

# Warren Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2012

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**“Australia's Wool & Cotton Capital”**





# Warren Shire Council

## General Purpose Financial Statements

for the financial year ended 30 June 2012

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### Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Warren Shire Council.

(ii) Warren Shire Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 22/08/12.  
Council has the power to amend and reissue the financial statements.

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## Warren Shire Council

### General Purpose Financial Statements

for the financial year ended 30 June 2012

## Understanding Council's Financial Statements

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### Introduction

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

### What you will find in the Statements

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

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

### About the Councillor/Management Statement

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

### About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

#### 1. An Income Statement

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

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

#### 2. A Statement of Comprehensive Income

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

#### 3. A Balance Sheet

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

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

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

#### 5. A Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

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

### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the 5 Primary Financial Statements.

### About the Auditor's Reports

Council's Financial Statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the Financial Statements present fairly the Council's financial performance & position, &
2. Their observations on the conduct of the Audit including the Council's financial performance & financial position.

### Who uses the Financial Statements ?

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

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

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

## Warren Shire Council

### General Purpose Financial Statements

for the financial year ended 30 June 2012

### Statement by Councillors and Management

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

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

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

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

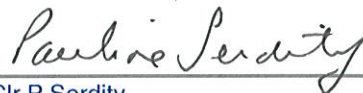
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

**Signed in accordance with a resolution of Council made on 26 July 2012.**



Clr NRF Wilson OAM  
MAYOR



Clr P Serdity  
COUNCILLOR



Mr AP Wielinga  
GENERAL MANAGER



Mr DJ Arthur  
RESPONSIBLE ACCOUNTING OFFICER

## Warren Shire Council

## Income Statement

for the financial year ended 30 June 2012

| Budget <sup>(1)</sup>                      |  |       | Actual        | Actual        |
|--|--|-------|---------------|---------------|
| 2012                                       | \$ '000  | Notes | 2012          | 2011          |
| <b>Income from Continuing Operations</b>   |  |       |               |               |
| <i>Revenue:</i>                            |  |       |               |               |
| 4,688                                      | Rates & Annual Charges   | 3a    | 4,749         | 4,595         |
| 1,310                                      | User Charges & Fees  | 3b    | 1,271         | 1,110         |
| 482  | Interest & Investment Revenue  | 3c    | 710           | 612           |
| 402  | Other Revenues   | 3d    | 427           | 419           |
| 6,133                                      | Grants & Contributions provided for Operating Purposes   | 3e,f  | 7,062         | 5,455         |
| -  | Grants & Contributions provided for Capital Purposes   | 3e,f  | -             | 602           |
| <i>Other Income:</i>                       |  |       |               |               |
| -  | Net gains from the disposal of assets  | 5     | 78            | 180           |
| -  | Net Share of interests in Joint Ventures & Associated Entities using the equity method                 | 19    | 6             | -             |
| <b>13,015</b>                              | <b>Total Income from Continuing Operations</b>   |       | <b>14,303</b> | <b>12,973</b> |
| <b>Expenses from Continuing Operations</b> |  |       |               |               |
| 4,425                                      | Employee Benefits & On-Costs   | 4a    | 4,638         | 4,554         |
| 40   | Borrowing Costs  | 4b    | 59            | 23            |
| 3,843                                      | Materials & Contracts  | 4c    | 3,574         | 3,518         |
| 3,385                                      | Depreciation & Amortisation  | 4d    | 3,410         | 3,480         |
| -  | Impairment   | 4d    | -             | -             |
| 1,022                                      | Other Expenses   | 4e    | 1,000         | 866           |
| -  | Interest & Investment Losses   | 3c    | -             | -             |
| -  | Net Losses from the Disposal of Assets   | 5     | -             | -             |
| -  | Net Share of interests in Joint Ventures & Associated Entities using the equity method                 | 19    | -             | 11            |
| <b>12,715</b>                              | <b>Total Expenses from Continuing Operations</b>   |       | <b>12,681</b> | <b>12,452</b> |
| <b>300</b>                                 | <b>Operating Result from Continuing Operations</b>   |       | <b>1,622</b>  | <b>521</b>    |
| <b>Discontinued Operations</b>             |  |       |               |               |
| -  | Net Profit/(Loss) from Discontinued Operations   | 24    | -             | -             |
| <b>300</b>                                 | <b>Net Operating Result for the Year</b>   |       | <b>1,622</b>  | <b>521</b>    |
| 300  | Net Operating Result attributable to Council   |       | 1,622         | 521           |
| -  | Net Operating Result attributable to Minority Interests  |       | -             | -             |
| <b>300</b>                                 | <b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b> |       | <b>1,622</b>  | <b>(81)</b>   |

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

## Warren Shire Council

## Statement of Comprehensive Income

for the financial year ended 30 June 2012

| \$ '000  | Notes    | Actual<br>2012 | Actual<br>2011 |
|--|----------|----------------|----------------|
| <b>Net Operating Result for the year (as per Income statement)</b>       |          | <b>1,622</b>   | <b>521</b>     |
| <b>Other Comprehensive Income</b>  |          |                |                |
| Gain (loss) on revaluation of I,PP&E                                     | 20b (ii) | 1,973          | 376            |
| Gain (loss) on revaluation of available-for-sale investments             | 20b (ii) | -              | -              |
| Gain (loss) on revaluation of other reserves                             | 20b (ii) | -              | -              |
| Realised (gain) loss on available-for-sale investments recognised in P&L | 20b (ii) | -              | -              |
| Realised (gain) loss from other reserves recognised in P&L               | 20b (ii) | -              | -              |
| Impairment (loss) reversal relating to I,PP&E                            | 20b (ii) | -              | -              |
| Other Movements in Reserves ( <a href="#">enter details here</a> )       | 20b (ii) | -              | -              |
| De-recognition of land under roads                                       |          | -              | -              |
| Adjustment to correct prior period depreciation errors                   |          | -              | -              |
| <b>Total Other Comprehensive Income for the year</b>                     |          | <b>1,973</b>   | <b>376</b>     |
| <b>Total Comprehensive Income for the Year</b>                           |          | <b>3,595</b>   | <b>897</b>     |
| <b>Total Comprehensive Income attributable to Council</b>                |          | <b>3,595</b>   | <b>897</b>     |
| <b>Total Comprehensive Income attributable to Minority Interests</b>     |          | <b>-</b>       | <b>-</b>       |

## Warren Shire Council

## Balance Sheet

as at 30 June 2012

| \$ '000  | Notes | Actual<br>2012 | Actual<br>2011 |
|--|-------|----------------|----------------|
| <b>ASSETS</b>  |       |                |                |
| <b>Current Assets</b>  |       |                |                |
| Cash & Cash Equivalents  | 6a    | 13,882         | 11,781         |
| Investments  | 6b    | -              | -              |
| Receivables  | 7     | 833            | 987            |
| Inventories  | 8     | 670            | 740            |
| Other  | 8     | 154            | 119            |
| Non-current assets classified as "held for sale"                 | 22    | -              | -              |
| <b>Total Current Assets</b>                                      |       | <b>15,539</b>  | <b>13,627</b>  |
| <b>Non-Current Assets</b>  |       |                |                |
| Investments  | 6b    | -              | -              |
| Receivables  | 7     | 147            | 31             |
| Inventories  | 8     | -              | -              |
| Infrastructure, Property, Plant & Equipment                      | 9     | 134,778        | 133,122        |
| Investments accounted for using the equity method                | 19    | 67             | 61             |
| Investment Property  | 14    | -              | -              |
| Intangible Assets  | 25    | -              | -              |
| Non-current assets classified as "held for sale"                 | 22    | -              | -              |
| Other  | 8     | -              | -              |
| <b>Total Non-Current Assets</b>                                  |       | <b>134,992</b> | <b>133,214</b> |
| <b>TOTAL ASSETS</b>  |       | <b>150,531</b> | <b>146,841</b> |
| <b>LIABILITIES</b>   |       |                |                |
| <b>Current Liabilities</b>                                       |       |                |                |
| Payables   | 10    | 612            | 694            |
| Borrowings   | 10    | 69             | 66             |
| Provisions   | 10    | 1,696          | 1,442          |
| Liabilities associated with assets classified as "held for sale" | 22    | -              | -              |
| <b>Total Current Liabilities</b>                                 |       | <b>2,377</b>   | <b>2,202</b>   |
| <b>Non-Current Liabilities</b>                                   |       |                |                |
| Payables   | 10    | -              | -              |
| Borrowings   | 10    | 543            | 592            |
| Provisions   | 10    | 33             | 64             |
| Investments accounted for using the equity method                | 19    | -              | -              |
| Liabilities associated with assets classified as "held for sale" | 22    | -              | -              |
| <b>Total Non-Current Liabilities</b>                             |       | <b>576</b>     | <b>656</b>     |
| <b>TOTAL LIABILITIES</b>   |       | <b>2,953</b>   | <b>2,858</b>   |
| <b>Net Assets</b>  |       | <b>147,578</b> | <b>143,983</b> |
| <b>EQUITY</b>  |       |                |                |
| Retained Earnings  | 20    | 90,041         | 88,419         |
| Revaluation Reserves   | 20    | 57,537         | 55,564         |
| <b>Council Equity Interest</b>                                   |       | <b>147,578</b> | <b>143,983</b> |
| <b>Minority Equity Interest</b>                                  |       | <b>-</b>       | <b>-</b>       |
| <b>Total Equity</b>  |       | <b>147,578</b> | <b>143,983</b> |

This Statement should be read in conjunction with the accompanying Notes.



## Warren Shire Council

## Statement of Changes in Equity

for the financial year ended 30 June 2012

| \$ '000  | Notes    | Retained<br>Earnings | Reserves<br>(Refer 20b) | Council<br>Interest | Minority<br>Interest | Total<br>Equity |
|--|----------|----------------------|-------------------------|---------------------|----------------------|-----------------|
| <b>2012</b>  |          |                      |                         |                     |                      |                 |
| <b>Opening Balance</b> (as per Last Year's Audited Accounts) |          | 88,419               | 55,564                  | 143,983             | -                    | 143,983         |
| a. Correction of Prior Period Errors                         | 20 (c)   | -                    | -                       | -                   | -                    | -               |
| b. Changes in Accounting Policies (prior year effects)       | 20 (d)   | -                    | -                       | -                   | -                    | -               |
| <b>Revised Opening Balance</b> (as at 1/7/10)                |          | <b>88,419</b>        | <b>55,564</b>           | <b>143,983</b>      | <b>-</b>             | <b>143,983</b>  |
| <b>c. Net Operating Result for the Year</b>                  |          | <b>1,622</b>         | <b>-</b>                | <b>1,622</b>        | <b>-</b>             | <b>1,622</b>    |
| d. Other Comprehensive Income                                |          |                      |                         |                     |                      |                 |
| - Revaluations : IPP&E Asset Revaluation Rsve                | 20b (ii) | -                    | 1,973                   | 1,973               | -                    | 1,973           |
| - Revaluations: Other Reserves                               | 20b (ii) | -                    | -                       | -                   | -                    | -               |
| - Transfers to Income Statement                              | 20b (ii) | -                    | -                       | -                   | -                    | -               |
| - Impairment (loss) reversal relating to I,PP&E              | 20b (ii) | -                    | -                       | -                   | -                    | -               |
| - Other Movements (enter details here)                       | 20b (ii) | -                    | -                       | -                   | -                    | -               |
| <b>Other Comprehensive Income</b>                            |          | <b>-</b>             | <b>1,973</b>            | <b>1,973</b>        | <b>-</b>             | <b>1,973</b>    |
| <b>Total Comprehensive Income</b> (c&d)                      |          | <b>1,622</b>         | <b>1,973</b>            | <b>3,595</b>        | <b>-</b>             | <b>3,595</b>    |
| e. Distributions to/(Contributions from) Minority Interests  |          | -                    | -                       | -                   | -                    | -               |
| f. Transfers between Equity                                  |          | -                    | -                       | -                   | -                    | -               |
| <b>Equity - Balance at end of the reporting period</b>       |          | <b>90,041</b>        | <b>57,537</b>           | <b>147,578</b>      | <b>-</b>             | <b>147,578</b>  |
| <b>2011</b>  |          |                      |                         |                     |                      |                 |
| <b>Opening Balance</b> (as per Last Year's Audited Accounts) |          | 87,898               | 55,188                  | 143,086             | -                    | 143,086         |
| a. Correction of Prior Period Errors                         | 20 (c)   | -                    | -                       | -                   | -                    | -               |
| b. Changes in Accounting Policies (prior year effects)       | 20 (d)   | -                    | -                       | -                   | -                    | -               |
| <b>Revised Opening Balance</b> (as at 1/7/09)                |          | <b>87,898</b>        | <b>55,188</b>           | <b>143,086</b>      | <b>-</b>             | <b>143,086</b>  |
| <b>c. Net Operating Result for the Year</b>                  |          | <b>521</b>           | <b>-</b>                | <b>521</b>          | <b>-</b>             | <b>521</b>      |
| d. Other Comprehensive Income                                |          |                      |                         |                     |                      |                 |
| - Revaluations : IPP&E Asset Revaluation Rsve                | 20b (ii) | -                    | 376                     | 376                 | -                    | 376             |
| - Revaluations: Other Reserves                               | 20b (ii) | -                    | -                       | -                   | -                    | -               |
| - Transfers to Income Statement                              | 20b (ii) | -                    | -                       | -                   | -                    | -               |
| - Impairment (loss) reversal relating to I,PP&E              | 20b (ii) | -                    | -                       | -                   | -                    | -               |
| - Other Movements (enter details here)                       | 20b (ii) | -                    | -                       | -                   | -                    | -               |
| <b>Other Comprehensive Income</b>                            |          | <b>-</b>             | <b>376</b>              | <b>376</b>          | <b>-</b>             | <b>376</b>      |
| <b>Total Comprehensive Income</b> (c&d)                      |          | <b>521</b>           | <b>376</b>              | <b>897</b>          | <b>-</b>             | <b>897</b>      |
| e. Distributions to/(Contributions from) Minority Interests  |          | -                    | -                       | -                   | -                    | -               |
| f. Transfers between Equity                                  |          | -                    | -                       | -                   | -                    | -               |
| <b>Equity - Balance at end of the reporting period</b>       |          | <b>88,419</b>        | <b>55,564</b>           | <b>143,983</b>      | <b>-</b>             | <b>143,983</b>  |

This Statement should be read in conjunction with the accompanying Notes.

