

Warrumbungle Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011



Warrumbungle Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2011

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
 - (iv) These financial statements were authorised for issue by the Council on 09/01/12.
Council has the power to amend and reissue the financial statements.
-

Warrumbungle Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2011

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The Financial Statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2011.

The format of the Financial Statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the 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 and 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 and 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 specialise 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 and position, and
2. Their observations on the conduct of the Audit including the Council's financial performance and financial position.

Who uses the Financial Statements?

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

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

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

Warrumbungle Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2011

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:

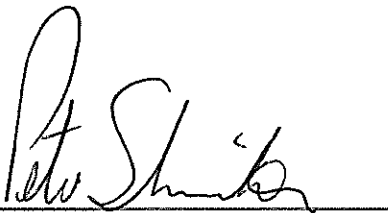
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

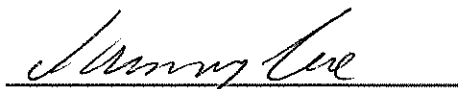
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

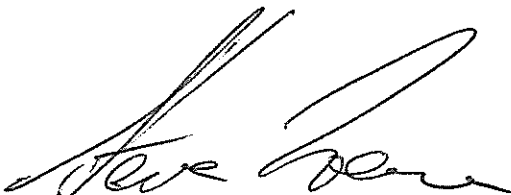
Signed in accordance with a resolution of Council made on 7 October 2011.



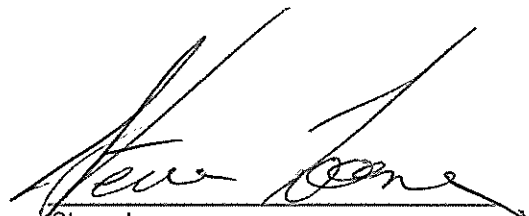
Peter Shinton
MAYOR



Murray Coe
COUNCILLOR



Steve Loane
GENERAL MANAGER



Steve Loane
RESPONSIBLE ACCOUNTING OFFICER

Warrumbungle Shire Council

Income Statement

for the financial year ended 30 June 2011

Budget ⁽¹⁾			Actual	Actual
2011	\$ '000	Notes	2011	2010
Income from Continuing Operations				
Revenue:				
10,017	Rates & Annual Charges	3a	9,659	9,103
4,785	User Charges & Fees	3b	4,462	4,959
243	Interest & Investment Revenue	3c	1,328	1,808
536	Other Revenues	3d	800	657
11,465	Grants & Contributions provided for Operating Purposes	3e,f	14,873	10,543
3,977	Grants & Contributions provided for Capital Purposes	3e,f	2,410	3,750
Other Income:				
85	Net gains from the disposal of assets	5	211	315
31,108	Total Income from Continuing Operations		33,743	31,135
Expenses from Continuing Operations				
11,047	Employee Benefits & On-Costs	4a	13,500	11,856
137	Borrowing Costs	4b	153	219
12,096	Materials & Contracts	4c	7,671	5,846
7,792	Depreciation & Amortisation	4d	9,672	9,081
-	Impairment	4d	831	-
757	Other Expenses	4e	5,019	2,756
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	34	6
31,829	Total Expenses from Continuing Operations		36,880	29,764
(721)	Operating Result from Continuing Operations		(3,137)	1,371
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(721)	Net Operating Result for the Year		(3,137)	1,371
(721)	Net Operating Result attributable to Council		(3,137)	1,371
-	Net Operating Result attributable to Minority Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
(4,698)			(5,547)	(2,379)

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

Warrumbungle Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)		(3,137)	1,371
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	34,158	895
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 (enter details here)	20b (ii)	-	-
Total Other Comprehensive Income for the year		34,158	895
Total Comprehensive Income for the Year		31,021	2,266
Total Comprehensive Income attributable to Council		31,021	2,266
Total Comprehensive Income attributable to Minority Interests		-	-

Warrumbungle Shire Council

Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010	Actual 2009
ASSETS				
Current Assets				
Cash & Cash Equivalents	6a	8,468	6,318	2,238
Investments	6b	-	3,181	
Receivables	7	4,381	2,345	2,177
Inventories	8	527	594	601
Other	8	-	-	
Non-current assets classified as 'held for sale'	22	-	-	
Total Current Assets		13,376	12,438	5,016
Non-Current Assets				
Investments	6b	6,247	5,993	12,328
Receivables	7	-	15	21
Inventories	8	451	330	330
Infrastructure, Property, Plant & Equipment	9	377,794	348,168	267,085
Investments accounted for using the equity method	19	310	339	322
Investment Property	14	-	-	
Intangible Assets	25	-	-	
Non-current assets classified as 'held for sale'	22	-	-	
Other	8	-	-	
Total Non-Current Assets		384,802	354,845	280,086
TOTAL ASSETS		398,178	367,283	285,102
LIABILITIES				
Current Liabilities				
Payables	10	1,130	1,056	826
Borrowings	10	189	424	272
Provisions	10	3,051	3,244	2,525
Total Current Liabilities		4,370	4,724	3,623
Non-Current Liabilities				
Payables	10	-	-	
Borrowings	10	1,719	1,917	2,369
Provisions	10	1,126	872	1,345
Total Non-Current Liabilities		2,845	2,789	3,714
TOTAL LIABILITIES		7,215	7,513	7,337
Net Assets		390,963	359,770	277,765
EQUITY				
Retained Earnings	20	339,166	342,131	261,021
Revaluation Reserves	20	51,797	17,639	16,744
Council Equity Interest		390,963	359,770	277,765
Minority Equity Interest		-	-	-
Total Equity		390,963	359,770	277,765

