            | (43)                      |
| FV gains – other comprehensive income   | –                                  | –                   | –                         | 147          | –                         |
| Revaluation increment                   | –                                  | –                   | –                         | 160          | –                         |
| Transfers from level 3 to level 2       | –                                  | –                   | –                         | (2,795)      | –                         |
| <b>Closing balance</b>                  | <b>12,337</b>                      | <b>28</b>           | <b>95</b>                 | <b>4,428</b> | <b>1,505</b>              |
| <b>2019</b>                             |                                    |                     |                           |              |                           |
| <b>Opening balance</b>                  | 12,337                             | 28                  | 95                        | 4,428        | 1,505                     |
| Transfers from/(to) another asset class | –                                  | –                   | (1)                       | –            | –                         |
| Purchases (GBV)                         | 4,335                              | 136                 | –                         | –            | 11                        |
| Disposals (WDV)                         | (305)                              | –                   | –                         | –            | –                         |
| Depreciation and impairment             | (2,613)                            | (15)                | (29)                      | –            | (49)                      |
| Revaluation increment                   | –                                  | –                   | –                         | 8            | –                         |
| <b>Closing balance</b>                  | <b>13,754</b>                      | <b>149</b>          | <b>65</b>                 | <b>4,436</b> | <b>1,467</b>              |

| \$ '000                                 | Buildings     | Other<br>structures | Roads          | Bridges       | Footpaths    |
|---|---------------|---------------------|----------------|---------------|--------------|
| <b>2018</b>                             |               |                     |                |               |              |
| <b>Opening balance</b>                  | 44,360        | 13,994              | 199,360        | 50,934        | 3,847        |
| Purchases (GBV)                         | 774           | 291                 | 6,541          | 2,602         | 456          |
| Disposals (WDV)                         | –             | –                   | (944)          | (564)         | (48)         |
| Depreciation and impairment             | (1,874)       | (630)               | (4,193)        | (361)         | (127)        |
| Revaluation increment                   | 17,917        | –                   | –              | –             | –            |
| Revaluation decrement                   | (25,015)      | –                   | –              | –             | –            |
| Impairment                              | –             | –                   | 109            | –             | –            |
| <b>Closing balance</b>                  | <b>36,162</b> | <b>13,655</b>       | <b>200,873</b> | <b>52,611</b> | <b>4,128</b> |
| <b>2019</b>                             |               |                     |                |               |              |
| <b>Opening balance</b>                  | 36,162        | 13,655              | 200,873        | 52,611        | 4,128        |
| Transfers from/(to) another asset class | (352)         | 760                 | 1,137          | 127           | 216          |
| Purchases (GBV)                         | 1,011         | 1,456               | 4,318          | 591           | 300          |
| Depreciation and impairment             | (1,892)       | (639)               | (4,346)        | (382)         | (137)        |
| <b>Closing balance</b>                  | <b>34,929</b> | <b>15,232</b>       | <b>201,982</b> | <b>52,947</b> | <b>4,507</b> |



## Warrumbungle Shire Council

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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

| \$ '000                                 | Bulk earthworks | Stormwater drainage | Water supply network | Sewerage network | Tip asset  |
|---|-----------------|---------------------|----------------------|------------------|------------|
| <b>2018</b>                             |                 |                     |                      |                  |            |
| <b>Opening balance</b>                  | 88,458          | 4,685               | 36,327               | 16,654           | 307        |
| Transfers from/(to) another asset class | —               | —                   | 183                  | 6                | —          |
| Purchases (GBV)                         | 187             | 272                 | 278                  | 169              | —          |
| Depreciation and impairment             | —               | (106)               | (1,217)              | (574)            | (15)       |
| Revaluation increment                   | —               | —                   | 747                  | 341              | —          |
| Remediation adjustment                  | —               | —                   | —                    | —                | (2)        |
| <b>Closing balance</b>                  | <b>88,645</b>   | <b>4,851</b>        | <b>36,318</b>        | <b>16,596</b>    | <b>290</b> |
| <b>2019</b>                             |                 |                     |                      |                  |            |
| <b>Opening balance</b>                  | 88,645          | 4,851               | 36,318               | 16,596           | 290        |
| Transfers from/(to) another asset class | —               | 3                   | 304                  | 460              | —          |
| Purchases (GBV)                         | —               | 85                  | 580                  | 206              | 181        |
| Depreciation and impairment             | —               | (110)               | (1,316)              | (603)            | (15)       |
| Revaluation increment                   | —               | —                   | 560                  | 257              | —          |
| <b>Closing balance</b>                  | <b>88,645</b>   | <b>4,829</b>        | <b>36,446</b>        | <b>16,916</b>    | <b>456</b> |

| \$ '000                                 | Quarry asset | Total           |
|---|--------------|-----------------|
| <b>2018</b>                             |              |                 |
| <b>Opening balance</b>                  | 882          | <b>479,416</b>  |
| Transfers from/(to) another asset class | —            | <b>189</b>      |
| Purchases (GBV)                         | —            | <b>15,989</b>   |
| Disposals (WDV)                         | —            | <b>(2,206)</b>  |
| Depreciation and impairment             | (48)         | <b>(11,641)</b> |
| FV gains – other comprehensive income   | —            | <b>147</b>      |
| Revaluation increment                   | —            | <b>19,165</b>   |
| Revaluation decrement                   | —            | <b>(25,015)</b> |
| Transfers from level 3 to level 2       | —            | <b>(2,795)</b>  |
| Impairment                              | —            | <b>109</b>      |
| Remediation adjustment                  | 9            | <b>7</b>        |
| <b>Closing balance</b>                  | <b>843</b>   | <b>473,365</b>  |
| <b>2019</b>                             |              |                 |
| <b>Opening balance</b>                  | 843          | <b>473,365</b>  |
| Transfers from/(to) another asset class | —            | <b>2,654</b>    |
| Purchases (GBV)                         | 609          | <b>13,819</b>   |
| Disposals (WDV)                         | —            | <b>(305)</b>    |
| Depreciation and impairment             | (48)         | <b>(12,194)</b> |
| Revaluation increment                   | —            | <b>825</b>      |
| <b>Closing balance</b>                  | <b>1,404</b> | <b>478,164</b>  |

**b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:**

No transfers were made during the year.