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## Warren Shire Council

## Statement of Cash Flows

for the financial year ended 30 June 2012

| Budget<br>2012                              | \$ '000   | Notes | Actual<br>2012 | Actual<br>2011 |
|---|---|-------|----------------|----------------|
| <b>Cash Flows from Operating Activities</b> |   |       |                |                |
| <b>Receipts:</b>                            |   |       |                |                |
| 4,688                                       | Rates & Annual Charges  |       | 4,774          | 4,634          |
| 1,410                                       | User Charges & Fees   |       | 1,103          | 1,105          |
| 482   | Investment & Interest Revenue Received                        |       | 666            | 622            |
| 5,551                                       | Grants & Contributions  |       | 7,469          | 5,838          |
| 850   | Other   |       | 983            | 835            |
| <b>Payments:</b>                            |   |       |                |                |
| (4,425)                                     | Employee Benefits & On-Costs                                  |       | (4,446)        | (4,528)        |
| (4,200)                                     | Materials & Contracts   |       | (3,956)        | (3,449)        |
| (40)  | Borrowing Costs   |       | (39)           | (3)            |
| (1,400)                                     | Other   |       | (1,372)        | (1,348)        |
| <b>2,916</b>                                | <b>Net Cash provided (or used in) Operating Activities</b>    | 11b   | <b>5,182</b>   | <b>3,706</b>   |
| <b>Cash Flows from Investing Activities</b> |   |       |                |                |
| <b>Receipts:</b>                            |   |       |                |                |
| 17  | Sale of Real Estate Assets                                    |       | -              | -              |
| 502   | Sale of Infrastructure, Property, Plant & Equipment           |       | 223            | 475            |
| -   | Deferred Debtors Receipts                                     |       | -              | 11             |
| <b>Payments:</b>                            |   |       |                |                |
| (3,369)                                     | Purchase of Infrastructure, Property, Plant & Equipment       |       | (3,238)        | (4,116)        |
| <b>(2,850)</b>                              | <b>Net Cash provided (or used in) Investing Activities</b>    |       | <b>(3,015)</b> | <b>(3,630)</b> |
| <b>Cash Flows from Financing Activities</b> |   |       |                |                |
| <b>Receipts:</b>                            |   |       |                |                |
| -   | Proceeds from Borrowings & Advances                           |       | -              | 500            |
| <b>Payments:</b>                            |   |       |                |                |
| (66)  | Repayment of Borrowings & Advances                            |       | (66)           | (53)           |
| <b>(66)</b>                                 | <b>Net Cash Flow provided (used in) Financing Activities</b>  |       | <b>(66)</b>    | <b>447</b>     |
| -   | <b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b> |       | <b>2,101</b>   | <b>523</b>     |
| 11,781                                      | plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>  | 11a   | 11,781         | 11,258         |
| <b>11,781</b>                               | <b>Cash &amp; Cash Equivalents - end of the year</b>          | 11a   | <b>13,882</b>  | <b>11,781</b>  |

Please refer to Note 11 for information on the following:

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies

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

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

##### (a) Basis of preparation

###### (i) Background

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

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

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

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

Because Australian Accounting Standards (AASB's) are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with Australian Accounting Standards.

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

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

###### (iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

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

###### (v) Basis of Accounting

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

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

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

###### (vi) Changes in Accounting Policies

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

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

##### (vii) Critical Accounting Estimates

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

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

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

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated tip remediation provisions.

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

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

##### (b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and

specific criteria have been met for each of the Council's activities as described below.

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

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

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

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

#### User Charges, Fees and Other Income

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

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

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

#### Sale of Infrastructure, Property, Plant and Equipment

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

#### Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

#### (c) Principles of Consolidation

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

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

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

#### (i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Water Supply
- Sewerage Service

#### (ii) The Trust Fund

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

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



## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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

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

#### (iii) Joint Ventures

##### Jointly Controlled Assets & Operations

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

##### Jointly Controlled Entities

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

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

#### (iv) Associated Entities

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

Such entities are usually termed Associates.

#### (v) County Councils

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

- **Castlereagh Macquarie County Council**  
Provide controls of noxious weeds on Council roadside.

There are five Constituent Councils being Warren, Coonamble, Gilgandra, Walgett & Warrumbungle.

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

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

#### (vi) Additional Information

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

#### (d) Leases

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

##### Finance Leases

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

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

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

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

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

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

##### Operating Leases

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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

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

##### (e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

##### (f) Investments and Other Financial Assets

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

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

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

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

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

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

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

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

##### (ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

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

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

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

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

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

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

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or



## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

determinable payments and management intends to hold them for the medium to long term.

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

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

#### Financial Assets – Reclassification

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

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

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

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

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

#### General Accounting & Measurement of Financial Instruments:

##### (i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at

“fair value through profit or loss”, directly attributable transactions costs

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

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

##### (ii) Subsequent Measurement

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

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

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

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

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

##### Impairment

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if 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.

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

Warren Shire Council has no Financial Assets.

##### (iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

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

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

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

##### (g) Receivables

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

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

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

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

The amount of the provision is the difference between the asset's carrying amount and the

present value of estimated future cash flows, discounted at the effective interest rate.

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

##### (h) Inventories

###### Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

###### Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

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

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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.

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

##### Acquisition of assets

Council's non current assets have been progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

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

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

##### Initial Recognition

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

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at

the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

##### Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

##### Asset Revaluations (including Indexation)

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

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

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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

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

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

#### Capitalisation Thresholds

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

##### Land

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

##### Plant & Equipment

|                         |           |
|-------------------------|-----------|
| Office Furniture        | > \$1,000 |
| Office Equipment        | > \$1,000 |
| Other Plant & Equipment | > \$1,000 |

##### Buildings & Land Improvements

|                            |           |
|----------------------------|-----------|
| Park Furniture & Equipment | > \$3,000 |
|----------------------------|-----------|

##### Building

|                           |                  |
|---------------------------|------------------|
| - construction/extensions | 100% Capitalised |
| - renovations             | > \$10,000       |

|                  |           |
|------------------|-----------|
| Other Structures | > \$3,000 |
|------------------|-----------|

##### Water & Sewer Assets

|                         |           |
|-------------------------|-----------|
| Reticulation extensions | > \$5,000 |
| Other                   | > \$5,000 |

##### Stormwater Assets

|                   |           |
|-------------------|-----------|
| Drains & Culverts | > \$5,000 |
| Other             | > \$5,000 |

##### Transport Assets

|                                      |            |
|--------------------------------------|------------|
| Road construction & reconstruction   | > \$10,000 |
| Reseal/Re-sheet & major repairs:     | > \$10,000 |
| Bridge construction & reconstruction | > \$10,000 |

#### Depreciation

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

Land is not depreciated.

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

##### Plant & Equipment

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

##### Other Equipment

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

##### Buildings

|                       |                 |
|-----------------------|-----------------|
| - Buildings : Masonry | 50 to 100 years |
| - Buildings : Other   | 20 to 40 years  |

##### Stormwater Drainage

|            |                 |
|------------|-----------------|
| - Drains   | 80 to 100 years |
| - Culverts | 50 to 80 years  |

##### Transportation Assets

|                            |           |
|----------------------------|-----------|
| - Sealed Roads : Surface   | 20 years  |
| - Sealed Roads : Structure | 50 years  |
| - Unsealed roads           | 60 years  |
| - Bridge : Concrete        | 100 years |
| - Bridge : Other           | 50 years  |
| - Road Pavements           | 60 years  |
| - Kerb, Gutter & Paths     | 40 years  |

##### Water & Sewer Assets

|                              |                 |
|------------------------------|-----------------|
| - Dams and reservoirs        | 80 to 100 years |
| - Bores                      | 20 to 40 years  |
| - Reticulation pipes : PVC   | 80 years        |
| - Reticulation pipes : Other | 25 to 75 years  |
| - Pumps and telemetry        | 15 to 20 years  |

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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

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

#### Disposal and De-recognition

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

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

#### (j) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

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

#### (k) Land under roads

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

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

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

#### (l) Intangible Assets

Council has not classified any assets as Intangible.

#### (m) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

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

#### (n) Rural Fire Service assets

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

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

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

#### (o) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Investment property is carried at fair value, representing an in-house valuation based on a discounted cash flow analysis.

Warren Shire Council has no Investment Properties.



## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

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

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

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

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

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

##### **(q) Impairment of assets**

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

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

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

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

##### **(r) Payables**

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

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

##### **(s) Borrowings**

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

Borrowings are subsequently measured at amortised cost.

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

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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

##### (t) Borrowing costs

Borrowing costs are expensed.

##### (u) Provisions

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

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

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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

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

##### (v) Employee benefits

###### (i) Short Term Obligations

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

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

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

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

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

###### (ii) Other Long Term Obligations

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

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

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

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

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

##### (iii) Retirement benefit obligations

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

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

##### Defined Benefit Plans

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

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

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

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the "Local Government Superannuation Scheme – Pool B"

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$761,376 at 30 June 2012.

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

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

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

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

##### Defined Contribution Plans

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

##### (iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/12.

##### (w) Self insurance

Council does not self insure.

##### (x) Allocation between current and non-current assets & liabilities



## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

#### Exceptions

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

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

#### (y) Taxes

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

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

#### Goods & Services Tax (GST)

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

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

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

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

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

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they

are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

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

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

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

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

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

#### Applicable to Local Government with implications:

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

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

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

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

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

designated at fair value through profit or loss and Council does not have any such liabilities.

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

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

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

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

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

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

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

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

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

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

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and

obligations are shared by the parties to the joint arrangement.

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

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

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

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

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

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

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

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

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

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

AASB 13 was released in September 2011.

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

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

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

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

None

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

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

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

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

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

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

The amendments will have to be implemented retrospectively.

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

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

None

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

**(aa) Rounding of amounts**

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

**(ab) Comparative Figures**

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

**(ac) Disclaimer**

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

# Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| Functions/Activities   | Income, Expenses and Assets have been directly attributed to the following Functions / Activities.<br>Details of these Functions/Activities are provided in Note 2(b). |               |               |                                     |               |               |   |                |                |  |              |   |                |
|--|--|---------------|---------------|-------------------------------------|---------------|---------------|---|----------------|----------------|--|--------------|---|----------------|
|  | Income from Continuing Operations  |               |               | Expenses from Continuing Operations |               |               | Operating Result from Continuing Operations |                |                | Grants included in Income from Continuing Operations |              | Total Assets held (Current & Non-current) |                |
|  | Original Budget  | Actual        | Actual        | Original Budget                     | Actual        | Actual        | Original Budget                             | Actual         | Actual         | Actual   | Actual       | Actual                                    | Actual         |
|  | 2012   | 2012          | 2011          | 2012                                | 2012          | 2011          | 2012  | 2012           | 2011           | 2012   | 2011         | 2012                                      | 2011           |
| Governance   | -  | -             | -             | 330                                 | 202           | 375           | (330)                                       | (202)          | (375)          | -  | -            | 59  | 23             |
| Administration   | 177  | 224           | 202           | 2,670                               | 2,463         | 1,942         | (2,493)                                     | (2,239)        | (1,740)        | 52   | 6            | 12,597                                    | 10,758         |
| Public Order & Safety  | 67   | 46            | 78            | 263                                 | 253           | 253           | (196)                                       | (207)          | (175)          | -  | -            | 357                                       | 380            |
| Health   | 5  | 1             | -             | 192                                 | 226           | 209           | (187)                                       | (225)          | (209)          | -  | -            | 24  | 19             |
| Environment  | -  | -             | -             | 88                                  | 88            | 83            | (88)  | (88)           | (83)           | -  | -            | -   | -              |
| Community Services & Education   | 36   | 29            | 54            | 76                                  | 50            | 54            | (40)  | (21)           | -              | 22   | 54           | 212                                       | 216            |
| Housing & Community Amenities  | 630  | 516           | 654           | 900                                 | 929           | 1,132         | (270)                                       | (413)          | (478)          | 221  | 340          | 9,753                                     | 9,762          |
| Water Supplies   | 490  | 521           | 489           | 627                                 | 631           | 531           | (137)                                       | (110)          | (42)           | 9  | 10           | 7,128                                     | 6,463          |
| Sewerage Services  | 526  | 564           | 549           | 343                                 | 614           | 536           | 183   | (50)           | 13             | 8  | 9            | 6,921                                     | 5,750          |
| Recreation & Culture   | 175  | 174           | 325           | 1,239                               | 1,506         | 1,345         | (1,064)                                     | (1,332)        | (1,020)        | 26   | 126          | 4,637                                     | 4,796          |
| Mining, Manufacturing & Construction   | 16   | 137           | 91            | 36                                  | 51            | 34            | (20)  | 86             | 57             | -  | -            | 700                                       | 534            |
| Transport & Communication  | 4,053  | 4,616         | 3,510         | 5,690                               | 5,465         | 5,789         | (1,637)                                     | (849)          | (2,279)        | 949  | 25           | 106,179                                   | 106,076        |
| Economic Affairs   | 182  | 278           | 696           | 261                                 | 203           | 158           | (79)  | 75             | 538            | 29   | 527          | 1,897                                     | 2,003          |
| <b>Total Functions &amp; Activities</b>  | <b>6,357</b>   | <b>7,106</b>  | <b>6,648</b>  | <b>12,715</b>                       | <b>12,681</b> | <b>12,441</b> | <b>(6,358)</b>                              | <b>(5,575)</b> | <b>(5,793)</b> | <b>1,316</b>   | <b>1,097</b> | <b>150,464</b>                            | <b>146,780</b> |
| Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method) | -  | 6             | -             | -                                   | -             | 11            | -   | 6              | (11)           | -  | -            | 67  | 61             |
| General Purpose Income <sup>1</sup>  | 6,658  | 7,191         | 6,325         | -                                   | -             | -             | 6,658                                       | 7,191          | 6,325          | 2,751  | 2,095        | -   | -              |
| <b>Operating Result from Continuing Operations</b>                               | <b>13,015</b>  | <b>14,303</b> | <b>12,973</b> | <b>12,715</b>                       | <b>12,681</b> | <b>12,452</b> | <b>300</b>                                  | <b>1,622</b>   | <b>521</b>     | <b>4,067</b>   | <b>3,192</b> | <b>150,531</b>                            | <b>146,841</b> |

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 2(b). Council Functions / Activities - Component Descriptions

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

##### **GOVERNANCE**

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

##### **ADMINISTRATION**

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

##### **PUBLIC ORDER & SAFETY**

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

##### **HEALTH**

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

##### **ENVIRONMENT**

Noxious plants and insect/vermin control.