Warrumbungle Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2011

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		342,131	17,639	359,770	-	359,770
a. Correction of Prior Period Errors	20 (c)	172	-	172	-	172
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		342,303	17,639	359,942	-	359,942
c. Net Operating Result for the Year		(3,137)	-	(3,137)	-	(3,137)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)		34,158	34,158	-	34,158
- Revaluations: Other Reserves	20b (ii)		-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)		-	-	-	-
Other Comprehensive Income		-	34,158	34,158	-	34,158
Total Comprehensive Income (c&d)		(3,137)	34,158	31,021	-	31,021
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		339,166	51,797	390,963	-	390,963

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Accounts)		261,021	16,744	277,765	-	277,765
a. Correction of Prior Period Errors	20 (c)	79,739	-	79,739	-	79,739
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		340,760	16,744	357,504	-	357,504
c. Net Operating Result for the Year		1,371	-	1,371	-	1,371
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	895	895	-	895
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	895	895	-	895
Total Comprehensive Income (c&d)		1,371	895	2,266	-	2,266
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		342,131	17,639	359,770	-	359,770

Warrumbungle Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
Cash Flows from Operating Activities				
Receipts:				
10,017	Rates & Annual Charges		9,095	8,797
4,785	User Charges & Fees		3,158	4,770
243	Investment & Interest Revenue Received		1,049	460
15,441	Grants & Contributions		17,146	14,836
	Bonds & Deposits Received		5	-
536	Other		1,739	1,694
Payments:				
(11,047)	Employee Benefits & On-Costs		(13,664)	(11,556)
(12,097)	Materials & Contracts		(7,595)	(7,042)
(137)	Borrowing Costs		(131)	(211)
(757)	Other		(5,654)	(3,259)
6,984	Net Cash provided (or used in) Operating Activities	11b	5,148	8,489
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		9,181	4,545
-	Sale of Real Estate Assets		41	-
85	Sale of Infrastructure, Property, Plant & Equipment		1,132	1,157
-	Deferred Debtors Receipts		4	6
Payments:				
-	Purchase of Investment Securities		(6,000)	-
(6,648)	Purchase of Infrastructure, Property, Plant & Equipment		(6,750)	(9,794)
-	Purchase of Real Estate Assets		(168)	-
-	Contributions Paid to Joint Ventures & Associates		(5)	(23)
	Other Investing Activity Payments		-	-
(6,563)	Net Cash provided (or used in) Investing Activities		(2,565)	(4,109)
Cash Flows from Financing Activities				
Receipts:				
-	Proceeds from Finance Leases		-	-
Payments:				
(247)	Repayment of Borrowings & Advances		(373)	(252)
-	Repayment of Finance Lease Liabilities		(60)	(48)
	Distributions to Minority Interests		-	-
	Other Financing Activity Payments		-	-
(247)	Net Cash Flow provided (used in) Financing Activities		(433)	(300)
174	Net Increase/(Decrease) in Cash & Cash Equivalents		2,150	4,080
1,476	plus: Cash & Cash Equivalents - beginning of year	11a	6,318	2,238
1,650	Cash & Cash Equivalents - end of the year	11a	8,468	6,318
Additional Information:				
	plus: Investments on hand - end of year	6b	6,247	9,174
	Total Cash, Cash Equivalents & Investments		14,715	15,492

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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n/a - not applicable

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these 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,
- Other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

(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) 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.

(iv) Changes in Accounting Policies

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

Unless otherwise stated, there have also been no changes in accounting policies when compared with previous financial statements.

(v) Critical Accounting Estimates

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

It also requires Council management to exercise their judgement in the process of applying Council's accounting policies.

(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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(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 30/6/11) and (ii) all the related operating results (for the financial year ended the 30th June 2011).

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

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

(i) The Consolidated Fund

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

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

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

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

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

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

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

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

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

- **Castlereagh Macquarie Weeds County Council**

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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 are depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

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

Payments made under operating leases (net of any incentives received from the lessor) are charged to

the income statement on a straight-line basis over the period of the lease.

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

(e) Cash and Cash Equivalents

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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(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.

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

Impairment losses recognised in the income statement on equity instruments are not reversed through the Income Statement.

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

(iii) Types of Investments

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

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

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

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

(g) Fair value estimation

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

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

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

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

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

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not

be able to collect all amounts due according to the original terms of each receivable.