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

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

|  | Valuation technique/s                        | Unobservable inputs   |
|--|--|---|
| <b>c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.</b> |  |   |
| <b>Infrastructure, property, plant and equipment</b>   |  |   |
| Plant and equipment  | Cost approach                                | * Gross Replacement Cost (purchase price)<br>* Remaining Useful Life              |
| Office equipment   | Cost approach                                | * Gross Replacement Cost (purchase price)<br>* Remaining Useful Life              |
| Furniture and fittings   | Cost approach                                | * Gross Replacement Cost (purchase price)<br>* Remaining Useful Life              |
| Operational land   | Market approach                              | * Similar local property prices<br>* Alternative use                              |
| Community land   | Market approach                              | * Unimproved capital value from Valuer General                                    |
| Land improvements (depreciable)  | Cost approach (depreciated replacement cost) | * Gross Replacement Cost<br>* Asset Condition<br>* Remaining Useful Life          |
| Buildings  | Cost approach (depreciated replacement cost) | * Gross Replacement Cost<br>* Asset Condition<br>* Remaining Useful Life          |
| Other structures   | Cost approach (depreciated replacement cost) | * Gross Replacement Cost<br>* Asset Condition<br>* Remaining Useful Life          |
| Roads  | Cost approach (depreciated replacement cost) | * Gross Replacement Cost<br>* Asset Condition<br>* Remaining Useful Life          |
| Bridges  | Cost approach (depreciated replacement cost) | * Gross Replacement Cost<br>* Asset Condition<br>* Remaining Useful Life          |
| Footpaths  | Cost approach (depreciated replacement cost) | * Gross Replacement Cost<br>* Asset Condition<br>* Remaining Useful Life          |
| Bulk earthworks  | Cost approach (replacement cost)             | * Gross Replacement Cost  |
| Stormwater drainage  | Cost approach (depreciated replacement cost) | * Gross Replacement Cost<br>* Asset Condition<br>* Remaining Useful Life          |
| Water supply network   | Cost approach (depreciated replacement cost) | * Gross Replacement Cost<br>* Asset Condition<br>* Remaining Useful Life          |
| Sewer supply network   | Cost approach (depreciated replacement cost) | * Gross Replacement Cost<br>* Asset Condition<br>* Remaining Useful Life          |
| Other  | Cost approach                                | * Asset Condition<br>* 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

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 20. Fair Value Measurement (continued)

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##### **d. The valuation process for level 3 fair value measurements**

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

The process by council determines is through:

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

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

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

## Warrumbungle Shire Council

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 21. Related Party Transactions

##### (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:

| \$ '000              | 2019       | 2018         |
|----------------------|------------|--------------|
| <b>Compensation:</b> |            |              |
| Short-term benefits  | 846        | 1,150        |
| Superannuation       | 61         | 87           |
| <b>Total</b>         | <b>907</b> | <b>1,237</b> |

##### (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.

There are no other disclosures to be made by KMP.



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Statement of developer contributions

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

## Summary of contributions and levies

| \$ '000  | as at 30/6/2018 |  | Contributions received during the year |          | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | as at 30/6/2019          |  |
|--|-----------------|--|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
|  | Opening Balance |  | Cash                                   | Non-cash |                         |                         |                              | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| Roads  | 5               |  | -                                      | -        | -                       | -                       | -                            | 5                        | -  |
| Open space                                       | 7               |  | -                                      | -        | -                       | -                       | -                            | 7                        | -  |
| Community facilities                             | 6               |  | -                                      | -        | -                       | -                       | -                            | 6                        | -  |
| Other  | 2               |  | -                                      | -        | -                       | -                       | -                            | 2                        | -  |
| Bushfire   | 12              |  | -                                      | -        | -                       | -                       | -                            | 12                       | -  |
| <b>S7.11 contributions – under a plan</b>        | <b>32</b>       |  | <b>-</b>                               | <b>-</b> | <b>-</b>                | <b>-</b>                | <b>-</b>                     | <b>32</b>                | <b>-</b>                                     |
| <b>Total S7.11 and S7.12 revenue under plans</b> | <b>32</b>       |  | <b>-</b>                               | <b>-</b> | <b>-</b>                | <b>-</b>                | <b>-</b>                     | <b>32</b>                | <b>-</b>                                     |
| S7.11 not under plans                            | 91              |  | 37                                     | -        | 2                       | (12)                    | -                            | 118                      | -  |
| S64 contributions                                | 129             |  | -                                      | -        | 3                       | -                       | -                            | 132                      | -  |
| <b>Total contributions</b>                       | <b>252</b>      |  | <b>37</b>                              | <b>-</b> | <b>5</b>                | <b>(12)</b>             | <b>-</b>                     | <b>282</b>               | <b>-</b>                                     |

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## Warrumbungle Shire Council

Financial Statements 2019

Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 22. Statement of developer contributions (continued)

|   | as at 30/6/2018 |  |          |                         |                         | as at 30/6/2019              |                          |  |
|---|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
|   |                 | 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) |
|   | Opening Balance | Cash                                   | Non-cash |                         |                         |                              |                          |  |
| <b>S7.11 Contributions – under a plan</b>             |                 |  |          |                         |                         |                              |                          |  |
| <b>CONTRIBUTION PLAN – WARRUMBUNGLE SHIRE COUNCIL</b> |                 |  |          |                         |                         |                              |                          |  |
| Roads   | 5               | –                                      | –        | –                       | –                       | –                            | 5                        | –  |
| Open space  | 7               | –                                      | –        | –                       | –                       | –                            | 7                        | –  |
| Community facilities                                  | 6               | –                                      | –        | –                       | –                       | –                            | 6                        | –  |
| Bushfire  | 12              | –                                      | –        | –                       | –                       | –                            | 12                       | –  |
| Other   | 2               | –                                      | –        | –                       | –                       | –                            | 2                        | –  |
| Total   | 32              | –                                      | –        | –                       | –                       | –                            | 32                       | –  |
| <b>S7.11 Contributions – not under a plan</b>         |                 |  |          |                         |                         |                              |                          |  |
| <b>CONTRIBUTIONS – NOT UNDER A PLAN</b>               |                 |  |          |                         |                         |                              |                          |  |
| Other   | 91              | 37                                     | –        | 2                       | (12)                    | –                            | 118                      | –  |
| Total   | 91              | 37                                     | –        | 2                       | (12)                    | –                            | 118                      | –  |
| <b>S64 contributions</b>                              |                 |  |          |                         |                         |                              |                          |  |
| <b>S64 Contributions</b>                              |                 |  |          |                         |                         |                              |                          |  |
| Water   | 98              | –                                      | –        | 3                       | –                       | –                            | 101                      | –  |
| Sewer   | 31              | –                                      | –        | –                       | –                       | –                            | 31                       | –  |
| Total   | 129             | –                                      | –        | 3                       | –                       | –                            | 132                      | –  |

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Financial result and financial position by fund

| \$ '000  | General <sup>1</sup><br>2019 | Water<br>2019  | Sewer<br>2019 |
|--|------------------------------|----------------|---------------|
| <b>Income Statement by fund</b>  |                              |                |               |
| <b>Income from continuing operations</b>   |                              |                |               |
| Rates and annual charges   | 9,991                        | 1,539          | 1,485         |
| User charges and fees  | 4,063                        | 1,436          | 143           |
| Interest and investment revenue  | 324                          | 46             | 91            |
| Other revenues   | 1,058                        | 10             | 5             |
| Grants and contributions provided for operating purposes   | 16,340                       | 55             | 29            |
| Grants and contributions provided for capital purposes   | 4,523                        | 1,329          | 34            |
| <b>Other income</b>  |                              |                |               |
| Net gains from disposal of assets  | 999                          | —              | —             |
| Share of interests in joint ventures and associates using the equity method                            | 15                           | —              | —             |
| <b>Total income from continuing operations</b>   | <b>37,313</b>                | <b>4,415</b>   | <b>1,787</b>  |
| <b>Expenses from continuing operations</b>   |                              |                |               |
| Employee benefits and on-costs   | 12,965                       | 1,006          | 513           |
| Borrowing costs  | 299                          | 28             | —             |
| Materials and contracts  | 9,243                        | 670            | 111           |
| Depreciation and amortisation  | 10,241                       | 1,389          | 637           |
| Other expenses   | 3,856                        | 1,056          | 599           |
| <b>Total expenses from continuing operations</b>   | <b>36,604</b>                | <b>4,149</b>   | <b>1,860</b>  |
| <b>Operating result from continuing operations</b>   | <b>709</b>                   | <b>266</b>     | <b>(73)</b>   |
| <b>Net operating result for the year</b>   | <b>709</b>                   | <b>266</b>     | <b>(73)</b>   |
| <b>Net operating result attributable to each council fund</b>  | <b>709</b>                   | <b>266</b>     | <b>(73)</b>   |
| <b>Net operating result for the year before grants and contributions provided for capital purposes</b> | <b>(3,814)</b>               | <b>(1,063)</b> | <b>(107)</b>  |