##### **COMMUNITY SERVICES & EDUCATION**

Administration, youth services, other community services, education.

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

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

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

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

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

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

Building control, quarries & pits, other.

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

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

##### **ECONOMIC AFFAIRS**

Caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, other business undertakings.

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations

| \$ '000  | Notes | Actual<br>2012      | Actual<br>2011      |
|--|-------|---------------------|---------------------|
| <b>(a). Rates &amp; Annual Charges</b>                                   |       |                     |                     |
| <b>Ordinary Rates</b>  |       |                     |                     |
| Residential  |       | 479                 | 461                 |
| Farmland   |       | 3,271               | 3,179               |
| Business   |       | 155                 | 150                 |
| <b>Total Ordinary Rates</b>  |       | <b>3,905</b>        | <b>3,790</b>        |
| <b>Special Rates</b>   |       |                     |                     |
| Nil  |       |                     |                     |
| <b>Total Special Rates</b>   |       | <b>-</b>            | <b>-</b>            |
| <b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611) |       |                     |                     |
| Domestic Waste Management Services                                       |       | 194                 | 183                 |
| Water Supply Services  |       | 276                 | 250                 |
| Sewerage Services  |       | 374                 | 372                 |
| <b>Total Annual Charges</b>  |       | <b>844</b>          | <b>805</b>          |
| <b><u>TOTAL RATES &amp; ANNUAL CHARGES</u></b>                           |       | <b><u>4,749</u></b> | <b><u>4,595</u></b> |

Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000  | Notes | Actual<br>2012 | Actual<br>2011 |
|--|-------|----------------|----------------|
| <b>(b). User Charges &amp; Fees</b>  |       |                |                |
| <b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)         |       |                |                |
| Domestic Waste Management Services   |       | 11             | 12             |
| Water Supply Services  |       | 193            | 185            |
| Sewerage Services  |       | 48             | 42             |
| <b>Total User Charges</b>  |       | <b>252</b>     | <b>239</b>     |
| <b>Other User Charges &amp; Fees</b>   |       |                |                |
| <b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608) |       |                |                |
| Planning & Building Regulation   |       | 26             | 33             |
| Private Works - Section 67   |       | 64             | 67             |
| Regulatory/ Statutory Fees   |       | 8              | 9              |
| Other  |       | 1              | -              |
| <b>Total Fees &amp; Charges - Statutory/Regulatory</b>                           |       | <b>99</b>      | <b>109</b>     |
| <b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)  |       |                |                |
| Aerodrome  |       | 7              | 7              |
| Caravan Park   |       | 5              | 10             |
| Cemeteries   |       | 16             | 39             |
| Quarry Revenues  |       | 135            | 37             |
| RMS (formerly RTA) Charges (State Roads not controlled by Council)               |       | 717            | 639            |
| Swimming Centres   |       | 25             | 24             |
| Other  |       | 15             | 6              |
| <b>Total Fees &amp; Charges - Other</b>  |       | <b>920</b>     | <b>762</b>     |
| <b>TOTAL USER CHARGES &amp; FEES</b>   |       | <b>1,271</b>   | <b>1,110</b>   |

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000   | Notes | Actual<br>2012    | Actual<br>2011    |
|---|-------|-------------------|-------------------|
| <b>(c). Interest &amp; Investment Revenue (incl. losses)</b>        |       |                   |                   |
| <b>Interest &amp; Dividends</b>                                     |       |                   |                   |
| - Interest on Overdue Rates & Annual Charges                        |       | 9                 | 21                |
| - Interest earned on Investments (interest & coupon payment income) |       | 701               | 591               |
| <b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>               |       | <b><u>710</u></b> | <b><u>612</u></b> |
| <b>Interest Revenue is attributable to:</b>                         |       |                   |                   |
| <b>Unrestricted Investments/Financial Assets:</b>                   |       |                   |                   |
| Overdue Rates & Annual Charges (General Fund)                       |       | 9                 | 19                |
| General Council Cash & Investments                                  |       | 535               | 440               |
| <b>Restricted Investments/Funds - External:</b>                     |       |                   |                   |
| Water Fund Operations   |       | 32                | 28                |
| Sewerage Fund Operations  |       | 134               | 125               |
| <b><u>Total Interest &amp; Investment Revenue Recognised</u></b>    |       | <b><u>710</u></b> | <b><u>612</u></b> |
| <b>(d). Other Revenues</b>  |       |                   |                   |
| Rental Income - Other Council Properties                            |       | 131               | 118               |
| Fines   |       | 1                 | -                 |
| Commissions & Agency Fees   |       | 68                | 72                |
| Diesel Rebate   |       | 71                | 63                |
| Insurance Claim Recoveries  |       | 48                | 67                |
| Recycling Income (non domestic)                                     |       | 9                 | 7                 |
| Sales - General   |       | 8                 | -                 |
| Swimming Pool Canteen   |       | 18                | 18                |
| OHS Incentive Payment   |       | 21                | 4                 |
| Statewide Property Rebate   |       | 8                 | 17                |
| NSW RFS M&R Reimbursement   |       | 7                 | 17                |
| Strengthening the Basin Reimbursement                               |       | -                 | 15                |
| Motor Vehicle Insurance Rebate                                      |       | 7                 | 9                 |
| C Division Conference Reimbursement                                 |       | 4                 | -                 |
| Risk Management Incentive   |       | 4                 | -                 |
| Youth Services Income   |       | 7                 | -                 |
| Other   |       | 15                | 12                |
| <b><u>TOTAL OTHER REVENUE</u></b>                                   |       | <b><u>427</u></b> | <b><u>419</u></b> |



## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000   | 2012<br>Operating | 2011<br>Operating | 2012<br>Capital | 2011<br>Capital |
|---|-------------------|-------------------|-----------------|-----------------|
| <b>(e). Grants</b>                              |                   |                   |                 |                 |
| <b>General Purpose (Untied)</b>                 |                   |                   |                 |                 |
| Financial Assistance                            | 2,732             | 2,075             | -               | -               |
| Pensioners' Rates Subsidies - General Component | 19                | 20                | -               | -               |
| <b>Total General Purpose</b>                    | <b>2,751</b>      | <b>2,095</b>      | <b>-</b>        | <b>-</b>        |
| <b>Specific Purpose</b>                         |                   |                   |                 |                 |
| Pensioners' Rates Subsidies:                    |                   |                   |                 |                 |
| - Water   | 8                 | 10                | -               | -               |
| - Sewerage                                      | 9                 | 9                 | -               | -               |
| - Domestic Waste Management                     | 8                 | 8                 | -               | -               |
| Community Centres                               | 1                 | -                 | -               | 509             |
| Economic Development                            | 28                | 18                | -               | -               |
| Employment & Training Programs                  | 11                | 6                 | -               | -               |
| Flood Restoration                               | 213               | 327               | -               | -               |
| Heritage & Cultural                             | -                 | 5                 | -               | -               |
| Library   | 20                | 19                | -               | -               |
| Recreation & Culture                            | -                 | 37                | -               | 70              |
| Street Lighting                                 | 25                | 25                | -               | -               |
| Transport (Roads to Recovery)                   | 915               | -                 | -               | -               |
| Transport (Bus Shelter Upgrade Funding)         | 9                 | -                 | -               | -               |
| Youth Services                                  | 27                | 53                | -               | -               |
| Parental Leave Scheme                           | 11                | -                 | -               | -               |
| Local Government Reform Fund                    | 30                | -                 | -               | -               |
| Other   | 1                 | 1                 | -               | -               |
| <b>Total Specific Purpose</b>                   | <b>1,316</b>      | <b>518</b>        | <b>-</b>        | <b>579</b>      |
| <b>Total Grants</b>                             | <b>4,067</b>      | <b>2,613</b>      | <b>-</b>        | <b>579</b>      |
| <b>Grant Revenue is attributable to:</b>        |                   |                   |                 |                 |
| - Commonwealth Funding                          | 3,647             | 2,105             | -               | 489             |
| - State Funding                                 | 420               | 508               | -               | 90              |
| - Other Funding                                 | -                 | -                 | -               | -               |
|   | <b>4,067</b>      | <b>2,613</b>      | <b>-</b>        | <b>579</b>      |

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000   |    | 2012<br>Operating | 2011<br>Operating | 2012<br>Capital | 2011<br>Capital |
|---|----|-------------------|-------------------|-----------------|-----------------|
| <b>(f). Contributions</b>                                     |    |                   |                   |                 |                 |
| <b>Developer Contributions:</b>                               |    |                   |                   |                 |                 |
| <b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b> |    |                   |                   |                 |                 |
| Nil   |    |                   |                   |                 |                 |
| <b>Total Developer Contributions</b>                          | 17 | -                 | -                 | -               | -               |
| <b>Other Contributions:</b>                                   |    |                   |                   |                 |                 |
| Bushfire Services   |    | 35                | 56                | -               | -               |
| Recreation & Culture  |    | 143               | 20                | -               | 23              |
| RMS Contributions (Regional Roads, Block Grant)               |    | 2,748             | 2,706             | -               | -               |
| Riverbank - Bamboo Works                                      |    | -                 | 5                 | -               | -               |
| Library   |    | 68                | 55                | -               | -               |
| Other   |    | 1                 | -                 | -               | -               |
| <b>Total Other Contributions</b>                              |    | <b>2,995</b>      | <b>2,842</b>      | -               | <b>23</b>       |
| <b>Total Contributions</b>                                    |    | <b>2,995</b>      | <b>2,842</b>      | -               | <b>23</b>       |
| <b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>                       |    | <b>7,062</b>      | <b>5,455</b>      | -               | <b>602</b>      |

**(g). Restrictions relating to Grants and Contributions**

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

|   |            |              |
|---|------------|--------------|
| Unexpended at the Close of the Previous Reporting Period                          | 417        | 1,008        |
| add: Grants & contributions recognised in the current period but not yet spent:   | 702        | 417          |
| less: Grants & contributions recognised in a previous reporting period now spent: | (417)      | (1,008)      |
| <b>Net Increase (Decrease) in Restricted Assets during the Period</b>             | <b>285</b> | <b>(591)</b> |
| <b>Unexpended and held as Restricted Assets</b>                                   | <b>702</b> | <b>417</b>   |
| <b>Comprising:</b>  |            |              |
| - Specific Purpose Unexpended Grants  | 536        | 119          |
| - Other Contributions   | 166        | 298          |
|   | <b>702</b> | <b>417</b>   |

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 4. Expenses from Continuing Operations

| \$ '000  | Notes | Actual<br>2012      | Actual<br>2011      |
|--|-------|---------------------|---------------------|
| <b>(a) Employee Benefits &amp; On-Costs</b>                          |       |                     |                     |
| Salaries and Wages   |       | 3,541               | 3,523               |
| Travelling   |       | 8                   | 9                   |
| Employee Leave Entitlements (ELE)                                    |       | 585                 | 410                 |
| Superannuation - Defined Contribution Plans                          |       | 191                 | 224                 |
| Superannuation - Defined Benefit Plans                               |       | 236                 | 175                 |
| Workers' Compensation Insurance                                      |       | 258                 | 312                 |
| Fringe Benefit Tax (FBT)   |       | 24                  | 28                  |
| Training Costs (other than Salaries & Wages)                         |       | 54                  | 82                  |
| <b>Total Employee Costs</b>  |       | <b>4,897</b>        | <b>4,763</b>        |
| less: Capitalised Costs  |       | (259)               | (209)               |
| <b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>                          |       | <b><u>4,638</u></b> | <b><u>4,554</u></b> |
| Number of "Equivalent Full Time" Employees at year end               |       | 71                  | 71                  |
| <b>(b) Borrowing Costs</b>   |       |                     |                     |
| <b>(i) Interest Bearing Liability Costs</b>                          |       |                     |                     |
| Interest on Loans  |       | 39                  | 2                   |
| <b>Total Interest Bearing Liability Costs Expensed</b>               |       | <b>39</b>           | <b>2</b>            |
| <b>(ii) Other Borrowing Costs</b>                                    |       |                     |                     |
| Interest applicable on Interest Free (& favourable) Loans to Council |       | 20                  | 21                  |
| <b>Total Other Borrowing Costs</b>                                   |       | <b>20</b>           | <b>21</b>           |
| <b><u>TOTAL BORROWING COSTS EXPENSED</u></b>                         |       | <b><u>59</u></b>    | <b><u>23</u></b>    |