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Acquisition of assets

Council's non current assets 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 Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(External Valuation)
- **Drainage Assets** (External Valuation)
- **Bulk Earthworks** (External) – these assets have been included in the formation costs component of roads and not separated for disclosure in Note 9 as a separate category. Council believes the variation in disclosure to Code 18 is not material.
- **Community Land** (External Valuation)

- **Land Improvements**
(as approximated by depreciated historical cost)
- **Other Structures** (External Valuation)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

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

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Capitalisation Thresholds

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

Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads	100% Capitalised

Plant & Equipment

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

Buildings & Land Improvements

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

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

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

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

Stormwater Assets

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

Transport Assets

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

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

Other Equipment

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

Buildings

- Buildings – Masonry	50 to 100 years
- Other	20 to 40 years

Stormwater Drainage

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

Transportation Assets

- Sealed Roads: Surface	15 to 60 years
- Sealed Roads: Structure	20 to 50 years
- Unsealed roads	10 to 20 years

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

- Bridge: Concrete	80 to 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	70 to 80 years
- Reticulation pipes: Other	25 to 75 years
- Pumps and telemetry	15 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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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.

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

(p) Investment property

Investment property comprises land &/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 an open-market value determined annually by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

Full revaluations are carried out every three years with an appropriate index utilised each year in between the full revaluations.

The last full revaluation for Council's Investment Properties was dated 30/06/11.

(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

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

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

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

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

This amortisation is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates, are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the Income Statement.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount, which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

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

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" and 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 or (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

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

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

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

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

The results of discontinued operations are presented separately on the face of the Income Statement.

(s) Impairment of assets

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

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

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

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed as they are incurred.

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

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Balance Sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of 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 \$238 million at 30 June 2011.

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

Define 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 30/6/11.

(y) Self insurance

Council does not self insure.

(z) Allocation between current and non-current assets and liabilities

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

The asset or liability is classified as current if it is expected to be settled within the next 12 months, this 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.

(aa) Taxes

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

Council does however have to comply with both Fringe Benefits Tax (FBT) 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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2011.

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 de-recognition 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.

Applicable to Local Government but no implications for Council;

AASB 2009 14 Amendments to Australian Interpretation – Prepayments of a Minimum

Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme.

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.

Council does not make any such prepayments.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets.

The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

They are not expected to have any significant impact on Council's disclosures.

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

None

Not applicable to Local Government per se;

Revised AASB 124 Related Party Disclosures and AASB 2009 12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures.

It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia.

Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.

Local Government are specifically excluded from adopting the new Australian Accounting Standards – Reduced Disclosure Requirements.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.

AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities that is through use or through sale.

Council is not subject to Income Tax and accordingly this amendment will have no impact on future financial statements.

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Governance		-	-	288	799	590	(288)	(799)	(590)	(6,307)	-	4,694	3,357
Administration	10,419	1,080	837	1,214	6,692	5,199	9,205	(5,612)	(4,362)	3,545	24	13,586	16,280
Public Order & Safety	1,998	1,930	1,120	2,623	2,337	1,390	(625)	(407)	(270)	1,964	1,080	4,954	3,661
Health	1,771	39	41	2,217	106	167	(446)	(67)	(126)	60	-	2,217	1,029
Environment	1,941	1,388	1,592	-	2,088	2,264	1,941	(700)	(672)	-	85	-	-
Community Services & Education	2,420	2,941	2,621	2,537	2,854	2,664	(117)	87	(43)	2,428	1,706	6,467	3,099
Housing & Community Amenities	292	269	274	1,705	1,017	587	(1,413)	(748)	(313)	-	268	20,575	9,406
Water Supplies	2,233	2,454	2,667	2,299	2,579	2,165	(66)	(125)	502	-	499	22,877	25,323
Sewerage Services	1,278	1,449	1,330	1,069	1,139	944	209	310	386	-	29	15,815	20,292
Recreation & Culture	227	197	198	1,735	2,594	2,506	(1,508)	(2,397)	(2,308)	63	104	27,535	10,244
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	7	70	90	14	914	253	(7)	(844)	(163)	-	-	2	2
Transport & Communication	8,321	8,993	7,354	15,487	13,076	10,280	(7,166)	(4,083)	(2,926)	7,305	2,414	257,449	273,341
Economic Affairs	201	78	370	641	651	749	(440)	(573)	(379)	77	74	1,240	910
Total Functions & Activities	31,108	20,888	18,494	31,829	36,846	29,758	(721)	(15,958)	(11,264)	9,135	6,283	377,411	366,944
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	34	6	-	(34)	(6)	-	-	310	339
General Purpose Income ¹	-	12,855	12,641	-	-	-	-	12,855	12,641	5,764	5,365	20,457	-
Operating Result from Continuing Operations	31,108	33,743	31,135	31,829	36,880	29,764	(721)	(3,137)	1,371	14,899	11,648	398,178	367,283

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

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

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

FUEL & ENERGY - Gas Supplies

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		1,664	1,611
Farmland		4,153	3,808
Business		500	402
Total Ordinary Rates		6,317	5,821
Special Rates			
Water Supplies		905	746
Sewerage Services		850	1,025
Other		-	23
Total Special Rates		1,755	1,794
Annual Charges (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		830	817
Water Supply Services		301	278
Sewerage Services		174	176
Waste Management Services (non-domestic)		282	217
Total Annual Charges		1,587	1,488
TOTAL RATES & ANNUAL CHARGES		9,659	9,103