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

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

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Financial result and financial position by fund (continued)

| \$ '000   | General <sup>1</sup><br>2019 | Water<br>2019 | Sewer<br>2019 |
|---|------------------------------|---------------|---------------|
| <b>Statement of Financial Position by fund</b>    |                              |               |               |
| <b>ASSETS</b>                                     |                              |               |               |
| <b>Current assets</b>                             |                              |               |               |
| Cash and cash equivalents                         | 907                          | 1,036         | 2,795         |
| Investments                                       | 13,000                       | —             | —             |
| Receivables                                       | 2,034                        | 1,064         | 574           |
| Inventories                                       | 752                          | 6             | —             |
| Other   | 89                           | —             | —             |
| <b>Total current assets</b>                       | <b>16,782</b>                | <b>2,106</b>  | <b>3,369</b>  |
| <b>Non-current assets</b>                         |                              |               |               |
| Receivables                                       | —                            | —             | 1,059         |
| Inventories                                       | 299                          | —             | —             |
| Infrastructure, property, plant and equipment     | 428,970                      | 41,380        | 17,731        |
| Investments accounted for using the equity method | 400                          | —             | —             |
| Intangible assets                                 | 95                           | —             | —             |
| <b>Total non-current assets</b>                   | <b>429,764</b>               | <b>41,380</b> | <b>18,790</b> |
| <b>TOTAL ASSETS</b>                               | <b>446,546</b>               | <b>43,486</b> | <b>22,159</b> |
| <b>LIABILITIES</b>                                |                              |               |               |
| <b>Current liabilities</b>                        |                              |               |               |
| Payables  | 2,033                        | 5             | —             |
| Borrowings  | 880                          | 86            | —             |
| Provisions  | 4,175                        | 190           | 81            |
| <b>Total current liabilities</b>                  | <b>7,088</b>                 | <b>281</b>    | <b>81</b>     |
| <b>Non-current liabilities</b>                    |                              |               |               |
| Borrowings  | 4,563                        | 366           | —             |
| Provisions  | 3,175                        | —             | —             |
| <b>Total non-current liabilities</b>              | <b>7,738</b>                 | <b>366</b>    | <b>—</b>      |
| <b>TOTAL LIABILITIES</b>                          | <b>14,826</b>                | <b>647</b>    | <b>81</b>     |
| <b>Net assets</b>                                 | <b>431,720</b>               | <b>42,839</b> | <b>22,078</b> |
| <b>EQUITY</b>                                     |                              |               |               |
| Accumulated surplus                               | 377,098                      | 20,463        | 11,391        |
| Revaluation reserves                              | 54,622                       | 22,376        | 10,687        |
| <b>Council equity interest</b>                    | <b>431,720</b>               | <b>42,839</b> | <b>22,078</b> |
| <b>Total equity</b>                               | <b>431,720</b>               | <b>42,839</b> | <b>22,078</b> |

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Financial result and financial position by fund (continued)

## Details of individual internal loans for the year ended 30 June 2019

(in accordance with s410(3) of the *Local Government Act 1993*)

| Details of individual internal loans              | Internal Loan 1  |
|---|------------------|
| Borrower (by purpose)                             | General Fund     |
| Lender (by purpose)                               | Sewer Fund       |
| Date of minister's approval                       | 23/12/2012       |
| Date raised                                       | 01/07/2012       |
| Term (years)                                      | 10               |
| Dates of maturity                                 | 30/6/2021        |
| Rate of interest                                  | 5.8%             |
| Amount originally raised                          | 1,500,000        |
| Total repaid during year (principal and interest) | 37,000           |
| <b>Principal outstanding at end of year</b>       | <b>1,229,877</b> |

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24(a). Statement of performance measures – consolidated results

| \$ '000  | Amounts<br>2019 | Indicator<br>2019 | Prior periods<br>2018      2017 |           | Benchmark  |
|--|-----------------|-------------------|---------------------------------|-----------|------------|
| <b>1. Operating performance ratio</b>  |                 |                   |                                 |           |            |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | (5,998)         | (16.38)%          | (8.96)%                         | 2.04%     | >0.00%     |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | 36,615          |                   |                                 |           |            |
| <b>2. Own source operating revenue ratio</b>   |                 |                   |                                 |           |            |
| Total continuing operating revenue excluding all grants and contributions <sup>1</sup>                               | 19,976          | 47.00%            | 46.45%                          | 46.46%    | >60.00%    |
| Total continuing operating revenue <sup>1</sup>  | 42,501          |                   |                                 |           |            |
| <b>3. Unrestricted current ratio</b>   |                 |                   |                                 |           |            |
| Current assets less all external restrictions  | 14,049          | 4.37x             | 4.05x                           | 4.64x     | >1.50x     |
| Current liabilities less specific purpose liabilities  | 3,215           |                   |                                 |           |            |
| <b>4. Debt service cover ratio</b>   |                 |                   |                                 |           |            |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | 6,596           | 5.05x             | 7.30x                           | 9.87x     | >2.00x     |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               | 1,306           |                   |                                 |           |            |
| <b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>                                   |                 |                   |                                 |           |            |
| Rates, annual and extra charges outstanding  | 1,442           | 10.22%            | 8.69%                           | 7.91%     | <10.00%    |
| Rates, annual and extra charges collectible  | 14,110          |                   |                                 |           |            |
| <b>6. Cash expense cover ratio</b>   |                 |                   |                                 |           |            |
| Current year's cash and cash equivalents plus all term deposits  | 17,738          | 6.97 mths         | 5.76 mths                       | 6.50 mths | >3.00 mths |
| Monthly payments from cash flow of operating and financing activities  | 2,545           |                   |                                 |           |            |