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000   | Notes | Actual<br>2012      | Actual<br>2011      |
|---|-------|---------------------|---------------------|
| <b>(c) Materials &amp; Contracts</b>  |       |                     |                     |
| Raw Materials & Consumables   |       | 3,512               | 3,483               |
| Contractor & Consultancy Costs  |       | 2                   | -                   |
| Auditors Remuneration <sup>(1)</sup>  |       | 51                  | 27                  |
| Legal Expenses:   |       |                     |                     |
| - Legal Expenses: Other   |       | 9                   | 1                   |
| - Legal Expenses: Debt Recovery   |       | -                   | 7                   |
| <b>Total Materials &amp; Contracts</b>  |       | <b>3,574</b>        | <b>3,518</b>        |
| less: Capitalised Costs   |       | -                   | -                   |
| <b><u>TOTAL MATERIALS &amp; CONTRACTS</u></b>   |       | <b><u>3,574</u></b> | <b><u>3,518</u></b> |
| <b>1. Auditor Remuneration</b>  |       |                     |                     |
| During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities): |       |                     |                     |
| <b>(i) Audit and Other Assurance Services</b>   |       |                     |                     |
| - Audit & review of financial statements: Council's Auditor   |       | 26                  | 27                  |
| - Internal Audit Services   |       | 25                  | -                   |
| <b>Remuneration for audit and other assurance services</b>  |       | <b>51</b>           | <b>27</b>           |
| <b>Total Auditor Remuneration</b>   |       | <b>51</b>           | <b>27</b>           |

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000  | Notes | Impairment Costs |                | Depreciation/Amortisation |                |
|--|-------|------------------|----------------|---------------------------|----------------|
|  |       | Actual<br>2012   | Actual<br>2011 | Actual<br>2012            | Actual<br>2011 |
| Plant and Equipment  |       | -                | -              | 781                       | 782            |
| Office Equipment   |       | -                | -              | 31                        | 28             |
| Furniture & Fittings   |       | -                | -              | 5                         | 4              |
| Buildings - Non Specialised  |       | -                | -              | 100                       | 98             |
| Buildings - Specialised  |       | -                | -              | 84                        | 82             |
| Other Structures   |       | -                | -              | 172                       | 170            |
| Infrastructure:  |       |                  |                |                           |                |
| - Roads, Bridges & Footpaths   |       | -                | -              | 2,138                     | 2,096          |
| - Stormwater Drainage  |       | -                | -              | 37                        | 37             |
| - Water Supply Network   |       | -                | -              | 153                       | 149            |
| - Sewerage Network   |       | -                | -              | 128                       | 195            |
| <b>Total Depreciation &amp; Impairment Costs</b>                     |       | -                | -              | <b>3,629</b>              | <b>3,641</b>   |
| less: Capitalised Costs  |       | -                | -              | (219)                     | (161)          |
| <b><u>TOTAL DEPRECIATION &amp;<br/>IMPAIRMENT COSTS EXPENSED</u></b> |       | <b>-</b>         | <b>-</b>       | <b>3,410</b>              | <b>3,480</b>   |

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000  | Notes | Actual<br>2012      | Actual<br>2011    |
|--|-------|---------------------|-------------------|
| <b>(e) Other Expenses</b>  |       |                     |                   |
| Other Expenses for the year include the following:                         |       |                     |                   |
| Advertising  |       | 28                  | 28                |
| Bank Charges   |       | 5                   | 5                 |
| Contributions/Levies to Other Levels of Government                         |       |                     |                   |
| - Emergency Services Levy  |       | 8                   | 9                 |
| - NSW Fire Brigade Levy  |       | 19                  | 19                |
| - NSW Rural Fire Service Levy  |       | 67                  | 54                |
| - Contribution to North Western Library                                    |       | 41                  | 38                |
| - Contributions to Castlereagh Macquarie County Council                    |       | 88                  | 83                |
| - Other Contributions/Levies   |       | 8                   | 8                 |
| Councillor Expenses - Mayoral Fee  |       | 13                  | 13                |
| Councillor Expenses - Councillors' Fees                                    |       | 96                  | 92                |
| Councillors' Expenses (incl. Mayor) - Other (excluding fees above)         |       | 20                  | 15                |
| Donations, Contributions & Assistance to other organisations (Section 356) |       | 25                  | -                 |
| Electricity & Heating  |       | 202                 | 140               |
| Insurance  |       | 181                 | 173               |
| Postage  |       | 12                  | 11                |
| Printing & Stationery  |       | 31                  | 23                |
| Street Lighting  |       | 77                  | 69                |
| Subscriptions & Publications   |       | 17                  | 17                |
| Telephone & Communications   |       | 25                  | 26                |
| Valuation Fees   |       | 15                  | 14                |
| Water Purchases  |       | 16                  | 15                |
| Other  |       | 6                   | 14                |
| <b><u>TOTAL OTHER EXPENSES</u></b>   |       | <b><u>1,000</u></b> | <b><u>866</u></b> |

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000   | Notes | Actual<br>2012 | Actual<br>2011 |
|---|-------|----------------|----------------|
| <b>Property</b> (excl. Investment Property)                 |       |                |                |
| Proceeds from Disposal - Property                           |       | 3              | 60             |
| less: Carrying Amount of Property Assets Sold / Written Off |       | (42)           | -              |
| <b>Net Gain/(Loss) on Disposal</b>                          |       | <b>(39)</b>    | <b>60</b>      |
| <b>Plant &amp; Equipment</b>                                |       |                |                |
| Proceeds from Disposal - Plant & Equipment                  |       | 220            | 415            |
| less: Carrying Amount of P&E Assets Sold / Written Off      |       | (103)          | (295)          |
| <b>Net Gain/(Loss) on Disposal</b>                          |       | <b>117</b>     | <b>120</b>     |
| <b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>                |       | <b>78</b>      | <b>180</b>     |

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000   | Notes | 2012              | 2012                  | 2011              | 2011                  |
|---|-------|-------------------|-----------------------|-------------------|-----------------------|
|   |       | Actual<br>Current | Actual<br>Non Current | Actual<br>Current | Actual<br>Non Current |
| <b>Cash &amp; Cash Equivalents (Note 6a)</b>                            |       |                   |                       |                   |                       |
| Cash on Hand and at Bank  |       | 95                | -                     | 887               | -                     |
| Cash-Equivalent Assets <sup>1</sup>                                     |       |                   |                       |                   |                       |
| - Deposits at Call  |       | 1,037             | -                     | 1,137             | -                     |
| - Short Term Deposits   |       | 12,750            | -                     | 9,757             | -                     |
| <b>Total Cash &amp; Cash Equivalents</b>                                |       | <b>13,882</b>     | <b>-</b>              | <b>11,781</b>     | <b>-</b>              |
| <b>Investment Securities (Note 6b)</b>                                  |       |                   |                       |                   |                       |
| Nil   |       |                   |                       |                   |                       |
| <b><u>TOTAL CASH ASSETS, CASH<br/>EQUIVALENTS &amp; INVESTMENTS</u></b> |       | <b>13,882</b>     | <b>-</b>              | <b>11,781</b>     | <b>-</b>              |

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

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

**Cash & Cash Equivalents**

a. "At Fair Value through the Profit &amp; Loss"

|  |               |          |               |          |
|--|---------------|----------|---------------|----------|
|  | <b>13,882</b> | <b>-</b> | <b>11,781</b> | <b>-</b> |
|--|---------------|----------|---------------|----------|

**Investments**

Nil

**Note 6(b-i)**

**Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"**

Nil

**Note 6(b-ii)**

**Reconciliation of Investments classified as "Held to Maturity"**

Nil

**Note 6(b-iii)**

**Reconciliation of Investments classified as "Loans & Receivables"**

Nil

**Note 6(b-iv)**

**Reconciliation of Investments classified as "Available for Sale"**

Nil



## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000   | 2012              | 2012                  | 2011              | 2011                  |
|---|-------------------|-----------------------|-------------------|-----------------------|
|   | Actual<br>Current | Actual<br>Non Current | Actual<br>Current | Actual<br>Non Current |
| <b>Total Cash, Cash Equivalents and Investment Securities</b> | <b>13,882</b>     | <b>-</b>              | <b>11,781</b>     | <b>-</b>              |
| <b>attributable to:</b>                                       |                   |                       |                   |                       |
| External Restrictions (refer below)                           | 3,686             | -                     | 3,347             | -                     |
| Internal Restrictions (refer below)                           | 9,751             | -                     | 7,964             | -                     |
| Unrestricted  | 445               | -                     | 470               | -                     |
|   | <b>13,882</b>     | <b>-</b>              | <b>11,781</b>     | <b>-</b>              |

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

## Details of Restrictions

**External Restrictions - Included in Liabilities**

|                                |   |   |   |   |
|--------------------------------|---|---|---|---|
| Other - CWCMA Roadside Mapping | 7 | - | - | 7 |
|--------------------------------|---|---|---|---|

|  |          |          |          |          |
|--|----------|----------|----------|----------|
| <b>External Restrictions - Included in Liabilities</b> | <b>7</b> | <b>-</b> | <b>-</b> | <b>7</b> |
|--|----------|----------|----------|----------|

**External Restrictions - Other**

|  |              |            |              |              |
|--|--------------|------------|--------------|--------------|
| RMS (formerly RTA) Contributions (A)   | 294          | 153        | (294)        | 153          |
| Specific Purpose Unexpended Grants (B) | 119          | 417        | -            | 536          |
| Water Supplies (C)                     | 551          | -          | (49)         | 502          |
| Sewerage Services (C)                  | 2,280        | 85         | -            | 2,365        |
| Domestic Waste Management (C)          | 92           | 18         | -            | 110          |
| Other - Library Services               | 4            | 13         | (4)          | 13           |
| <b>External Restrictions - Other</b>   | <b>3,340</b> | <b>686</b> | <b>(347)</b> | <b>3,679</b> |
| <b>Total External Restrictions</b>     | <b>3,347</b> | <b>686</b> | <b>(347)</b> | <b>3,686</b> |

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| 2012<br>\$ '000                    | Opening<br>Balance | Transfers to<br>Restrictions | Transfers from<br>Restrictions | Closing<br>Balance |
|------------------------------------|--------------------|------------------------------|--------------------------------|--------------------|
| <b>Internal Restrictions</b>       |                    |                              |                                |                    |
| Plant & Vehicle Replacement        | 291                | 286                          | (2)                            | 575                |
| Infrastructure Replacement         | 3,471              | 1,055                        | (284)                          | 4,242              |
| Employees Leave Entitlement        | 370                | -                            | -                              | 370                |
| Roadworks                          | 1,790              | 674                          | (597)                          | 1,867              |
| Bridgeworks                        | 336                | -                            | -                              | 336                |
| Insurances                         | 260                | 68                           | -                              | 328                |
| Specific M&R                       | 99                 | 43                           | (26)                           | 116                |
| Specific Programs                  | 680                | 80                           | (127)                          | 633                |
| CBD Improvements                   | 115                | 36                           | (17)                           | 134                |
| FAG Grant Prepaid                  | 525                | 1,110                        | (525)                          | 1,110              |
| Other                              | 27                 | 17                           | (4)                            | 40                 |
| <b>Total Internal Restrictions</b> | <b>7,964</b>       | <b>3,369</b>                 | <b>(1,582)</b>                 | <b>9,751</b>       |
| <b>TOTAL RESTRICTIONS</b>          | <b>11,311</b>      | <b>4,055</b>                 | <b>(1,929)</b>                 | <b>13,437</b>      |