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		794	974
Sewerage Services		129	-
Other		-	11
Total User Charges		923	985
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608 & 610A)			
Building Regulation		19	26
Planning Regulation		33	36
Private Works - Section 67		110	381
Registration Fees		2	20
Regulatory Fees		38	49
Section 149 Certificates (EPA Act)		24	25
Section 603 Certificates		-	17
Statutory Fees		10	7
Town Planning		-	1
Total Fees & Charges - Statutory/Regulatory		236	562
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Aged Care		127	128
Cemeteries		89	78
Child Care		464	587
Lease Rentals		31	35
Leaseback Fees - Council Vehicles		42	47
Park Rents		3	24
Quarry Revenues		6	8
RTA Charges (State Roads not controlled by Council)		2,326	2,347
Sundry Sales		17	17
Swimming Centres		87	83
Tourism		27	24
Waste Disposal Tipping Fees		38	22
Other		46	12
Total Fees & Charges - Other		3,303	3,412
TOTAL USER CHARGES & FEES		4,462	4,959

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		96	161
- Interest earned on Investments (interest & coupon payment income)		978	255
Impairment Losses/Reversals			
- Impairment (Losses)/Reversals - Investments other than AFS		254	1,391
- Impairment (Losses)/Reversals - Available for Sale Investments	20b(ii)	-	-
Available for Sale Revaluation Reserves realised on Investment sale			
		-	-
Amortisation of Premiums & Discounts			
- Interest Free (& Interest Reduced) Loans provided		-	-
- "Held to Maturity" Investments		-	-
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		-	-
Other		-	1
TOTAL INTEREST & INVESTMENT REVENUE		1,328	1,808

Interest Revenue is attributable to:

Unrestricted Investments/Financial Assets:

Overdue Rates & Annual Charges	93	161
General Council Cash & Investments	1,028	1,455

Restricted Investments/Funds - External:

Development Contributions		
- Section 94	-	3
- Section 64	2	2
Water Fund Operations	61	94
Sewerage Fund Operations	144	93
Total Interest & Investment Revenue Recognised	1,328	1,808

(d). Other Revenues

Rental Income - Other Council Properties	94	80
Legal Fees Recovery - Rates & Charges (Extra Charges)	55	103
Commissions & Agency Fees	135	124
Diesel Rebate	89	89
Insurance Claim Recoveries & Rebates	214	66
Recycling Income (non domestic)	131	124
Sales - General	39	31
Other	43	40
TOTAL OTHER REVENUE	800	657

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	3,552	3,298	-	-
Financial Assistance - Local Roads Component	2,119	1,970	-	-
Pensioners' Rates Subsidies - General Component	93	97	-	-
Total General Purpose	5,764	5,365	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	42	39	-	-
- Sewerage	1	29	-	-
- Domestic Waste Management	52	44	-	-
Water Supplies	-	-	394	460
Aged Care	645	533	-	-
Bushfire & Emergency Services	1,515	278	392	809
Child Care	1,073	1,064	336	-
Community Care	67	60	-	-
Economic Development	84	74	-	-
Employment & Training Programs	39	24	-	-
Flood Restoration	-	670	23	-
Heritage & Cultural	2	4	-	-
Library	56	56	-	-
Recreation & Culture	15	48	24	81
Transport (Roads to Recovery)	1,095	-	-	1,095
Transport (Other Roads & Bridges Funding)	2,386	-	667	602
Waste Management	-	-	-	224
Other	-	49	227	40
Total Specific Purpose	7,072	2,972	2,063	3,311
Total Grants	12,836	8,337	2,063	3,311
Grant Revenue is attributable to:				
- Commonwealth Funding	8,429	6,865	1,078	1,697
- State Funding	4,407	1,472	985	1,614
- Other Funding	-	-	-	-
	12,836	8,337	2,063	3,311

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	57	39
S 94A - Fixed Development Consent Levies	-	-	36	-
Total Developer Contributions 17	-	-	93	39
Other Contributions:				
Heritage/Cultural	-	16	-	-
Kerb & Gutter	-	-	42	-
Other Councils - Joint Works/Services	-	1	-	-
RTA Contributions (Regional/Local, Block Grant)	2,037	2,189	212	400
Total Other Contributions	2,037	2,206	254	400
Total Contributions	2,037	2,206	347	439
TOTAL GRANTS & CONTRIBUTIONS	14,873	10,543	2,410	3,750

\$ '000	Actual 2011	Actual 2010
(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	2,497	3,905
add: Grants & contributions recognised in the current period but not yet spent:	2,006	1,685
less: Grants & contributions recognised in a previous reporting period & now spent:	(1,678)	(3,093)
Net Increase (Decrease) in Restricted Assets	328	(1,408)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	2,825	2,497
Comprising:		
- Specific Purpose Unexpended Grants	2,395	2,162
- Developer Contributions	430	335
	2,825	2,497