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24(b). Statement of performance measures – by fund

| \$ '000  | General Indicators <sup>3</sup><br>2019 | 2018    | Water Indicators<br>2019 | 2018     | Sewer Indicators<br>2019 | 2018     | Benchmark |
|--|---|---------|--------------------------|----------|--------------------------|----------|-----------|
| <b>1. Operating performance ratio</b>  |   |         |                          |          |                          |          |           |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | (15.19)%                                | (6.26)% | (34.45)%                 | (36.70)% | (6.10)%                  | (18.90)% | >0.00%    |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           |   |         |                          |          |                          |          |           |
| <b>2. Own source operating revenue ratio</b>   |   |         |                          |          |                          |          |           |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | 41.93%                                  | 42.12%  | 68.65%                   | 72.46%   | 96.47%                   | 95.03%   | >60.00%   |
| Total continuing operating revenue <sup>1</sup>  |   |         |                          |          |                          |          |           |
| <b>3. Unrestricted current ratio</b>   |   |         |                          |          |                          |          |           |
| Current assets less all external restrictions  | 4.43x                                   | 4.05x   | 7.14x                    | 4.48x    | 41.22x                   | 43.05x   | >1.50x    |
| Current liabilities less specific purpose liabilities  |   |         |                          |          |                          |          |           |
| <b>4. Debt service cover ratio</b>   |   |         |                          |          |                          |          |           |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | 4.47x                                   | 7.16x   | 12.64x                   | 4.46x    | ∞                        | ∞        | >2.00x    |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               |   |         |                          |          |                          |          |           |
| <b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>                                   |   |         |                          |          |                          |          |           |
| Rates, annual and extra charges outstanding  | 8.38%                                   | 7.28%   | 19.24%                   | 17.39%   | 12.48%                   | 11.53%   | <10.00%   |
| Rates, annual and extra charges collectible  |   |         |                          |          |                          |          |           |
| <b>6. Cash expense cover ratio</b>   |   |         |                          |          |                          |          |           |
| Current year's cash and cash equivalents plus all term deposits  | 6.30                                    | 4.63    | 4.37                     | 9.45     | 27.42                    | 26.34    | >3.00     |
| Payments from cash flow of operating and financing activities  | mths                                    | mths    | mths                     | mths     | mths                     | mths     | mths      |

(1) - (2) Refer to Notes at Note 24a above.

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



## Warrumbungle Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24(c). Statement of performance measures – consolidated results (graphs)

## 1. Operating performance ratio



Benchmark: — &gt; 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

## Purpose of operating performance ratio

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

## Commentary on 2018/19 result

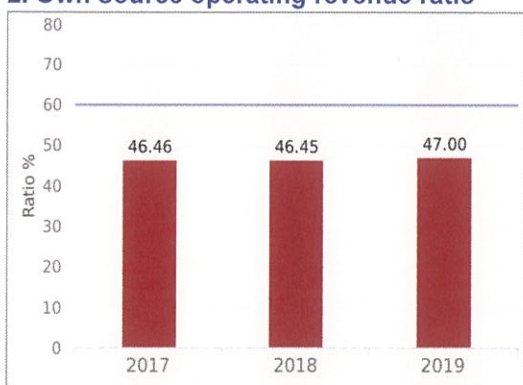
2018/19 ratio (16.38)%

The continued provision of capital grants maintains this ratio below benchmark.

Ratio achieves benchmark

Ratio is outside benchmark

## 2. Own source operating revenue ratio



Benchmark: — &gt; 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

## 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 2018/19 result

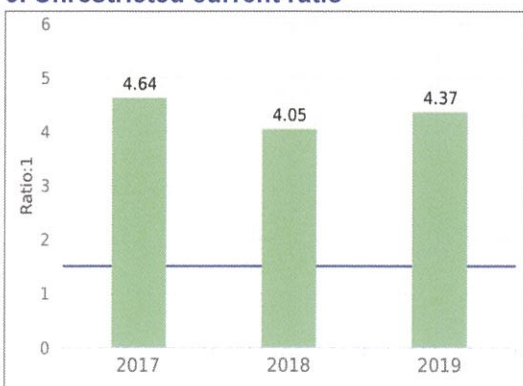
2018/19 ratio 47.00%

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

## 3. Unrestricted current ratio



Benchmark: — &gt; 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

## 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 2018/19 result

2018/19 ratio 4.37x

This ratio is well above the benchmark. The 2017 spike was due to the initial prepayment of FAG's in that year. This will ultimately see a down spike when the prepayment is stopped.

Ratio achieves benchmark

Ratio is outside benchmark



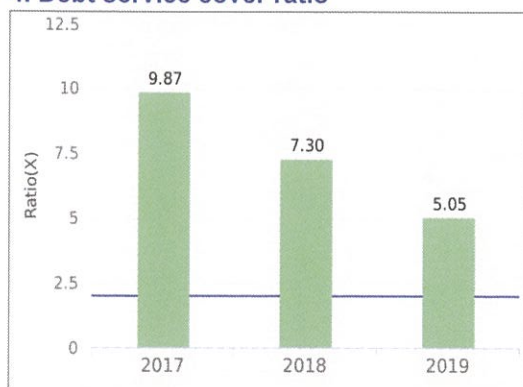
## Warrumbungle Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24(c). Statement of performance measures – consolidated results (graphs)

## 4. Debt service cover ratio



Benchmark: — &gt; 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

## Purpose of debt service cover ratio

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

## Commentary on 2018/19 result

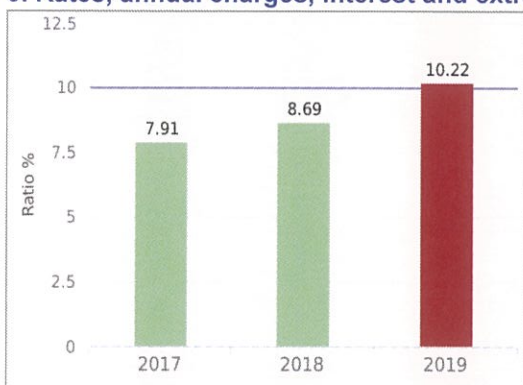
2018/19 ratio 5.05x

This ratio is well above the OLG benchmark and reflects Council's commitment to use debt only as required and without reliance.

Ratio achieves benchmark

Ratio is outside benchmark

## 5. Rates, annual charges, interest and extra charges outstanding percentage



Benchmark: — &lt; 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

## Purpose of rates, annual charges, interest and extra charges outstanding

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

## Commentary on 2018/19 result

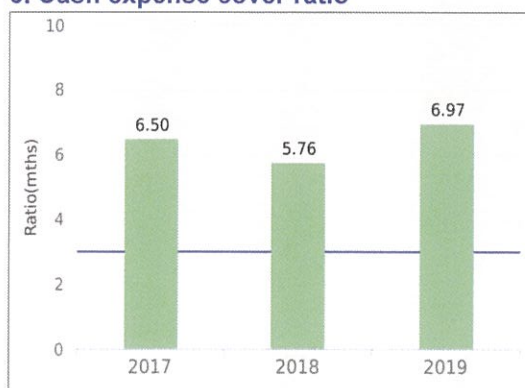
2018/19 ratio 10.22%

The increase in this ratio demonstrates the struggles of a drought affected community.

Ratio achieves benchmark

Ratio is outside benchmark

## 6. Cash expense cover ratio



Benchmark: — &gt; 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

## Purpose of cash expense cover ratio

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

## Commentary on 2018/19 result

2018/19 ratio 6.97 mths

Council continues to remain well above the OLG benchmark.

Ratio achieves benchmark

Ratio is outside benchmark



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Warrumbungle Shire Council

To the Councillors of the Warrumbungle Shire Council

### Opinion

I have audited the accompanying financial statements of Warrumbungle Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.



Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Cathy Wu

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY



# Warrumbungle Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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## Warrumbungle Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2019

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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).

## Warrumbungle Shire Council

Special Purpose Financial Statements 2019

### Special Purpose Financial Statements for the year ended 30 June 2019

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#### 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 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,
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 17 October 2019.