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

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 7. Receivables

| \$ '000                                  | Notes | 2012       |             | 2011       |             |
|--|-------|------------|-------------|------------|-------------|
|  |       | Current    | Non Current | Current    | Non Current |
| <b>Purpose</b>                           |       |            |             |            |             |
| Rates & Annual Charges                   |       | 39         | 35          | 78         | 21          |
| Interest & Extra Charges                 |       | 2          | 3           | 6          | 2           |
| User Charges & Fees                      |       | 369        | 91          | 152        | 8           |
| Accrued Revenues                         |       |            |             |            |             |
| - Interest on Investments                |       | 111        | -           | 64         | -           |
| Government Grants & Subsidies            |       | 274        | -           | 663        | -           |
| Loans to Non Profit Organisations        |       | 2          | 18          | -          | -           |
| Other Debtors                            |       | 36         | -           | 24         | -           |
| <b>TOTAL NET RECEIVABLES</b>             |       | <b>833</b> | <b>147</b>  | <b>987</b> | <b>31</b>   |
| <b>Externally Restricted Receivables</b> |       |            |             |            |             |
| <b>Water Supply</b>                      |       |            |             |            |             |
| - Rates & Availability Charges           |       | 9          | -           | 13         | -           |
| - Other                                  |       | 54         | -           | 53         | -           |
| <b>Sewerage Services</b>                 |       |            |             |            |             |
| - Rates & Availability Charges           |       | 12         | -           | 20         | -           |
| - Other                                  |       | 2          | -           | -          | -           |
| <b>Domestic Waste Management</b>         |       | <b>17</b>  | <b>-</b>    | <b>21</b>  | <b>-</b>    |
| <b>Total External Restrictions</b>       |       | <b>94</b>  | <b>-</b>    | <b>107</b> | <b>-</b>    |
| <b>Internally Restricted Receivables</b> |       |            |             |            |             |
| Nil                                      |       |            |             |            |             |
| <b>Internally Restricted Receivables</b> |       | <b>-</b>   | <b>-</b>    | <b>-</b>   | <b>-</b>    |
| <b>Unrestricted Receivables</b>          |       | <b>739</b> | <b>147</b>  | <b>880</b> | <b>31</b>   |
| <b>TOTAL NET RECEIVABLES</b>             |       | <b>833</b> | <b>147</b>  | <b>987</b> | <b>31</b>   |

**Notes on Debtors above:**

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

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 8. Inventories &amp; Other Assets

| \$ '000  | Notes | 2012              |                 | 2011              |                 |
|--|-------|-------------------|-----------------|-------------------|-----------------|
|  |       | Current           | Non Current     | Current           | Non Current     |
| <b>Inventories</b>                             |       |                   |                 |                   |                 |
| Real Estate for resale (refer below)           |       | 164               | -               | 164               | -               |
| Stores & Materials                             |       | 92                | -               | 114               | -               |
| Trading Stock                                  |       | 341               | -               | 376               | -               |
| Loose Tools                                    |       | 73                | -               | 86                | -               |
| <b>Total Inventories</b>                       |       | <b>670</b>        | <b>-</b>        | <b>740</b>        | <b>-</b>        |
| <b>Other Assets</b>                            |       |                   |                 |                   |                 |
| Prepayments                                    |       | 154               | -               | 119               | -               |
| <b>Total Other Assets</b>                      |       | <b>154</b>        | <b>-</b>        | <b>119</b>        | <b>-</b>        |
| <b><u>TOTAL INVENTORIES / OTHER ASSETS</u></b> |       | <b><u>824</u></b> | <b><u>-</u></b> | <b><u>859</u></b> | <b><u>-</u></b> |

**Externally Restricted Assets**

There are no restrictions applicable to the above assets.

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000  | 2012       |             | 2011       |             |
|--|------------|-------------|------------|-------------|
|  | Current    | Non Current | Current    | Non Current |
| <b>(i) Other Disclosures</b>                           |            |             |            |             |
| <b>(a) Details for Real Estate Development</b>         |            |             |            |             |
| Residential  | 75         | -           | 75         | -           |
| Industrial/Commercial                                  | 89         | -           | 89         | -           |
| <b>Total Real Estate for Resale</b>                    | <b>164</b> | <b>-</b>    | <b>164</b> | <b>-</b>    |
| (Valued at the lower of cost and net realisable value) |            |             |            |             |
| <b>Represented by:</b>                                 |            |             |            |             |
| Acquisition Costs                                      | 164        | -           | 164        | -           |
| <b>Total Real Estate for Resale</b>                    | <b>164</b> | <b>-</b>    | <b>164</b> | <b>-</b>    |
| <b>Movements:</b>                                      |            |             |            |             |
| Real Estate assets at beginning of the year            | 164        | -           | 180        | -           |
| - Transfers in from (out to) Note 9                    | -          | -           | (16)       | -           |
| <b>Total Real Estate for Resale</b>                    | <b>164</b> | <b>-</b>    | <b>164</b> | <b>-</b>    |

**(b) Current Assets not anticipated to be settled within the next 12 months**

The following Inventories & Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

|                        | 2012       | 2011       |
|------------------------|------------|------------|
| Real Estate for Resale | 147        | 147        |
| Other                  | 310        | 340        |
|                        | <b>457</b> | <b>487</b> |

\$25K was recognised as an expense relating to the write down of Inventory balances held during the year.

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 9a. Infrastructure, Property, Plant & Equipment

| \$ '000  | as at 30/6/2011 |               |                | Asset Movements during the Reporting Period |                        |                      |  | as at 30/6/2012 |                |               |                |
|--|-----------------|---------------|----------------|---|------------------------|----------------------|--|-----------------|----------------|---------------|----------------|
|  | At              | Accumulated   | Carrying       | Asset Additions                             | WDV of Asset Disposals | Depreciation Expense | Revaluation Increments to Equity (ARR) | At              | At             | Accumulated   | Carrying       |
|  | Fair Value      | Dep'n         | Value          |   |                        |                      |  | Cost            | Fair Value     | Dep'n         | Value          |
| Capital Work in Progress   | -               | -             | -              | 670   | -                      | -                    | -                                      | 670             | -              | -             | 670            |
| Plant & Equipment  | 9,983           | 6,154         | 3,829          | 937   | (103)                  | (781)                | -                                      | -               | 10,274         | 6,392         | 3,882          |
| Office Equipment   | 499             | 419           | 80             | 40  | -                      | (31)                 | -                                      | -               | 539            | 450           | 89             |
| Furniture & Fittings   | 60              | 57            | 3              | 33  | -                      | (5)                  | -                                      | -               | 93             | 62            | 31             |
| <b>Land:</b>   |                 |               |                |   |                        |                      |  |                 |                |               |                |
| - Operational Land   | 1,261           | -             | 1,261          | 5   | -                      | -                    | -                                      | -               | 1,266          | -             | 1,266          |
| - Community Land   | 1,003           | -             | 1,003          | -   | -                      | -                    | -                                      | -               | 1,003          | -             | 1,003          |
| Buildings - Non Specialised                                      | 8,198           | 5,053         | 3,145          | -   | (42)                   | (100)                | -                                      | -               | 8,028          | 5,025         | 3,003          |
| Buildings - Specialised  | 5,792           | 2,684         | 3,108          | -   | -                      | (84)                 | -                                      | -               | 5,792          | 2,768         | 3,024          |
| Other Structures   | 15,454          | 8,015         | 7,439          | 20  | -                      | (172)                | -                                      | -               | 15,474         | 8,187         | 7,287          |
| <b>Infrastructure:</b>   |                 |               |                |   |                        |                      |  |                 |                |               |                |
| - Roads, Bridges, Footpaths                                      | 147,177         | 45,101        | 102,076        | 1,752                                       | -                      | (2,138)              | -                                      | -               | 148,929        | 47,239        | 101,690        |
| - Stormwater Drainage  | 3,745           | 1,534         | 2,211          | -   | -                      | (37)                 | -                                      | -               | 3,745          | 1,571         | 2,174          |
| - Water Supply Network   | 12,302          | 6,619         | 5,683          | -   | -                      | (153)                | 761                                    | -               | 12,740         | 6,449         | 6,291          |
| - Sewerage Network   | 11,837          | 8,553         | 3,284          | -   | -                      | (128)                | 1,212                                  | -               | 12,478         | 8,110         | 4,368          |
| <b><u>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</u></b> | <b>217,311</b>  | <b>84,189</b> | <b>133,122</b> | <b>3,457</b>                                | <b>(145)</b>           | <b>(3,629)</b>       | <b>1,973</b>                           | <b>670</b>      | <b>220,361</b> | <b>86,253</b> | <b>134,778</b> |

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$1,362) and New Assets (\$1,057). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of n

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000<br>Class of Asset          | Actual<br>2012 |                  |                      |                   | Actual<br>2011 |                  |                      |                   |
|------------------------------------|----------------|------------------|----------------------|-------------------|----------------|------------------|----------------------|-------------------|
|                                    | At<br>Cost     | At<br>Fair Value | A/Dep &<br>Impairm't | Carrying<br>Value | At<br>Cost     | At<br>Fair Value | A/Dep &<br>Impairm't | Carrying<br>Value |
| <b>Water Supply</b>                |                |                  |                      |                   |                |                  |                      |                   |
| Plant & Equipment                  | -              | 315              | 159                  | <b>156</b>        | -              | 197              | 152                  | <b>45</b>         |
| Land                               |                |                  |                      |                   |                |                  |                      |                   |
| - Operational Land                 | -              | 54               | -                    | <b>54</b>         | -              | 54               | -                    | <b>54</b>         |
| - Community Land                   | -              | 10               | -                    | <b>10</b>         | -              | 10               | -                    | <b>10</b>         |
| Other Structures                   | -              | 73               | 21                   | <b>52</b>         | -              | 73               | 19                   | <b>54</b>         |
| Infrastructure                     | -              | 12,740           | 6,449                | <b>6,291</b>      | -              | 12,302           | 6,619                | <b>5,683</b>      |
| <b>Total Water Supply</b>          | <b>-</b>       | <b>13,192</b>    | <b>6,629</b>         | <b>6,563</b>      | <b>-</b>       | <b>12,636</b>    | <b>6,790</b>         | <b>5,846</b>      |
| <b>Sewerage Services</b>           |                |                  |                      |                   |                |                  |                      |                   |
| Plant & Equipment                  | -              | 173              | 123                  | <b>50</b>         | -              | 173              | 112                  | <b>61</b>         |
| Land                               |                |                  |                      |                   |                |                  |                      |                   |
| - Operational Land                 | -              | 28               | -                    | <b>28</b>         | -              | 29               | -                    | <b>29</b>         |
| - Community Land                   | -              | 76               | -                    | <b>76</b>         | -              | 76               | -                    | <b>76</b>         |
| Other Structures                   | -              | 20               | -                    | <b>20</b>         | -              | -                | -                    | <b>-</b>          |
| Infrastructure                     | -              | 12,478           | 8,110                | <b>4,368</b>      | -              | 11,837           | 8,553                | <b>3,284</b>      |
| <b>Total Sewerage Services</b>     | <b>-</b>       | <b>12,775</b>    | <b>8,233</b>         | <b>4,542</b>      | <b>-</b>       | <b>12,115</b>    | <b>8,665</b>         | <b>3,450</b>      |
| <b>Domestic Waste Management</b>   |                |                  |                      |                   |                |                  |                      |                   |
| Land                               |                |                  |                      |                   |                |                  |                      |                   |
| - Operational Land'                | -              | 105              | -                    | <b>105</b>        | -              | 105              | -                    | <b>105</b>        |
| <b>Total DWM</b>                   | <b>-</b>       | <b>105</b>       | <b>-</b>             | <b>105</b>        | <b>-</b>       | <b>105</b>       | <b>-</b>             | <b>105</b>        |
| <b>TOTAL RESTRICTED I,PP&amp;E</b> | <b>-</b>       | <b>26,072</b>    | <b>14,862</b>        | <b>11,210</b>     | <b>-</b>       | <b>24,856</b>    | <b>15,455</b>        | <b>9,401</b>      |

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

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

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000  | Notes | 2012         |             | 2011         |             |
|--|-------|--------------|-------------|--------------|-------------|
|  |       | Current      | Non Current | Current      | Non Current |
| <b>Payables</b>                                    |       |              |             |              |             |
| Goods & Services - operating expenditure           |       | 413          | -           | 511          | -           |
| Payments Received In Advance                       |       | 67           | -           | 62           | -           |
| Accrued Expenses:                                  |       |              |             |              |             |
| - Salaries & Wages                                 |       | 24           | -           | 30           | -           |
| ATO - Net GST Payable                              |       | 1            | -           | 23           | -           |
| Sundry Deposits                                    |       | 107          | -           | 68           | -           |
| <b>Total Payables</b>                              |       | <b>612</b>   | <b>-</b>    | <b>694</b>   | <b>-</b>    |
| <b>Borrowings</b>                                  |       |              |             |              |             |
| Loans - Secured <sup>1</sup>                       |       | 41           | 433         | 38           | 474         |
| Government Advances                                |       | 28           | 110         | 28           | 118         |
| <b>Total Borrowings</b>                            |       | <b>69</b>    | <b>543</b>  | <b>66</b>    | <b>592</b>  |
| <b>Provisions</b>                                  |       |              |             |              |             |
| Employee Benefits;                                 |       |              |             |              |             |
| Annual Leave                                       |       | 424          | -           | 422          | -           |
| Long Service Leave                                 |       | 1,272        | 33          | 1,020        | 64          |
| <b>Total Provisions</b>                            |       | <b>1,696</b> | <b>33</b>   | <b>1,442</b> | <b>64</b>   |
| <b>Total Payables, Borrowings &amp; Provisions</b> |       | <b>2,377</b> | <b>576</b>  | <b>2,202</b> | <b>656</b>  |

## (i) Liabilities relating to Restricted Assets

|  | 2012      |             | 2011      |             |
|--|-----------|-------------|-----------|-------------|
|  | Current   | Non Current | Current   | Non Current |
| <b>Externally Restricted Assets</b>                    |           |             |           |             |
| Water  | 55        | 6           | 23        | 41          |
| Sewer  | 15        | -           | 8         | 5           |
| Other  | 7         | -           | 7         | -           |
| Liabilities relating to externally restricted assets   | <b>77</b> | <b>6</b>    | <b>38</b> | <b>46</b>   |
| <b>Internally Restricted Assets</b>                    |           |             |           |             |
| Nil  |           |             |           |             |
| <b>Total Liabilities relating to restricted assets</b> | <b>77</b> | <b>6</b>    | <b>38</b> | <b>46</b>   |