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a) Employee Benefits & On-Costs			
Salaries and Wages		10,676	9,678
Employee Leave Entitlements (ELE)		1,707	1,715
Superannuation		1,034	1,032
Workers' Compensation Insurance		508	455
Fringe Benefit Tax (FBT)		21	32
Training Costs (other than Salaries & Wages)		106	104
Protective Clothing		46	63
Total Employee Costs		14,098	13,079
less: Capitalised Costs		(598)	(1,223)
TOTAL EMPLOYEE COSTS EXPENSED		13,500	11,856
Number of "Equivalent Full Time" Employees at year end		192	182
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		244	192
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		126	146
Charges relating to Finance Leases		4	18
Total Interest Bearing Liability Costs		130	164
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		130	164
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)		-	-
- Remediation Liabilities	26	23	55
Total Other Borrowing Costs		23	55
TOTAL BORROWING COSTS EXPENSED		153	219

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Materials & Contracts			
Raw Materials & Consumables		4,217	1,692
Contractor & Consultancy Costs		3,235	3,933
Auditors Remuneration			
- Audit Services: Council's Auditor		57	55
- Other Services: Council's Auditor Water & Sewer Amalgamation		17	-
Legal Expenses:			
- Legal Expenses: Planning & Development		2	-
- Legal Expenses: Other		-	-
- Legal Expenses: Debt Recovery		68	114
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽¹⁾		65	49
- Operating Lease Rentals: Contingent Rentals ⁽¹⁾		-	-
- Operating Lease Rentals: Sub Lease Payments ⁽¹⁾		-	-
Other		10	3
Total Materials & Contracts		7,671	5,846
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		7,671	5,846
1. Operating Lease Payments are attributable to:			
- Buildings		65	49
		65	49

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	2,025	2,034
Office Equipment		-	-	58	51
Furniture & Fittings		-	-	28	29
Property, Plant & Equipment - Leased		-	-	47	47
Land Improvements (depreciable)		-	-	36	32
Buildings - Non Specialised		-	-	94	97
Buildings - Specialised		-	-	973	957
Other Structures		-	-	245	217
Infrastructure:					
- Roads, Bridges & Footpaths		831	-	4,886	4,953
- Stormwater Drainage		-	-	135	97
- Water Supply Network		-	-	800	672
- Sewerage Network		-	-	288	288
Other Assets					
- Other		-	-	5	8
Asset Reinstatement Costs	9 & 26	-	-	52	36
Intangible Assets	25	-	-	-	-
Total Depreciation & Impairment Costs		831	-	9,672	9,518
less: Capitalised Costs		-	-		(437)
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		831	-	9,672	9,081

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		77	60
Bad & Doubtful Debts		2	(98)
Bank Charges		21	8
Computer Software Charges		33	84
Contributions/Levies to Other Levels of Government			
- Noxious Weeds		86	81
- NSW Fire Brigade Levy		42	38
- NSW Rural Fire Service Levy		1,808	252
- Orana Arts		9	8
Councillor Expenses - Mayoral Fee		20	20
Councillor Expenses - Councillors' Fees		84	84
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		120	75
Donations, Contributions & Assistance to other organisations (Section 356)		218	114
- Community Development Co-ordinators		75	70
- Regional Library contributions		413	475
Electricity & Heating		490	406
Insurance		713	529
Postage		20	26
Printing & Stationery		47	51
Street Lighting		84	68
Subscriptions & Publications		31	64
Telephone & Communications		186	206
Tourism Expenses (excluding employee costs)		132	96
Valuation Fees		41	39
Registration & Licences		258	-
Conferences		9	-
Total Other Expenses		5,019	2,756
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		5,019	2,756

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2011	Actual 2010
Plant & Equipment			
Proceeds from Disposal		1,132	1,157
less: Carrying Amount of P&E Assets Sold		(915)	(842)
Net Gain/(Loss) on Disposal		217	315
Real Estate Assets Held For Sale			
Proceeds from Disposal		41	-
less: Carrying Amount of Real Estate Assets Sold		(47)	-
Net Gain/(Loss) on Disposal		(6)	-
Financial Assets*			
Proceeds from Disposal / Redemptions		9,181	-
less: Carrying Amount of Financial Assets Sold / Redeemed		(9,181)	-
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		211	315

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	Notes	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		868	-	1,318	-
Cash-Equivalent Assets ¹					
- Deposits at Call		2,350	-	3,000	-
- Short Term Deposits		5,250	-	2,000	-
Total Cash & Cash Equivalents		8,468	-	6,318	-
Investment Securities (Note 6b)					
- NCD's, FRN's (with Maturities > 3 months)		-	5,782	3,181	5,621
- CDO's		-	465	-	372
Total Investment Securities		-	6,247	3,181	5,993
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		8,468	6,247	9,499	5,993

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

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

Cash & Cash Equivalents					
a. "At Fair Value through the Profit & Loss"		8,468	-	6,318	-
Investments					
b. "Held to Maturity"	6(b-ii)	-	6,247	3,181	5,993
Investments		-	6,247	3,181	5,993

Note 6(b-ii)

Reconciliation of Investments
classified as "Held to Maturity"

Balance at the Beginning of the Year	3,181	5,993	-	12,328
Additions	-	(6,000)	-	-
Impairment (loss)/prior loss reversal (via P&L)	-	(254)	-	1,391
Disposals (sales & redemptions)	(3,181)	6,000	(4,545)	-
Transfers between Current/Non Current	-	-	7,726	(7,726)
Balance at End of Year	-	5,739	3,181	5,993