Clr Denis Todd  
Mayor  
17 October 2019



Clr Aniello Iannuzzi  
Councillor  
17 October 2019



Roger Bailey  
General Manager  
17 October 2019



Khurram Javed  
Responsible Accounting Officer  
17 October 2019

## Warrumbungle Shire Council

Income Statement – Water Supply Business Activity  
for the year ended 30 June 2019

| \$ '000  | 2019           | 2018           |
|--|----------------|----------------|
| <b>Income from continuing operations</b>                                   |                |                |
| Access charges   | 1,539          | 1,340          |
| User charges   | 1,433          | 1,467          |
| Fees   | 3              | 8              |
| Interest   | 46             | 79             |
| Grants and contributions provided for non-capital purposes                 | 55             | 39             |
| Other income   | 10             | 10             |
| <b>Total income from continuing operations</b>                             | <b>3,086</b>   | <b>2,943</b>   |
| <b>Expenses from continuing operations</b>                                 |                |                |
| Employee benefits and on-costs   | 1,006          | 1,101          |
| Borrowing costs  | 28             | 28             |
| Materials and contracts  | 670            | 643            |
| Depreciation, amortisation and impairment                                  | 1,389          | 1,275          |
| Other expenses   | 1,056          | 976            |
| <b>Total expenses from continuing operations</b>                           | <b>4,149</b>   | <b>4,023</b>   |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>(1,063)</b> | <b>(1,080)</b> |
| Grants and contributions provided for capital purposes                     | 1,329          | 1,065          |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>266</b>     | <b>(15)</b>    |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>266</b>     | <b>(15)</b>    |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>266</b>     | <b>(15)</b>    |
| Plus accumulated surplus   | 20,197         | 20,213         |
| Plus/less: other adjustments   | –              | (1)            |
| <b>Closing accumulated surplus</b>   | <b>20,463</b>  | <b>20,197</b>  |
| Return on capital %  | (2.5)%         | (2.6)%         |
| Subsidy from Council   | 1,581          | 2,106          |
| <b>Calculation of dividend payable:</b>                                    |                |                |
| Surplus (deficit) after tax  | 266            | (15)           |
| Less: capital grants and contributions (excluding developer contributions) | (1,329)        | (1,065)        |
| <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

Special Purpose Financial Statements 2019

# Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

| \$ '000  | 2019          | 2018          |
|--|---------------|---------------|
| <b>Income from continuing operations</b>                                   |               |               |
| Access charges   | 1,485         | 1,232         |
| User charges   | 95            | 104           |
| Liquid trade waste charges   | 48            | 64            |
| Interest   | 91            | 106           |
| Grants and contributions provided for non-capital purposes                 | 29            | 28            |
| Other income   | 5             | 6             |
| <b>Total income from continuing operations</b>                             | <b>1,753</b>  | <b>1,540</b>  |
| <b>Expenses from continuing operations</b>                                 |               |               |
| Employee benefits and on-costs   | 513           | 530           |
| Materials and contracts  | 111           | 163           |
| Depreciation, amortisation and impairment                                  | 637           | 596           |
| Other expenses   | 599           | 542           |
| <b>Total expenses from continuing operations</b>                           | <b>1,860</b>  | <b>1,831</b>  |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>(107)</b>  | <b>(291)</b>  |
| Grants and contributions provided for capital purposes                     | 34            | 51            |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>(73)</b>   | <b>(240)</b>  |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>(73)</b>   | <b>(240)</b>  |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>(73)</b>   | <b>(240)</b>  |
| Plus accumulated surplus   | 11,464        | 11,704        |
| <b>Closing accumulated surplus</b>   | <b>11,391</b> | <b>11,464</b> |
| Return on capital %  | (0.6)%        | (1.6)%        |
| Subsidy from Council   | 341           | 757           |
| <b>Calculation of dividend payable:</b>                                    |               |               |
| Surplus (deficit) after tax  | (73)          | (240)         |
| Less: capital grants and contributions (excluding developer contributions) | (34)          | (51)          |
| <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

Special Purpose Financial Statements 2019

Income Statement – Warrumbungle Quarry  
for the year ended 30 June 2019

| \$ '000  | 2019<br>Category 2 | 2018<br>Category 2 |
|--|--------------------|--------------------|
| <b>Income from continuing operations</b>                                   |                    |                    |
| User charges   | 567                | 1,102              |
| Profit from the sale of assets   | 74                 | –                  |
| <b>Total income from continuing operations</b>                             | <b>641</b>         | <b>1,102</b>       |
| <b>Expenses from continuing operations</b>                                 |                    |                    |
| Employee benefits and on-costs   | 155                | 191                |
| Borrowing costs  | 10                 | 12                 |
| Materials and contracts  | 143                | 187                |
| Depreciation, amortisation and impairment                                  | 62                 | –                  |
| Other expenses   | 651                | 839                |
| <b>Total expenses from continuing operations</b>                           | <b>1,021</b>       | <b>1,229</b>       |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>(380)</b>       | <b>(127)</b>       |
| Grants and contributions provided for capital purposes                     | 256                | –                  |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>(124)</b>       | <b>(127)</b>       |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>(124)</b>       | <b>(127)</b>       |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>(124)</b>       | <b>(127)</b>       |
| <b>Plus accumulated surplus</b>  | <b>312</b>         | <b>439</b>         |
| <b>Closing accumulated surplus</b>   | <b>188</b>         | <b>312</b>         |
| <b>Return on capital %</b>   | <b>(77.7)%</b>     | <b>(36.9)%</b>     |
| <b>Subsidy from Council</b>  | <b>376</b>         | <b>123</b>         |

## Warrumbungle Shire Council

Special Purpose Financial Statements 2019

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

| \$ '000                                       | 2019          | 2018          |
|---|---------------|---------------|
| <b>ASSETS</b>                                 |               |               |
| <b>Current assets</b>                         |               |               |
| Cash and cash equivalents                     | 1,036         | 2,180         |
| Receivables                                   | 1,064         | 905           |
| Inventories                                   | 6             | 6             |
| <b>Total current assets</b>                   | <b>2,106</b>  | <b>3,091</b>  |
| <b>Non-current assets</b>                     |               |               |
| Infrastructure, property, plant and equipment | 41,380        | 40,057        |
| <b>Total non-current assets</b>               | <b>41,380</b> | <b>40,057</b> |
| <b>TOTAL ASSETS</b>                           | <b>43,486</b> | <b>43,148</b> |
| <b>LIABILITIES</b>                            |               |               |
| <b>Current liabilities</b>                    |               |               |
| Payables                                      | 5             | 6             |
| Income received in advance                    | —             | 413           |
| Borrowings                                    | 86            | 82            |
| Provisions                                    | 190           | 181           |
| <b>Total current liabilities</b>              | <b>281</b>    | <b>682</b>    |
| <b>Non-current liabilities</b>                |               |               |
| Borrowings                                    | 366           | 451           |
| Provisions                                    | —             | 2             |
| <b>Total non-current liabilities</b>          | <b>366</b>    | <b>453</b>    |
| <b>TOTAL LIABILITIES</b>                      | <b>647</b>    | <b>1,135</b>  |
| <b>NET ASSETS</b>                             | <b>42,839</b> | <b>42,013</b> |
| <b>EQUITY</b>                                 |               |               |
| Accumulated surplus                           | 20,463        | 20,197        |
| Revaluation reserves                          | 22,376        | 21,816        |
| <b>TOTAL EQUITY</b>                           | <b>42,839</b> | <b>42,013</b> |