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

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



## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000 | 2012 | 2011 |
|---------|------|------|
|---------|------|------|

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

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

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Provisions - Employees Benefits | 1,326        | 1,043        |
|                                 | <b>1,326</b> | <b>1,043</b> |

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

| Class of Provision | 2011                         |                       | 2012                     |  |                         |                               |
|--------------------|------------------------------|-----------------------|--------------------------|--|-------------------------|-------------------------------|
|                    | Opening Balance as at 1/7/11 | Additional Provisions | Decrease due to Payments | Remeasurement effects due to Discounting | Unused amounts reversed | Closing Balance as at 30/6/12 |
| Annual Leave       | 422                          | 279                   | (277)                    | -  | -                       | 424                           |
| Long Service Leave | 1,084                        | 299                   | (78)                     | -  | -                       | 1,305                         |
| <b>TOTAL</b>       | <b>1,506</b>                 | <b>578</b>            | <b>(355)</b>             | <b>-</b>                                 | <b>-</b>                | <b>1,729</b>                  |

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

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000  | Notes | Actual<br>2012 | Actual<br>2011 |
|--|-------|----------------|----------------|
| <b>(a) Reconciliation of Cash Assets</b>   |       |                |                |
| Total Cash & Cash Equivalent Assets  | 6a    | 13,882         | 11,781         |
| <b>BALANCE as per the STATEMENT of CASH FLOWS</b>  |       | <b>13,882</b>  | <b>11,781</b>  |
| <b>(b) Reconciliation of Net Operating Result<br/>to Cash provided from Operating Activities</b> |       |                |                |
| <b>Net Operating Result from Income Statement</b>  |       | <b>1,622</b>   | <b>521</b>     |
| <b>Adjust for non cash items:</b>  |       |                |                |
| Depreciation & Amortisation  |       | 3,410          | 3,480          |
| Net Losses/(Gains) on Disposal of Assets   |       | (78)           | (180)          |
| Amortisation of Premiums, Discounts & Prior Period Fair Valuations                               |       |                |                |
| - Interest Exp. on Interest Free Loans received by Council (previously Fair Value                |       | 20             | 21             |
| Share of Net (Profits) or Losses of Associates/Joint Ventures                                    |       | (6)            | 11             |
| <b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>                  |       |                |                |
| Decrease/(Increase) in Receivables   |       | 38             | (579)          |
| Decrease/(Increase) in Inventories   |       | 70             | 9              |
| Decrease/(Increase) in Other Assets  |       | (35)           | (9)            |
| Increase/(Decrease) in Payables  |       | (98)           | 355            |
| Increase/(Decrease) in accrued Interest Payable  |       | -              | (1)            |
| Increase/(Decrease) in other accrued Expenses Payable  |       | (6)            | (10)           |
| Increase/(Decrease) in Other Liabilities   |       | 22             | 29             |
| Increase/(Decrease) in Employee Leave Entitlements   |       | 223            | 59             |
| <b>NET CASH PROVIDED FROM/(USED IN)</b>  |       |                |                |
| <b>OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>                                     |       | <b>5,182</b>   | <b>3,706</b>   |

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000  | Notes | Actual<br>2012 | Actual<br>2011 |
|--|-------|----------------|----------------|
| <b>(c) Non-Cash Investing &amp; Financing Activities</b>                                       |       |                |                |
| Nil  |       |                |                |
| <b>(d) Financing Arrangements</b>  |       |                |                |
| <b>(i) Unrestricted access was available at balance date to the following lines of credit:</b> |       |                |                |
| Bank Overdraft Facilities <sup>(1)</sup>   |       | 500            | 500            |
| Credit Cards / Purchase Cards  |       | 10             | 10             |
| <b>Total Financing Arrangements</b>  |       | <b>510</b>     | <b>510</b>     |

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

**(ii) Secured Loan Liabilities**

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

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

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 12. Commitments for Expenditure

| \$ '000  | Notes | Actual<br>2012 | Actual<br>2011 |
|--|-------|----------------|----------------|
| <b>(a) Capital Commitments (exclusive of GST)</b>                  |       |                |                |
| Nil  |       |                |                |
| <b>(b) Finance Lease Commitments</b>                               |       |                |                |
| Nil  |       |                |                |
| <b>(c) Operating Lease Commitments (Non Cancellable)</b>           |       |                |                |
| Nil  |       |                |                |
| <b>(d) Investment Property Commitments</b>                         |       |                |                |
| Nil  |       |                |                |
| <b>(e) Investment in Associates / Joint Ventures - Commitments</b> |       |                |                |

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

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000   | Amounts       | Indicator        | Prior Periods |        |
|---|---------------|------------------|---------------|--------|
|   | 2012          | 2012             | 2011          | 2010   |
| <b>Local Government Industry Indicators</b>   |               |                  |               |        |
| <b>1. Unrestricted Current Ratio</b>  |               |                  |               |        |
| Current Assets less all External Restrictions <sup>(1)</sup>  | <b>11,302</b> | <b>11.60 : 1</b> | 8.64:1        | 11.6:1 |
| Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>                                  | <b>974</b>    |                  |               |        |
| <b>2. Debt Service Ratio</b>  |               |                  |               |        |
| Debt Service Cost   | <b>105</b>    | <b>1.05%</b>     | 0.61%         | 1.24%  |
| Income from Continuing Operations<br>excluding Capital Items & Specific<br>Purpose Grants/Contributions | <b>9,992</b>  |                  |               |        |
| <b>3. Rates &amp; Annual Charges<br/>Coverage Ratio</b>   |               |                  |               |        |
| Rates & Annual Charges  | <b>4,749</b>  | <b>33.20%</b>    | 35.42%        | 38.59% |
| Income from Continuing Operations   | <b>14,303</b> |                  |               |        |
| <b>4. Rates, Annual Charges, Interest &amp;<br/>Extra Charges Outstanding Percentage</b>                |               |                  |               |        |
| Rates, Annual & Extra Charges Outstanding   | <b>79</b>     | <b>1.62%</b>     | 2.24%         | 3.37%  |
| Rates, Annual & Extra Charges Collectible   | <b>4,865</b>  |                  |               |        |
| <b>5. Building &amp; Infrastructure Renewals Ratio</b>  |               |                  |               |        |
| Asset Renewals <sup>(4)</sup>   | <b>1,362</b>  | <b>51.59%</b>    | 71.92%        | 92.30% |
| Depreciation, Amortisation & Impairment   | <b>2,640</b>  |                  |               |        |

## Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

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

(4) Asset Renewals represent the replacement &amp;/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Asset Renewals include building and infrastructure assets only.

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000   | Water<br>2012    | Sewer<br>2012     | General <sup>1</sup><br>2012 |
|---|------------------|-------------------|------------------------------|
| <b>Local Government Industry Indicators</b>   |                  |                   |                              |
| <b>1. Unrestricted Current Ratio</b>  |                  |                   |                              |
| <u>Current Assets less all External Restrictions</u> <sup>(1)</sup>                                     | <b>10.27 : 1</b> | <b>158.60 : 1</b> | <b>9.25 : 1</b>              |
| Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>                                  |                  |                   |                              |
| prior period:   | 281.00:1         | 718.75:1          | 8.64:1                       |
| <b>2. Debt Service Ratio</b>  |                  |                   |                              |
| <u>Debt Service Cost</u>  | <b>0.71%</b>     | <b>0.00%</b>      | <b>1.14%</b>                 |
| Income from Continuing Operations<br>excluding Capital Items & Specific<br>Purpose Grants/Contributions |                  |                   |                              |
| prior period:   | 0.74%            | 0.00%             | 0.64%                        |
| <b>3. Rates &amp; Annual Charges<br/>Coverage Ratio</b>   |                  |                   |                              |
| <u>Rates &amp; Annual Charges</u>   | <b>51.33%</b>    | <b>65.72%</b>     | <b>30.94%</b>                |
| Income from Continuing Operations   |                  |                   |                              |
| prior period:   | 48.79%           | 67.18%            | 33.25%                       |
| <b>4. Rates, Annual Charges, Interest &amp;<br/>Extra Charges Outstanding Percentage</b>                |                  |                   |                              |
| <u>Rates, Annual &amp; Extra Charges Outstanding</u>  | <b>3.09%</b>     | <b>3.04%</b>      | <b>1.39%</b>                 |
| Rates, Annual & Extra Charges Collectible   |                  |                   |                              |
| prior period:   | 4.92%            | 5.09%             | 1.80%                        |
| <b>5. Building &amp; Infrastructure Renewals Ratio</b>  |                  |                   |                              |
| <u>Asset Renewals (Building &amp; Infrastructure assets)</u>  | <b>0.00%</b>     | <b>0.00%</b>      | <b>57.74%</b>                |
| Depreciation, Amortisation & Impairment   |                  |                   |                              |
| prior period:   | 0.00%            | 0.00%             | 82.94%                       |

## Notes

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

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 14. Investment Properties

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| \$ '000 | Notes | Actual<br>2012 | Actual<br>2011 |
|---------|-------|----------------|----------------|
|---------|-------|----------------|----------------|

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 15. Financial Risk Management

\$ '000

##### Risk Management

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

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

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

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

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

|                                    | Carrying Value |               | Fair Value    |               |
|------------------------------------|----------------|---------------|---------------|---------------|
|                                    | 2012           | 2011          | 2012          | 2011          |
| <b>Financial Assets</b>            |                |               |               |               |
| Cash and Cash Equivalents          | 13,882         | 11,781        | 13,882        | 11,781        |
| Receivables                        | 980            | 1,018         | 980           | 1,018         |
| <b>Total Financial Assets</b>      | <b>14,862</b>  | <b>12,799</b> | <b>14,862</b> | <b>12,799</b> |
| <b>Financial Liabilities</b>       |                |               |               |               |
| Payables                           | 545            | 632           | 545           | 632           |
| Loans / Advances                   | 612            | 658           | 612           | 658           |
| <b>Total Financial Liabilities</b> | <b>1,157</b>   | <b>1,290</b>  | <b>1,157</b>  | <b>1,290</b>  |

Fair Value is determined as follows:

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



## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

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

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

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

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.

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

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

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

|  | Increase of Values/Rates |        | Decrease of Values/Rates |        |
|--|--------------------------|--------|--------------------------|--------|
|  | Profit                   | Equity | Profit                   | Equity |
| <b>2012</b>  |                          |        |                          |        |
| Possible impact of a 10% movement in Market Values | -                        | -      | -                        | -      |
| Possible impact of a 1% movement in Interest Rates | 139                      | 139    | 139                      | 139    |
| <b>2011</b>  |                          |        |                          |        |
| Possible impact of a 10% movement in Market Values | -                        | -      | -                        | -      |
| Possible impact of a 1% movement in Interest Rates | 118                      | 118    | 118                      | 118    |

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

##### (b) Receivables

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

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

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

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

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

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

|                                   | 2012                         | 2012                 | 2011                         | 2011                 |
|-----------------------------------|------------------------------|----------------------|------------------------------|----------------------|
|                                   | Rates &<br>Annual<br>Charges | Other<br>Receivables | Rates &<br>Annual<br>Charges | Other<br>Receivables |
| <b>(i) Ageing of Receivables</b>  |                              |                      |                              |                      |
| Current (not yet overdue)         | -                            | 806                  | -                            | 734                  |
| Past due by up to 30 days         | 39                           | 24                   | 52                           | 90                   |
| Past due between 31 and 180 days  | 13                           | 19                   | 19                           | 54                   |
| Past due between 181 and 365 days | 9                            | 18                   | 8                            | 12                   |
| Past due by more than 1 year      | 13                           | 39                   | 20                           | 29                   |
|                                   | <b>74</b>                    | <b>906</b>           | <b>99</b>                    | <b>919</b>           |

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

##### (c) Payables & Borrowings

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

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

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

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

| \$ '000                            | Subject<br>to no<br>maturity | payable in: |           |           |           |           |            | Total<br>Cash<br>Outflows | Actual<br>Carrying<br>Values |
|------------------------------------|------------------------------|-------------|-----------|-----------|-----------|-----------|------------|---------------------------|------------------------------|
|                                    |                              | ≤ 1 Year    | 1-2 Yrs   | 2-3 Yrs   | 3-4 Yrs   | 4-5 Yrs   | > 5 Yrs    |                           |                              |
| <b>2012</b>                        |                              |             |           |           |           |           |            |                           |                              |
| Trade/Other Payables               | 107                          | 438         | -         | -         | -         | -         | -          | 545                       | 545                          |
| Loans & Advances                   | -                            | 69          | 73        | 75        | 79        | 81        | 277        | 654                       | 612                          |
| <b>Total Financial Liabilities</b> | <b>107</b>                   | <b>507</b>  | <b>73</b> | <b>75</b> | <b>79</b> | <b>81</b> | <b>277</b> | <b>1,199</b>              | <b>1,157</b>                 |
| <b>2011</b>                        |                              |             |           |           |           |           |            |                           |                              |
| Trade/Other Payables               | 68                           | 564         | -         | -         | -         | -         | -          | 632                       | 632                          |
| Loans & Advances                   | -                            | 66          | 69        | 73        | 75        | 79        | 358        | 720                       | 658                          |
| <b>Total Financial Liabilities</b> | <b>68</b>                    | <b>630</b>  | <b>69</b> | <b>73</b> | <b>75</b> | <b>79</b> | <b>358</b> | <b>1,352</b>              | <b>1,290</b>                 |

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

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

|  | 2012              |                          | 2011              |                          |
|--|-------------------|--------------------------|-------------------|--------------------------|
|  | Carrying<br>Value | Average<br>Interest Rate | Carrying<br>Value | Average<br>Interest Rate |
| Trade/Other Payables                   | 545               | 0.0%                     | 632               | 0.0%                     |
| Loans & Advances - Fixed Interest Rate | 612               | 6.8%                     | 658               | 6.8%                     |
|  | <u>1,157</u>      |                          | <u>1,290</u>      |                          |

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 28 June 2012.