Comprising:

- NCD's, FRN's (with Maturities > 3 months)	-	5,747	3,181	5,493
- CDO's		500	-	500
Total	-	6,247	3,181	5,993

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	8,468	6,247	9,499	5,993
attributable to:				
External Restrictions (refer below)	389	6,247	3,681	5,993
Internal Restrictions (refer below)	911	-	2,840	-
Unrestricted	7,168	-	2,978	-
	8,468	6,247	9,499	5,993

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

Trust	143	5	-	148
External Restrictions - Included in Liabilities	143	5	-	148

External Restrictions - Other

Developer Contributions - General (D)	229	324	(229)	324
Developer Contributions - Water Fund (D)	81	-	-	81
Developer Contributions - Sewer Fund (D)	25	-	-	25
Specific Purpose Unexpended Grants (F)	2,162	2,395	(2,162)	2,395
Water Supplies (G)	2,734	876	(2,734)	876
Sewerage Services (G)	4,252	2,739	(4,252)	2,739
Domestic Waste Management (G)	48	48	(48)	48
External Restrictions - Other	9,531	6,382	(9,425)	6,488
Total External Restrictions	9,674	6,387	(9,425)	6,636

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	458	-	(458)	-
Employees Leave Entitlement	767	674	(767)	674
Carry Over Works	1,302	-	(1,302)	-
Construction of Buildings	10	-	(10)	-
Town Improvement	27	17	(27)	17
Quarry Restoration	140	-	(140)	-
Legal Expenses	8	-	(8)	-
Insurance	60	-	(60)	-
Risk Management/OH&S	23	-	(23)	-
Solar System	14	-	(14)	-
Baradine Flood Study	24	-	(24)	-
Multi Purpose Centre	4	-	(4)	-
SES & Emergency Services	3	-	(3)	-
L.E.P.	-	20	-	20
Bio Solid Provision Coolah	-	100	-	100
Bio Solid Provision Dunedoo	-	100	-	100
Total Internal Restrictions	2,840	911	(2,840)	911
TOTAL RESTRICTIONS	12,514	7,298	(12,265)	7,547

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,444	-	833	-
Interest & Extra Charges		286	-	331	-
User Charges & Fees		2,390	-	1,006	-
Private Works		66	-	171	-
Accrued Revenues					
- Interest on Investments		86	-	16	-
- Interest on Impaired Investments		-	-	-	-
- Other Income Accruals		9	-	21	-
Government Grants & Subsidies		174	-	37	-
Deferred Debtors		14	-	3	15
Other Debtors		8	-	1	-
Total		4,477	-	2,419	15
less: Provision for Impairment					
Rates & Annual Charges		(67)	-	(20)	-
Interest & Extra Charges		(7)	-	(7)	-
User Charges & Fees		(22)	-	(47)	-
Total Provision for Impairment - Receivables		(96)	-	(74)	-
<u>TOTAL NET RECEIVABLES</u>		<u>4,381</u>	<u>-</u>	<u>2,345</u>	<u>15</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		163	-	-	-
- Rates & Availability Charges		989	-	1,073	-
- Other		-	-	12	-
Sewerage Services					
- Specific Purpose Grants		-	-	-	-
- Rates & Availability Charges		450	-	364	-
- Other		8	-	19	-
Domestic Waste Management		145	-	132	-
Total External Restrictions		1,755	-	1,600	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		2,626	-	745	15
TOTAL NET RECEIVABLES		4,381	-	2,345	15

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% (2010 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 8. Inventories & Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		-	451	-	330
Stores & Materials		405	-	472	-
Loose Tools		122	-	122	-
Total Inventories		527	451	594	330
TOTAL INVENTORIES / OTHER ASSETS					
		527	451	594	330
Externally Restricted Assets					
Water					
Stores & Materials		70	-	70	-
Total Water		70	-	70	-
Sewerage					
Stores & Materials		4	-	4	-
Total Sewerage		4	-	4	-
Total Externally Restricted Assets		74	-	74	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		453	451	520	330
TOTAL INVENTORIES & OTHER ASSETS		527	451	594	330
(i) Other Disclosures					
(a) Details for Real Estate Development					
Residential		-	165	-	165
Industrial/Commercial		-	286	-	165
Total Real Estate for Resale		-	451	-	330
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition Costs		-	451	-	330
Total Costs		-	451	-	330
less: Provision for Under Recovery		-	-	-	-
Total Real Estate for Resale		-	451	-	330
Movements:					
Real Estate assets at beginning of the year		-	330	-	330
- Reclassification		36	168	-	-
- WDV of Sales (exp)	5	(36)	(47)	-	-
Total Real Estate for Resale		-	451	-	330