## Warrumbungle Shire Council

Special Purpose Financial Statements 2019

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

| \$ '000                                       | 2019          | 2018          |
|---|---------------|---------------|
| <b>ASSETS</b>                                 |               |               |
| <b>Current assets</b>                         |               |               |
| Cash and cash equivalents                     | 2,795         | 2,711         |
| Receivables                                   | 574           | 456           |
| <b>Total current assets</b>                   | <b>3,369</b>  | <b>3,167</b>  |
| <b>Non-current assets</b>                     |               |               |
| Receivables                                   | 1,059         | 1,069         |
| Infrastructure, property, plant and equipment | 17,731        | 17,732        |
| <b>Total non-current assets</b>               | <b>18,790</b> | <b>18,801</b> |
| <b>TOTAL ASSETS</b>                           | <b>22,159</b> | <b>21,968</b> |
| <b>LIABILITIES</b>                            |               |               |
| <b>Current liabilities</b>                    |               |               |
| Provisions                                    | 81            | 73            |
| <b>Total current liabilities</b>              | <b>81</b>     | <b>73</b>     |
| <b>Non-current liabilities</b>                |               |               |
| Provisions                                    | –             | 1             |
| <b>Total non-current liabilities</b>          | <b>–</b>      | <b>1</b>      |
| <b>TOTAL LIABILITIES</b>                      | <b>81</b>     | <b>74</b>     |
| <b>NET ASSETS</b>                             | <b>22,078</b> | <b>21,894</b> |
| <b>EQUITY</b>                                 |               |               |
| Accumulated surplus                           | 11,391        | 11,464        |
| Revaluation reserves                          | 10,687        | 10,430        |
| <b>TOTAL EQUITY</b>                           | <b>22,078</b> | <b>21,894</b> |



## Warrumbungle Shire Council

Special Purpose Financial Statements 2019

## Statement of Financial Position – Warrumbungle Quarry

as at 30 June 2019

| \$ '000                                       | 2019<br>Category 2 | 2018<br>Category 2 |
|---|--------------------|--------------------|
| <b>ASSETS</b>                                 |                    |                    |
| <b>Current assets</b>                         |                    |                    |
| Receivables                                   | 41                 | 35                 |
| Inventories                                   | 316                | 316                |
| <b>Total current assets</b>                   | <b>357</b>         | <b>351</b>         |
| <b>Non-current assets</b>                     |                    |                    |
| Infrastructure, property, plant and equipment | 476                | 312                |
| <b>Total non-current assets</b>               | <b>476</b>         | <b>312</b>         |
| <b>TOTAL ASSETS</b>                           | <b>833</b>         | <b>663</b>         |
| <b>LIABILITIES</b>                            |                    |                    |
| <b>Current liabilities</b>                    |                    |                    |
| Due to General Fund                           | 294                | —                  |
| Payables                                      | 71                 | 28                 |
| Borrowings                                    | 45                 | 43                 |
| <b>Total current liabilities</b>              | <b>410</b>         | <b>71</b>          |
| <b>Non-current liabilities</b>                |                    |                    |
| Borrowings                                    | 235                | 280                |
| <b>Total non-current liabilities</b>          | <b>235</b>         | <b>280</b>         |
| <b>TOTAL LIABILITIES</b>                      | <b>645</b>         | <b>351</b>         |
| <b>NET ASSETS</b>                             | <b>188</b>         | <b>312</b>         |
| <b>EQUITY</b>                                 |                    |                    |
| Accumulated surplus                           | 188                | 312                |
| <b>TOTAL EQUITY</b>                           | <b>188</b>         | <b>312</b>         |

## Warrumbungle Shire Council

Special Purpose Financial Statements 2019

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2019

## 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 2005*, 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.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

**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)

**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.

**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.

## Warrumbungle Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

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

##### b. Warrumbungle Quarry

##### Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand 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 – 27.5%

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Industry (Dol) – Water guidelines, 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 Dol – Water guidelines 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 Dol – 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 27.5%.

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 27.5% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

##### 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.



## Warrumbungle Shire Council

Special Purpose Financial Statements 2019

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2019

## Note 1. Significant Accounting Policies (continued)

**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.

**(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:

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**Operating result before capital income + interest expense**

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**Written down value of I,PP&E as at 30 June**

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As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

**(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 Department of Industry – Water guidelines and must not exceed:

- 550% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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





## INDEPENDENT AUDITOR'S REPORT

### Report on the special purpose financial statements

#### Warrumbungle Shire Council

To the Councillors of the Warrumbungle Shire Council

### Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Warrumbungle Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2019, the Statement of Financial Position of each Declared Business Activity as at 30 June 2019, Note 1 Significant accounting policies for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Warrumbungle Quarry.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2019, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

My opinion should be read in conjunction with the rest of this report.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Emphasis of Matter – Basis of Accounting**

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

### **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Cathy Wu

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY

# Warrumbungle Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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## Warrumbungle Shire Council

Special Schedules 2019

### Special Schedules

for the year ended 30 June 2019

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## Warrumbungle Shire Council

Special Schedules 2019

# Permissible income for general rates

for the year ended 30 June 2019

| \$ '000   |                                | Calculation<br>2019/20 | Calculation<br>2018/19 |
|---|--------------------------------|------------------------|------------------------|
| <b>Notional general income calculation <sup>1</sup></b>           |                                |                        |                        |
| Last year notional general income yield                           | a                              | 7,932                  | 7,785                  |
| Plus or minus adjustments <sup>2</sup>                            | b                              | 4                      | (28)                   |
| <b>Notional general income</b>                                    | <b>c = a + b</b>               | <b>7,936</b>           | <b>7,757</b>           |
| <b>Permissible income calculation</b>                             |                                |                        |                        |
| Or rate peg percentage  | e                              | 2.70%                  | 2.30%                  |
| Or plus rate peg amount   | i = e x (c + g)                | 214                    | 178                    |
| <b>Sub-total</b>  | <b>k = (c + g + h + i + j)</b> | <b>8,150</b>           | <b>7,935</b>           |
| Plus (or minus) last year's carry forward total                   | l                              | (4)                    | 11                     |
| Less valuation objections claimed in the previous year            | m                              | 5                      | (11)                   |
| <b>Sub-total</b>  | <b>n = (l + m)</b>             | <b>1</b>               | <b>-</b>               |
| <b>Total permissible income</b>                                   | <b>o = k + n</b>               | <b>8,151</b>           | <b>7,935</b>           |
| Less notional general income yield                                | p                              | 8,153                  | 7,932                  |
| <b>Catch-up or (excess) result</b>                                | <b>q = o - p</b>               | <b>(2)</b>             | <b>3</b>               |
| Plus income lost due to valuation objections claimed <sup>4</sup> | r                              | -                      | (5)                    |
| Less unused catch-up <sup>5</sup>                                 | s                              | -                      | (2)                    |
| <b>Carry forward to next year <sup>6</sup></b>                    | <b>t = q + r + s</b>           | <b>(2)</b>             | <b>(4)</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.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## **INDEPENDENT AUDITOR'S REPORT**

### **Special Schedule - Permissible income for general rates**

#### **Warrumbungle Shire Council**

To the Councillors of Warrumbungle Shire Council

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Warrumbungle Shire Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report.

### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Emphasis of Matter – Basis of Accounting**

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

## Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.



My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink, appearing to read 'Cathy Wu', with a stylized, cursive script.

Cathy Wu

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY

## Warrumbungle Shire Council

## Report on Infrastructure Assets

as at 30 June 2019

| Asset Class                                  | Asset Category         | Estimated cost   |   | 2018/19<br>Required<br>maintenance <sup>a</sup> | 2018/19<br>Actual<br>maintenance | Net carrying<br>amount | Gross<br>replacement<br>cost (GRC) | Assets in condition as a percentage of<br>gross replacement cost |        |       |       |        |
|--|------------------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|--------|-------|-------|--------|
|  |                        | Estimated cost<br>to bring assets<br>to satisfactory<br>standard | to bring to the<br>agreed level of<br>service set by<br>Council |   |                                  |                        |                                    | 1  | 2      | 3     | 4     | 5      |
| (a) Report on Infrastructure Assets - Values |                        |  |   |   |                                  |                        |                                    |  |        |       |       |        |
| Buildings                                    | Council Offices        | 10   | 820   | 83  | 193                              | 8,040                  | 17,720                             | 0.0%   | 64.0%  | 36.0% | 0.0%  | 0.0%   |
|  | Council Works Depot    | 215  | 1,921   | 98  | 181                              | 2,000                  | 6,207                              | 6.0%   | 60.0%  | 20.0% | 5.0%  | 9.0%   |
|  | Council Public Halls   | 65   | 1,518   | 280   | 218                              | 2,173                  | 7,411                              | 0.0%   | 93.0%  | 7.0%  | 0.0%  | 0.0%   |
|  | Council Houses         | 77   | 365   | 58  | 98                               | 1,376                  | 4,186                              | 0.0%   | 20.0%  | 80.0% | 0.0%  | 0.0%   |
|  | Medical Centres        | 13   | 65  | 42  | 71                               | 1,993                  | 3,851                              | 0.0%   | 100.0% | 0.0%  | 0.0%  | 0.0%   |
|  | Library                | —  | —   | 41  | —                                | 979                    | 1,860                              | 0.0%   | 100.0% | 0.0%  | 0.0%  | 0.0%   |
|  | Recreation and Culture | 615  | 6,927   | 193   | 84                               | 5,397                  | 18,743                             | 1.0%   | 57.0%  | 40.0% | 1.0%  | 1.0%   |
|  | Specialised Buildings  | 259  | 3,141   | 308   | 8                                | 4,756                  | 11,780                             | 0.0%   | 83.0%  | 12.0% | 3.0%  | 2.0%   |
|  | Childcare Centres      | —  | —   | 28  | 30                               | 1,178                  | 1,518                              | 0.0%   | 96.0%  | 3.0%  | 1.0%  | 0.0%   |
|  | Amenities/Toilets      | 70   | 360   | 33  | —                                | 1,744                  | 3,222                              | 1.0%   | 94.0%  | 0.0%  | 0.0%  | 5.0%   |
|  | Emergency Centres      | 67   | 493   | 81  | 6                                | 5,287                  | 7,439                              | 0.0%   | 93.0%  | 4.0%  | 3.0%  | 0.0%   |
|  | Other                  | —  | —   | —   | 68                               | 6                      | 6                                  | 0.0%   | 0.0%   | 0.0%  | 0.0%  | 100.0% |
| Sub-total                                    |                        | 1,391  | 15,610  | 1,245   | 957                              | 34,929                 | 83,943                             | 0.7%   | 71.9%  | 24.7% | 1.3%  | 1.4%   |
| Other<br>structures                          | Other structures       | 39   | 387   | 159   | 242                              | 15,232                 | 24,119                             | 31.0%  | 28.0%  | 39.0% | 1.0%  | 1.0%   |
|  | Sub-total              | 39   | 387   | 159   | 242                              | 15,232                 | 24,119                             | 31.0%  | 28.0%  | 39.0% | 1.0%  | 1.0%   |
| Roads  | Sealed roads           | 167  | 1,436   | 1,699   | 2,125                            | 150,002                | 187,924                            | 56.0%  | 25.0%  | 19.0% | 0.0%  | 0.0%   |
|  | Unsealed roads         | 230  | 1,814   | 1,598   | 1,630                            | 38,223                 | 58,326                             | 45.0%  | 12.0%  | 39.0% | 1.0%  | 3.0%   |
|  | Bridges                | 581  | 2,922   | 135   | 2                                | 52,947                 | 57,257                             | 96.0%  | 1.0%   | 3.0%  | 0.0%  | 0.0%   |
|  | Footpaths              | 5  | 67  | 124   | 44                               | 4,507                  | 6,535                              | 30.0%  | 14.0%  | 54.0% | 1.0%  | 1.0%   |
|  | Other road assets      | —  | —   | 1   | —                                | 753                    | 808                                | 86.0%  | 14.0%  | 0.0%  | 0.0%  | 0.0%   |
|  | Bulk earthworks        | —  | —   | —   | —                                | 88,645                 | 88,645                             | 100.0%   | 0.0%   | 0.0%  | 0.0%  | 0.0%   |
|  | Kerb & Gutter          | —  | —   | 98  | —                                | 13,004                 | 14,945                             | 94.0%  | 6.0%   | 0.0%  | 0.0%  | 0.0%   |
|  | Sub-total              | 983  | 6,239   | 3,655   | 3,801                            | 348,081                | 414,440                            | 70.4%  | 13.6%  | 15.4% | 0.2%  | 0.4%   |
| Water supply<br>network                      | Water supply network   | 269  | 3,631   | 636   | 916                              | 36,446                 | 69,216                             | 7.0%   | 44.0%  | 43.0% | 5.0%  | 1.0%   |
|  | Sub-total              | 269  | 3,631   | 636   | 916                              | 36,446                 | 69,216                             | 7.0%   | 44.0%  | 43.0% | 5.0%  | 1.0%   |
| Sewerage<br>network                          | Sewerage network       | 261  | 5,915   | 334   | 277                              | 16,916                 | 34,139                             | 8.0%   | 25.0%  | 46.0% | 21.0% | 0.0%   |
|  | Sub-total              | 261  | 5,915   | 334   | 277                              | 16,916                 | 34,139                             | 8.0%   | 25.0%  | 46.0% | 21.0% | 0.0%   |

continued on next page ...