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

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

**Note that for Variations\* of Budget to Actual :**

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

**F** = Favourable Budget Variation, **U** = Unfavourable Budget Variation

| \$ '000   | 2012<br>Budget | 2012<br>Actual | 2012<br>----- Variance* ----- |      |          |
|---|----------------|----------------|-------------------------------|------|----------|
| <b>REVENUES</b>   |                |                |                               |      |          |
| Rates & Annual Charges  | 4,688          | 4,749          | 61                            | 1%   | <b>F</b> |
| User Charges & Fees   | 1,310          | 1,271          | (39)                          | (3%) | <b>U</b> |
| Interest & Investment Revenue   | 482            | 710            | 228                           | 47%  | <b>F</b> |
| Interest revenue is greater than budget due to the delay in undertaking capital works and capital plant purchases.                                    |                |                |                               |      |          |
| Other Revenues  | 402            | 427            | 25                            | 6%   | <b>F</b> |
| Operating Grants & Contributions  | 6,133          | 7,062          | 929                           | 15%  | <b>F</b> |
| Operating Grants & Contributions were higher than budget due to the advance payment of the FAGS Grant and Flood Restoration Works on non-road assets. |                |                |                               |      |          |
| Capital Grants & Contributions  | -              | -              | -                             | 0%   | <b>F</b> |
| Net Gains from Disposal of Assets   | -              | 78             | 78                            | 0%   | <b>F</b> |
| No provision is made in the original budget for profit on sale of assets.   |                |                |                               |      |          |
| Share of Net Profits - Joint Ventures & Associates  | -              | 6              | 6                             | 0%   | <b>F</b> |

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 16. Material Budget Variations (continued)

| \$ '000   | 2012<br>Budget | 2012<br>Actual | 2012<br>----- Variance* ----- |       |          |
|---|----------------|----------------|-------------------------------|-------|----------|
| <b>EXPENSES</b>   |                |                |                               |       |          |
| Employee Benefits & On-Costs  | 4,425          | 4,638          | (213)                         | (5%)  | <b>U</b> |
| Borrowing Costs   | 40             | 59             | (19)                          | (48%) | <b>U</b> |
| Unfavourable result arising from the State Treasury Interest Free Loan. |                |                |                               |       |          |
| Materials & Contracts   | 3,843          | 3,574          | 269                           | 7%    | <b>F</b> |
| Depreciation & Amortisation   | 3,385          | 3,410          | (25)                          | (1%)  | <b>U</b> |
| Other Expenses  | 1,022          | 1,000          | 22                            | 2%    | <b>F</b> |

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

|   |         |         |       |       |          |
|---|---------|---------|-------|-------|----------|
| Cash Flows from Operating Activities  | 2,916   | 5,182   | 2,266 | 77.7% | <b>F</b> |
| Due to the the prepayment of the FAGS Grant and Flood Restoration Works on non-road assets. |         |         |       |       |          |
| Cash Flows from Investing Activities  | (2,850) | (3,015) | (165) | 5.8%  | <b>U</b> |
| Cash Flows from Financing Activities  | (66)    | (66)    | -     | 0.0%  | <b>F</b> |

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 17. Statement of Developer Contributions

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**\$ '000**

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Council currently has no S94 Developer Contribution Plans or S94 Funds on hand from prior years.

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

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

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

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

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

##### (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.

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

#### 2. Other Liabilities

##### (i) Third Party Claims

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

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

##### (ii) Garbage Depot Reinstatement

Garbage is disposed of in pits at the Ewenmar Depc When a new pit is required the old pit is reinstated a same time as the digging of the new pit. As a result reinstatement costs are expensed each year. Shoukl current practices change, it will be necessary to consider the need to establish a Garbage Depot remediation provision

##### (iii) Gravel Pits Reinstatement

Council's practice with regard to the remediation of road reserve and private property gravel pits is to construct water storage for future road maintenance or a farm dam in return for the use of material where feasible. If this is not feasible for whatever reason than the pit is scarified and seeded upon completion of works undertaken and expensed accordingly, therefore future remediation costs are zero.

##### (iv) Mount Foster Quarry Remediation

Mt Foster is an above ground crushing operation of material that Council utilises from the hill for the supply of road making materials, there will be no remediation costs involved with this operation.

##### ASSETS NOT RECOGNISED:

##### (i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

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

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

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

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



## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

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

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

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

##### Subsidiaries

*Note 19(a)*

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

##### Associated Entities & Joint Venture Entities

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

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

##### Joint Venture Operations

*Note 19(c)*

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

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

*Note 19(d)*

#### Accounting Recognition:

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

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

|                        | Council's Share of Net Income |             | Council's Share of Net Assets |           |
|------------------------|-------------------------------|-------------|-------------------------------|-----------|
|                        | Actual                        | Actual      | Actual                        | Actual    |
|                        | 2012                          | 2011        | 2012                          | 2011      |
| Joint Venture Entities | 6                             | (11)        | 67                            | 61        |
| <b>Total</b>           | <b>6</b>                      | <b>(11)</b> | <b>67</b>                     | <b>61</b> |

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

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

Council has no interest in any Subsidiaries.

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

**(i) ASSOCIATED ENTITIES**

Council has no interest in any Associated Entities.

**(ii) JOINT VENTURE ENTITIES****(a) Carrying Amounts**

| Name of Entity   | Principal Activity        | 2012      | 2011      |
|--|---------------------------|-----------|-----------|
| North Western Library Service                          | Joint Purchasing of Books | 67        | 61        |
| <b>Total Carrying Amounts - Joint Venture Entities</b> |                           | <b>67</b> | <b>61</b> |

**(b) Relevant Interests**

| Name of Entity                | Interest in Outputs |      | Interest in Ownership |      | Proportion of Voting Power |      |
|-------------------------------|---------------------|------|-----------------------|------|----------------------------|------|
|                               | 2012                | 2011 | 2012                  | 2011 | 2012                       | 2011 |
| North Western Library Service | 25%                 | 25%  | 25%                   | 25%  | 25%                        | 25%  |

**(c) Movement in Carrying Amounts**

|   | North Western Library Service |           |
|---|-------------------------------|-----------|
|   | 2012                          | 2011      |
| Opening Balance   | 61                            | 72        |
| Share in Operating Result                                 | 6                             | (11)      |
| <b>Council's Equity Share in the Joint Venture Entity</b> | <b>67</b>                     | <b>61</b> |

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

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

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

|                               | Assets    |             | Liabilities |             | Net Assets |
|-------------------------------|-----------|-------------|-------------|-------------|------------|
|                               | Current   | Non Current | Current     | Non Current |            |
| <b>2012</b>                   |           |             |             |             |            |
| North Western Library Service | 13        | 54          | -           | -           | 67         |
| <b>Totals</b>                 | <b>13</b> | <b>54</b>   | <b>-</b>    | <b>-</b>    | <b>67</b>  |
| <b>2011</b>                   |           |             |             |             |            |
| North Western Library Service | 2         | 59          | -           | -           | 61         |
| <b>Totals</b>                 | <b>2</b>  | <b>59</b>   | <b>-</b>    | <b>-</b>    | <b>61</b>  |

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

|                               | 2012      |           |          | 2011      |           |             |
|-------------------------------|-----------|-----------|----------|-----------|-----------|-------------|
|                               | Revenues  | Expenses  | Result   | Revenues  | Expenses  | Result      |
| North Western Library Service | 55        | 49        | 6        | 40        | 51        | (11)        |
| <b>Totals</b>                 | <b>55</b> | <b>49</b> | <b>6</b> | <b>40</b> | <b>51</b> | <b>(11)</b> |

## 19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

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

None.

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| \$ '000  | Notes | Actual<br>2012 | Actual<br>2011 |
|--|-------|----------------|----------------|
| <b>a. Retained Earnings</b>  |       |                |                |
| <b>Movements in Retained Earnings were as follows:</b>                     |       |                |                |
| Balance at beginning of Year (from previous years audited accounts)        |       | 88,419         | 87,898         |
| a. Net Operating Result for the Year                                       |       | 1,622          | 521            |
| <b>Balance at End of the Reporting Period</b>                              |       | <b>90,041</b>  | <b>88,419</b>  |
| <b>b. Reserves</b>   |       |                |                |
| <b>(i) Reserves are represented by:</b>                                    |       |                |                |
| - Infrastructure, Property, Plant & Equipment Revaluation Reserve          |       | 57,537         | 55,564         |
| <b>Total</b>   |       | <b>57,537</b>  | <b>55,564</b>  |
| <b>(ii). Reconciliation of movements in Reserves:</b>                      |       |                |                |
| <b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b> |       |                |                |
| - Opening Balance  |       | 55,564         | 55,188         |
| - Revaluations for the year  | 9(a)  | 1,973          | 376            |
| <b>- Balance at End of Year</b>  |       | <b>57,537</b>  | <b>55,564</b>  |
| <b>TOTAL VALUE OF RESERVES</b>   |       | <b>57,537</b>  | <b>55,564</b>  |

**(iii). Nature & Purpose of Reserves****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

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

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

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

**d. Voluntary Changes in Accounting Policies**

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

## Warren Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

| Income Statement by Fund<br>\$ '000  | Actual<br>2012 | Actual<br>2012 | Actual<br>2012             |
|--|----------------|----------------|----------------------------|
| <b>Continuing Operations</b>   | <b>Water</b>   | <b>Sewer</b>   | <b>General<sup>1</sup></b> |
| <b>Income from Continuing Operations</b>   |                |                |                            |
| Rates & Annual Charges   | 290            | 393            | 4,066                      |
| User Charges & Fees  | 223            | 63             | 985                        |
| Interest & Investment Revenue  | 32             | 134            | 544                        |
| Other Revenues   | 11             | -              | 416                        |
| Grants & Contributions provided for Operating Purposes   | 9              | 8              | 7,045                      |
| <b>Other Income</b>  |                |                |                            |
| Net Gains from Disposal of Assets  | -              | -              | 78                         |
| Share of interests in Joint Ventures & Associates<br>using the Equity Method                               | -              | -              | 6                          |
| <b>Total Income from Continuing Operations</b>   | <b>565</b>     | <b>598</b>     | <b>13,140</b>              |
| <b>Expenses from Continuing Operations</b>   |                |                |                            |
| Employee Benefits & on-costs   | 196            | 209            | 4,233                      |
| Borrowing Costs  | 1              | -              | 58                         |
| Materials & Contracts  | 283            | 293            | 2,998                      |
| Depreciation & Amortisation  | 162            | 139            | 3,109                      |
| Other Expenses   | 16             | -              | 984                        |
| <b>Total Expenses from Continuing Operations</b>   | <b>658</b>     | <b>641</b>     | <b>11,382</b>              |
| <b>Operating Result from Continuing Operations</b>   | <b>(93)</b>    | <b>(43)</b>    | <b>1,758</b>               |
| <b>Net Operating Result for the Year</b>   | <b>(93)</b>    | <b>(43)</b>    | <b>1,758</b>               |
| <b>Net Operating Result for the year before Grants<br/>and Contributions provided for Capital Purposes</b> | <b>(93)</b>    | <b>(43)</b>    | <b>1,758</b>               |

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

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

## Warren Shire Council

## Notes to the Financial Statements

as at 30 June 2012

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

| Balance Sheet by Fund<br>\$ '000                  | Actual<br>2012 | Actual<br>2012 | Actual<br>2012             |
|---|----------------|----------------|----------------------------|
| <b>ASSETS</b>                                     | <b>Water</b>   | <b>Sewer</b>   | <b>General<sup>1</sup></b> |
| <b>Current Assets</b>                             |                |                |                            |
| Cash & Cash Equivalents                           | 502            | 2,365          | 11,015                     |
| Receivables                                       | 63             | 14             | 756                        |
| Inventories                                       | -              | -              | 670                        |
| Other   | -              | -              | 154                        |
| <b>Total Current Assets</b>                       | <b>565</b>     | <b>2,379</b>   | <b>12,595</b>              |
| <b>Non-Current Assets</b>                         |                |                |                            |
| Receivables                                       | -              | -              | 147                        |
| Infrastructure, Property, Plant & Equipment       | 6,563          | 4,542          | 123,673                    |
| Investments Accounted for using the equity method | -              | -              | 67                         |
| <b>Total Non-Current Assets</b>                   | <b>6,563</b>   | <b>4,542</b>   | <b>123,887</b>             |
| <b>TOTAL ASSETS</b>                               | <b>7,128</b>   | <b>6,921</b>   | <b>136,482</b>             |
| <b>LIABILITIES</b>                                |                |                |                            |
| <b>Current Liabilities</b>                        |                |                |                            |
| Payables  | 11             | -              | 601                        |
| Borrowings  | 3              | -              | 66                         |
| Provisions  | 41             | 15             | 1,640                      |
| <b>Total Current Liabilities</b>                  | <b>55</b>      | <b>15</b>      | <b>2,307</b>               |
| <b>Non-Current Liabilities</b>                    |                |                |                            |
| Borrowings  | 6              | -              | 537                        |
| Provisions  | -              | -              | 33                         |
| <b>Total Non-Current Liabilities</b>              | <b>6</b>       | <b>-</b>       | <b>570</b>                 |
| <b>TOTAL LIABILITIES</b>                          | <b>61</b>      | <b>15</b>      | <b>2,877</b>               |
| <b>Net Assets</b>                                 | <b>7,067</b>   | <b>6,906</b>   | <b>133,605</b>             |
| <b>EQUITY</b>                                     |                |                |                            |
| Retained Earnings                                 | 4,493          | 4,572          | 80,976                     |
| Revaluation Reserves                              | 2,574          | 2,334          | 52,629                     |
| <b>Total Equity</b>                               | <b>7,067</b>   | <b>6,906</b>   | <b>133,605</b>             |

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

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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**\$ '000**

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Events that occur after the reporting date of 30 June 2012, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 22/08/12.