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2010					Asset Movements during the Reporting Period						as at 30/6/2011				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense & Impairment	WIP Transfers	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Deprec.	Impairment										Dep'n	Impairment	
Capital Work in Progress	950	-	-	-	950	1,441	(915)	(2,025)	(1,010)	-	-	1,381	-	-	-	1,381
Plant & Equipment	-	21,923	11,593	-	10,330	2,911	-	(58)	-	(1)	-	-	22,341	12,041	-	10,300
Office Equipment	-	1,637	1,449	-	188	8	-	(28)	-	(1)	-	-	1,644	1,506	-	138
Furniture & Fittings	-	536	390	-	146	-	-	(47)	-	-	-	-	536	419	-	117
Plant & Equipment (under Finance Lease)	-	378	105	-	273	-	-	-	-	-	-	-	378	152	-	226
Land:																
- Operational Land	-	4,162	-	-	4,162	-	-	-	-	475	584	-	5,221	-	-	5,221
- Community Land	-	204	-	-	204	-	-	-	-	17	1,205	-	1,426	-	-	1,426
Land Improvements - depreciable	727	-	67	-	660	27	-	(36)	12	(3)	-	-	766	106	-	660
Buildings - Non Specialised	-	2,841	691	-	2,150	-	-	(94)	-	-	459	-	3,498	983	-	2,515
Buildings - Specialised	-	35,382	20,030	-	15,352	349	-	(973)	145	(202)	26,183	-	48,143	7,289	-	40,854
Other Structures	3,116	2,062	1,431	-	3,747	101	-	(245)	-	115	4,490	-	11,345	3,137	-	8,208
Infrastructure:																
- Roads, Bridges, Footpaths	-	299,417	31,295	-	268,122	1,109	-	(5,717)	692	(1)	-	-	301,218	37,012	-	264,206
- Stormwater Drainage	-	7,822	2,344	-	5,478	13	-	(135)	2	-	164	-	8,072	2,550	-	5,522
- Water Supply Network	-	50,702	30,064	-	20,638	280	-	(800)	141	-	619	-	52,644	31,766	-	20,878
- Sewerage Network	-	28,571	13,338	-	15,233	124	-	(288)	18	(111)	454	-	29,346	13,916	-	15,430
Other Assets:																
- Other	91	-	85	-	6	-	-	(5)	-	(1)	-	-	91	91	-	-
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																
- Quarry Asset	638	-	109	-	529	387	-	(52)	-	(152)	-	-	919	207	-	712
TOTAL INFRASTRUCTURE																
PROPERTY, PLANT & EQUIP.	5,522	455,637	112,991	-	348,168	6,750	(915)	(10,503)	-	135	34,158	1,381	487,588	111,175	-	377,794

Please note Roads Depreciation \$5717 included impairment of 831

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	Actual 2011				Actual 2010			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	358	-	-	358	134	-	-	134
Plant & Equipment	-	108	78	30	97	-	69	28
Office Equipment	-	33	33	-	33	-	33	-
Land								
- Operational Land	-	382	-	382	-	303	-	303
- Improvements - depreciable	-	5	5	-	5	-	1	4
Buildings	-	1,417	149	1,268	-	853	414	439
Other Structures	-	537	86	451	4	-	-	4
Infrastructure	421	52,223	31,766	20,878	-	49,968	29,526	20,442
Total Water Supply	779	54,705	32,117	23,367	273	51,124	30,043	21,354
Sewerage Services								
WIP	-	-	-	-	18	-	-	18
Plant & Equipment	184	-	167	17	185	-	150	35
Land								
- Operational Land	-	422	-	422	-	281	-	281
Buildings	-	183	29	154	-	110	52	58
Other Structures	220	147	132	235	3	-	-	3
Infrastructure	142	29,204	13,916	15,430	-	28,571	13,338	15,233
Total Sewerage Services	546	29,956	14,244	16,258	206	28,962	13,540	15,628
TOTAL RESTRICTED I,PP&E	1,325	84,661	46,361	39,625	479	80,086	43,583	36,982

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

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

NB. Impairment Adjustments relating to I,PP&E assets may have been recognised direct to Equity - refer Note 20 (ii).

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		516	-	476	-
Accrued Expenses:					
- Borrowings		19	-	23	-
- Salaries & Wages		188	-	155	-
- Other Expenditure Accruals		150	-	86	-
Security Bonds, Deposits & Retentions		148	-	143	-
ATO - Net GST Payable		97	-	59	-
Other		12	-	114	-
Total Payables		1,130	-	1,056	-
Borrowings					
Loans - Secured ¹		130	1,676	373	1,806
Finance Lease Liabilities		59	43	51	111
Total Borrowings		189	1,719	424	1,917
Provisions					
Employee Benefits;					
Annual Leave		1,055	-	1,136	-
Long Service Leave		1,639	72	1,704	74
Other Leave		101	-	100	-
ELE On-Costs		256	4	304	6
Sub Total - Aggregate Employee Benefits		3,051	76	3,244	80
Asset Remediation/Restoration (Future Works)	26	-	1,050	-	792
Total Provisions		3,051	1,126	3,244	872
Total Payables, Borrowings & Provisions		4,370	2,845	4,724	2,789

(i) Liabilities relating to Restricted Assets

	2011		2010	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	291	916	313	930
Sewer	56	2	202	-
Other	148	-	143	-
Liabilities relating to externally restricted assets	495	918	658	930
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	495	918	658	930

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

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011	2010
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(ii) Current Liabilities not anticipated to be settled within the next 12 months