## Warrumbungle Shire Council

Special Schedules 2019

Report on Infrastructure Assets (continued)  
as at 30 June 2019

| Asset Class                    | Asset Category      | Estimated cost                                 |   | 2018/19<br>Required<br>maintenance <sup>a</sup> | 2018/19<br>Actual<br>maintenance | Net carrying<br>amount | Gross<br>replacement<br>cost (GRC) | Assets in condition as a percentage of<br>gross replacement cost |              |              |             |             |
|--------------------------------|---------------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|--------------|--------------|-------------|-------------|
|                                |                     | to bring assets<br>to satisfactory<br>standard | to bring to the<br>agreed level of<br>service set by<br>Council |   |                                  |                        |                                    | 1  | 2            | 3            | 4           | 5           |
| <b>Stormwater<br/>drainage</b> | Stormwater drainage | 58   | 280   | 157   | 327                              | 4,829                  | 8,506                              | 14.0%  | 10.0%        | 76.0%        | 0.0%        | 0.0%        |
|                                | <b>Sub-total</b>    | <b>58</b>                                      | <b>280</b>  | <b>157</b>                                      | <b>327</b>                       | <b>4,829</b>           | <b>8,506</b>                       | <b>14.0%</b>   | <b>10.0%</b> | <b>76.0%</b> | <b>0.0%</b> | <b>0.0%</b> |
| <b>TOTAL - ALL ASSETS</b>      |                     | <b>3,001</b>                                   | <b>32,062</b>   | <b>6,186</b>                                    | <b>6,520</b>                     | <b>456,433</b>         | <b>634,363</b>                     | <b>48.7%</b>   | <b>25.8%</b> | <b>23.0%</b> | <b>2.0%</b> | <b>0.5%</b> |

(a) Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

- |   |                     |                                       |
|---|---------------------|---------------------------------------|
| 1 | Excellent/very good | No work required (normal maintenance) |
| 2 | Good                | Only minor maintenance work required  |
| 3 | Satisfactory        | Maintenance work required             |
| 4 | Poor                | Renewal required                      |
| 5 | Very poor           | Urgent renewal/upgrading required     |

continued on next page ...

## Warrumbungle Shire Council

Special Schedules 2019

## Report on Infrastructure Assets (continued)

as at 30 June 2019

| \$ '000  | Amounts<br>2019 | Indicator<br>2019 | Prior periods<br>2018      2017 |         | Benchmark |
|--|-----------------|-------------------|---------------------------------|---------|-----------|
| Infrastructure asset performance indicators (consolidated) *             |                 |                   |                                 |         |           |
| Buildings and infrastructure renewals ratio <sup>1</sup>                 |                 |                   |                                 |         |           |
| Asset renewals <sup>2</sup>  | 5,182           | 54.98%            | 106.99%                         | 64.44%  | >=100.00% |
| Depreciation, amortisation and impairment                                | 9,425           |                   |                                 |         |           |
| Infrastructure backlog ratio <sup>1</sup>                                |                 |                   |                                 |         |           |
| Estimated cost to bring assets to a satisfactory standard                | 3,001           | 0.66%             | 0.65%                           | 0.11%   | <2.00%    |
| Net carrying amount of infrastructure assets                             | 456,433         |                   |                                 |         |           |
| Asset maintenance ratio  |                 |                   |                                 |         |           |
| Actual asset maintenance   | 6,520           | 105.40%           | 107.71%                         | 117.62% | >100.00%  |
| Required asset maintenance   | 6,186           |                   |                                 |         |           |
| Cost to bring assets to agreed service level                             |                 |                   |                                 |         |           |
| Estimated cost to bring assets to an agreed service level set by Council | 32,062          | 5.05%             | 5.02%                           | 1.76%   |           |
| Gross replacement cost   | 634,363         |                   |                                 |         |           |

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

(1) Excludes Work In Progress (WIP)

(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

Report on Infrastructure Assets (continued)  
as at 30 June 2019

## Buildings and infrastructure renewals ratio



**Buildings and infrastructure renewals ratio**

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

**Commentary on result**

18/19 ratio 54.98%

Capital renewals are below the OLG benchmark but year on year are averaging close to the benchmark. Council is working towards allocating more resources to capital renewals.

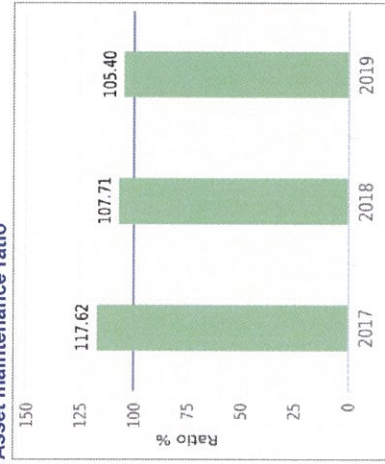
Benchmark: — &gt;= 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

## Asset maintenance ratio



**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 result**

18/19 ratio 105.40%

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.

Benchmark: — &gt; 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

## Infrastructure backlog ratio



**Infrastructure backlog ratio**

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

**Commentary on result**

18/19 ratio 0.66%

The ratio is well under the OLG benchmark and consistent with last year even though Council's asset renewals ratio is lower. The increase in 2018 is primarily due to the Buildings revaluation.

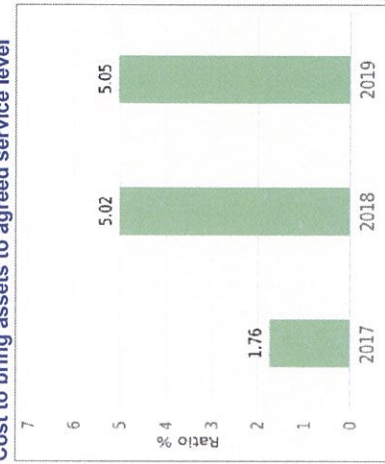
Benchmark: — &lt; 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

## Cost to bring assets to agreed service level



**Cost to bring assets to agreed service level**

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 result**

18/19 ratio 5.05%

This jump in 2018 is almost entirely due to the building revaluation which saw the removal of residual values. Effectively increasing depreciation for this asset class by around 150%.

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## Warrumbungle Shire Council

Special Schedules 2019

Report on Infrastructure Assets (continued)  
as at 30 June 2019

| \$ '000  | General fund   |         | Water fund     |         | Sewer fund    |        | Benchmark |
|--|----------------|---------|----------------|---------|---------------|--------|-----------|
|  | 2019           | 2018    | 2019           | 2018    | 2019          | 2018   |           |
| <b>Infrastructure asset performance indicators (by fund)</b>             |                |         |                |         |               |        |           |
| <b>Buildings and infrastructure renewals ratio <sup>1</sup></b>          |                |         |                |         |               |        |           |
| Asset renewals <sup>2</sup>  |                |         |                |         |               |        |           |
| Depreciation, amortisation and impairment                                | <b>61.99%</b>  | 126.26% | <b>25.76%</b>  | 32.65%  | <b>31.51%</b> | 30.09% | >=100.00% |
| <b>Infrastructure backlog ratio <sup>1</sup></b>                         |                |         |                |         |               |        |           |
| Estimated cost to bring assets to a satisfactory standard                | <b>0.61%</b>   | 0.60%   | <b>0.74%</b>   | 0.69%   | <b>1.54%</b>  | 1.52%  | <2.00%    |
| Net carrying amount of infrastructure assets                             |                |         |                |         |               |        |           |
| <b>Asset maintenance ratio</b>   |                |         |                |         |               |        |           |
| Actual asset maintenance   | <b>102.13%</b> | 105.17% | <b>144.03%</b> | 144.19% | <b>82.93%</b> | 82.82% | >100.00%  |
| Required asset maintenance   |                |         |                |         |               |        |           |
| <b>Cost to bring assets to agreed service level</b>                      |                |         |                |         |               |        |           |
| Estimated cost to bring assets to an agreed service level set by Council | <b>4.24%</b>   | 4.21%   | <b>5.25%</b>   | 5.27%   | <b>17.33%</b> | 17.52% |           |
| Gross replacement cost   |                |         |                |         |               |        |           |

(1) Excludes Work In Progress (WIP)

(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.