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

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

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

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

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

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



## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 24. Discontinued Operations

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|                | Actual | Actual |
|----------------|--------|--------|
|                | 2012   | 2011   |
| <b>\$ '000</b> |        |        |

---

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 25. Intangible Assets

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**\$ '000**

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Intangible Assets represent identifiable non-monetary asset without physical substance.

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

## Warren Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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**\$ '000**

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Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

**WARREN SHIRE COUNCIL**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' REPORT**

---

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying *general purpose financial statements* of **Warren Shire Council**, which comprises the Balance Sheet as at 30 June 2012, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

***Responsibility of Council for the Financial Statements***

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Accordingly, no opinion is expressed on these matters.

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

**Assurance Partners**

T. +61 2 9232 5111  
F. +61 2 9233 7950

Level 5, 1 Chifley Square  
Sydney NSW 2000 Australia

GPO Box 7066  
Sydney NSW 2001

[www.hr-ss.com.au](http://www.hr-ss.com.au)  
[info@hr-ss.com.au](mailto:info@hr-ss.com.au)

Practising as Hill Rogers Spencer  
Steer Assurance Partners

ABN 56 435 338 966

Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

**Independence**

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

**Auditor's Opinion**

In our opinion,

- (a) 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; and
- (b) the financial statements:
  - (i) have been presented in accordance with the requirements of this Division;
  - (ii) are consistent with the Council's accounting records;
  - (iii) present fairly the Council's financial position, the results of its operations and its cash flows; and
  - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

**HILL ROGERS SPENCER STEER**



**BRETT HANGER**

Partner

Dated at Warren this 22<sup>nd</sup> day of August 2012



Hill Rogers  
Spencer Steer

22 August 2012

NRF (Rex) Wilson  
Mayor  
Warren Shire Council  
PO Box 6  
**WARREN NSW 2824**

Mayor,

### **Audit Report - Year Ended 30 June 2012**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2012 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Reports.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Statements of the Council. We have ensured that the accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

#### **I. RESULTS FOR THE YEAR**

##### **1.1 Operating Result**

The operating result for the year was a surplus of \$1.622 million as compared with \$521,000 in the previous year.

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F. +61 2 9233 7950

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Sydney NSW 2000 Australia

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Sydney NSW 2001

[www.hr-ss.com.au](http://www.hr-ss.com.au)  
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The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

|  | 2012<br>\$000 | % of<br>Total | 2011<br>\$000 | % of<br>Total | Increase<br>(Decrease)<br>\$000 |
|--|---------------|---------------|---------------|---------------|---------------------------------|
| <b>Revenues before capital items</b>                   |               |               |               |               |                                 |
| Rates & annual charges                                 | 4,749         | 33%           | 4,595         | 37%           | 154                             |
| User charges, fees & other revenues                    | 1,782         | 12%           | 1,709         | 14%           | 73                              |
| Grants & contributions provided for operating purposes | 7,062         | 49%           | 5,455         | 44%           | 1,607                           |
| Interest & investment revenue                          | 710           | 5%            | 612           | 5%            | 98                              |
|  | <b>14,303</b> | <b>100%</b>   | <b>12,371</b> | <b>100%</b>   | <b>1,932</b>                    |
| <b>Expenses</b>  |               |               |               |               |                                 |
| Employee benefits & costs                              | 4,638         | 37%           | 4,554         | 37%           | 84                              |
| Materials, contracts & other expenses                  | 4,574         | 36%           | 4,395         | 35%           | 179                             |
| Depreciation, amortisation & impairment                | 3,410         | 27%           | 3,480         | 28%           | (70)                            |
| Borrowing costs  | 59            | 0%            | 23            | 0%            | 36                              |
|  | <b>12,681</b> | <b>100%</b>   | <b>12,452</b> | <b>100%</b>   | <b>229</b>                      |
| <b>Surplus/(Deficit) before capital items</b>          | <b>1,622</b>  |               | <b>(81)</b>   |               | <b>1,703</b>                    |
| Grants & contributions provided for capital purposes   | -             |               | 602           |               | (602)                           |
| <b>Net Surplus/(Deficit) for the year</b>              | <b>1,622</b>  |               | <b>521</b>    |               | <b>1,101</b>                    |

The above table shows an overall increase from the previous year of \$1.101 million and is attributable to increased grant funding received during the year. This includes the prepayment of the Financial Assistance Grant.

## 1.2 Funding Result

The operating result does not take into account all revenues and all expenditures and in reviewing the overall financial performance of Council it is useful to take into account the total source of revenues and where they were spent during the year which is illustrated in the table below.

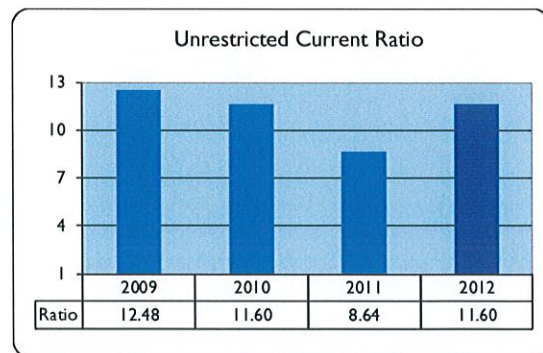
|   | 2012           | 2011           |
|---|----------------|----------------|
| <b>Funds were provided by:-</b>                         | \$000          | \$000          |
| <b>Operating Result (as above)</b>                      | <b>1,622</b>   | <b>521</b>     |
| Add back non funding items:-                            |                |                |
| - Depreciation, amortisation & impairment               | 3,410          | 3,480          |
| - Book value of non-current assets sold                 | 145            | 295            |
| - (Surplus)Deficit in joint ventures                    | (6)            | 11             |
|   | <u>5,171</u>   | <u>4,307</u>   |
| New loan borrowings                                     | 0              | 500            |
| Transfers from externally restricted assets (net)       | 0              | 223            |
| Repayments from deferred debtors                        | 0              | 0              |
| Net Changes in current/non-current assets & liabilities | 176            | 95             |
|   | <u>5,347</u>   | <u>5,125</u>   |
| <b>Funds were applied to:-</b>                          |                |                |
| Purchase and construction of assets                     | (3,238)        | (4,116)        |
| Principal repaid on loans                               | (46)           | (32)           |
| Transfers to externally restricted assets (net)         | (287)          | 0              |
| Transfers to internal reserves (net)                    | (1,787)        | (736)          |
|   | <u>(5,358)</u> | <u>(4,884)</u> |
| <b>Increase/(Decrease) in Available Working Capital</b> | <b>(11)</b>    | <b>241</b>     |

## 2. FINANCIAL POSITION

### 2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$10.328 million representing a factor of 11.6 to 1.





## 2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$1.123 million as detailed below;

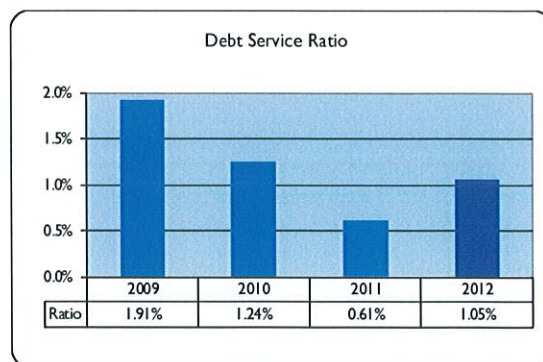
|   | 2012          | 2011          | Change       |
|---|---------------|---------------|--------------|
|   | \$000         | \$000         | \$000        |
| <b>Net Current Assets (Working Capital) as per Accounts</b>   | <b>13,162</b> | <b>11,425</b> | <b>1,737</b> |
| <b>Add:</b> Payables, provisions & inventories not expected to be realised in the next 12 months included above | 869           | 556           | 313          |
| Adjusted Net Current Assets   | 14,031        | 11,981        | 2,050        |
| <b>Add:</b> Budgeted & expected to pay in the next 12 months  |               |               |              |
| - Borrowings  | 69            | 66            | 3            |
| - Employees leave entitlements  | 370           | 399           | (29)         |
| - Deposits & retention moneys   | 107           | 68            | 39           |
| <b>Less:</b> Externally restricted assets   | (3,703)       | (3,416)       | (287)        |
| <b>Less:</b> Internally restricted assets   | (9,751)       | (7,964)       | (1,787)      |
| <b>Available Working Capital as at 30 June</b>  | <b>1,123</b>  | <b>1,134</b>  | <b>(11)</b>  |

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors and inventories and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside we are of the opinion that Available Working Capital as at 30 June 2012 was sound.

## 2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 1.05%.

After repaying principal and interest of \$105,000, Council's debt at 30 June 2012 amounted to \$612,000.



**2.4 Summary**

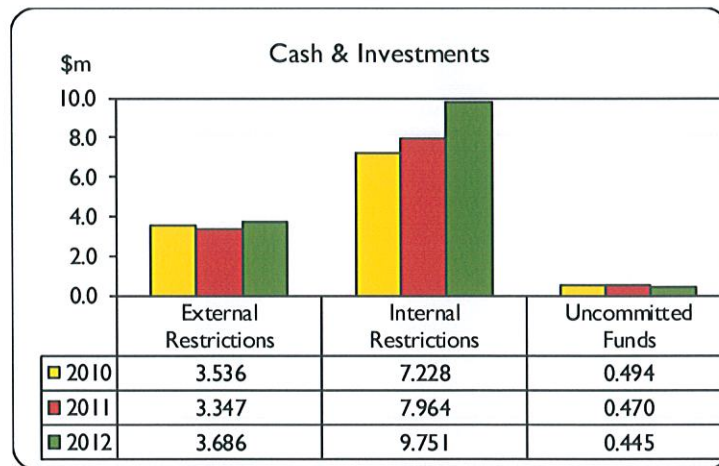
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

**3. CASH ASSETS**

**3.1 Cash & Investments**

Cash and investments held at the close of the year amounted to \$13.882 million as compared with \$11.781 million and \$11.258 million at the close of financial years 2011 and 2010 respectively. The following table summarises the purposes for which cash and investments were held;

The chart alongside summarises the purposes for which cash and investments were held.



**Externally restricted cash and investments** are restricted in their use by externally imposed requirements and consist of unexpended grants and contributions (\$709,000), domestic waste management charges (\$110,000) and water and sewerage funds (\$2.867 million).

**Internally restricted cash and investments** have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$9.751 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$445,000, which is available to provide liquidity for day to day operations.

### 3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the year and reveals that Cash Assets increased by \$2.101 million to \$13.882 million at the close of the year.

In addition to operating activities which contributed net cash of \$5.182 million were the proceeds from the sale of assets (\$223,000). Cash outflows other than operating activities were used to repay loans (\$66,000) and to purchase and construct assets (\$3.238 million).

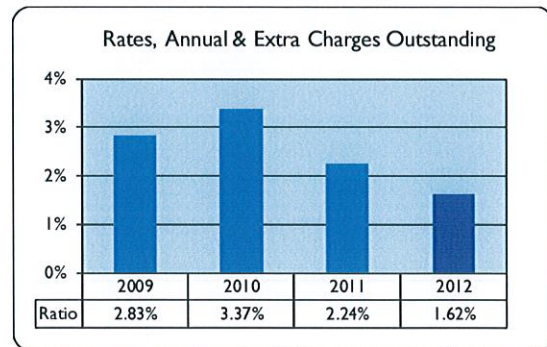
## 4. RECEIVABLES

### 4.1 Rates & Annual Charges

Net rates and annual charges levied during the year totalled \$4.749 million and represented 33.2% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$4.848 million of which \$4.774 million (98.47%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$79,000 at the end of the year and represented 1.62% of those receivables.



### 4.3 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$901,000 and included amounts due from other levels of government of \$274,000 and user charges of \$460,000.

## 5. PAYABLES

**Employees Leave Entitlements** - Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$1.729 million.

A cash reserve of \$370,000 was held at year end representing 21% of this liability and was, in our opinion, sufficient to enable Council to meet unbudgeted and unanticipated retirements.



## 6. REVALUATION OF ASSETS

The revaluation of Council's infrastructure, property, plant and equipment was introduced in a staged approach resulting in all asset categories being carried at fair value. Further revaluations are to be performed at least every five years.

This year saw the revaluation of water and sewerage infrastructure assets. This resulted in a net increase of \$1.973 million and was credited directly to Equity. Notes 1(i) and 9 of the financial statements provide further details.

## 7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 6 March 2012. This included our recommendations on possible ways to strengthen and/or improve procedures.

## 8. CONCLUSION

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit and once again commend your staff for the early completion and presentation of the financial statements.

Yours faithfully,

**HILL ROGERS SPENCER STEER**



**BRETT HANGER**  
Partner