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

Provisions - Employees Benefits	2,387	2,329
	<u>2,387</u>	<u>2,329</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2010	2011				Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unwinding amounts reversed	
Annual Leave	1,136	724	(805)	-	-	1,055
Long Service Leave	1,778	419	(486)	-	-	1,711
Other Leave	100	1	-	-	-	101
ELE On-Costs	310	-	-	(50)	-	260
Asset Remediation	792	387	-	(129)	-	1,050
TOTAL	4,116	1,531	(1,291)	(179)	-	4,177

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

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

d. Other Provisions represent Sewer Fund ELE Current 56 and Non Current 2 that has accrued and is payable.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	8,468	6,318
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		8,468	6,318
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(3,137)	1,371
Adjust for non cash items:			
Depreciation & Amortisation		9,672	9,081
Net Losses/(Gains) on Disposal of Assets		(211)	(315)
Non Cash Capital Grants and Contributions		-	(578)
Impairment Losses Recognition - I,PP&E		831	-
Impairment Losses / (Prior Period Reversals) - Financial Investments		(254)	(1,391)
Unwinding of Discount Rates on Reinstatement Provisions		3	-
Share of Net (Profits) or Losses of Associates/Joint Ventures		34	6
Correction of prior year error		36	
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(2,047)	145
Increase/(Decrease) in Provision for Doubtful Debts		22	(313)
Decrease/(Increase) in Inventories		67	7
Decrease/(Increase) in Other Assets		-	-
Increase/(Decrease) in Payables		40	(140)
Increase/(Decrease) in accrued Interest Payable		(4)	8
Increase/(Decrease) in other accrued Expenses Payable		97	183
Increase/(Decrease) in Other Liabilities		(59)	179
Increase/(Decrease) in Employee Leave Entitlements		(197)	191
Increase/(Decrease) in Other Provisions		255	55
NET CASH PROVIDED FROM/(USED IN)			
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		5,148	8,489

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
(c) Non-Cash Investing & Financing Activities			
Bushfire Grants		-	578
Total Non-Cash Investing & Financing Activities		-	578
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	350
Other		-	-
Total Financing Arrangements		500	350
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
Total Financing Arrangements Utilised		-	-

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

(ii) Secured Loan Liabilities

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

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
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(a) Capital Commitments (exclusive of GST)

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

Property, Plant & Equipment

Buildings - New Admin and Chambers	3,000	-
Plant & Equipment	411	456
Mendooran Water Scheme	-	170
Total Commitments	3,411	626

These expenditures are payable as follows:

Within the next year	1,911	626
Later than one year and not later than 5 years	1,500	-
Later than 5 years	-	-
Total Payable	3,411	626

Sources for Funding of Capital Commitments:

Unrestricted General Funds	1,911	-
Externally Restricted Reserves	-	170
Internally Restricted Reserves	1,500	456
Total Sources of Funding	3,411	626

(b) Other Expenditure Commitments (exclusive of GST)

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

Waste Management & Recycling Services	698	873
Audit Services	40	75
Total Commitments	738	948

These expenditures are payable as follows:

Within the next year	215	200
Later than one year and not later than 5 years	523	748
Later than 5 years	-	-
Total Payable	738	948

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010		
(c) Finance Lease Commitments					
(i) Commitments under Finance Leases at the Reporting Date are payable as follows:					
Within the next year		65	51		
Later than one year and not later than 5 years		44	111		
Later than 5 years		-	-		
Total Minimum Lease Payments		109	162		
less: Future Finance Charges		(7)	-		
Amount Recognised as a Liability		102	162		
(ii) Finance Lease Liability Recognised represent;					
Current Liabilities		59	51		
Non-Current Liabilities		43	111		
Total Finance Lease Liabilities Disclosed		102	162		
(iii) General Details					
Council Leases the following Property, Plant & Equipment under Finance Leases:					
	Term (Years)	Option to Purchase	Contingent Rent Clauses		
Heavy Plant - Carrying Value	4	Y/N	Y/N	101	111
Other Equipment/Assets	4	Y/N	Y/N	1	51
Total Carrying Value at Year End				102	162

Conditions relating to Finance Leases:

- All Finance Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding fu

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(d) Remuneration Commitments			
Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:			
Within the next year		440	481
Later than one year and not later than 5 years		1,418	1,136
Later than 5 years		-	-
Total Payable		1,858	1,617

(e) Investment in Associates / Joint Ventures - Commitments

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

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	Amounts 2011	Indicator 2011	Prior Periods 20102009	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	11,337	7.62 : 1	4.08	1.36
Current Liabilities less Specific Purpose Liabilities ^(2,3)	1,488			
2. Debt Service Ratio				
Debt Service Cost	409	1.84%	2.09%	1.34%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	22,224			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	9,659	28.63%	29.24%	26.83%
Income from Continuing Operations	33,743			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	1,656	15.13%	11.09%	9.03%
Rates, Annual & Extra Charges Collectible	10,947			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	3,316	41.41%	18.11%	155.51%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	8,007			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).⁽³⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

<p>1. Unrestricted Current Ratio</p> <table><tr><th>Year</th><th>Ratio : 1</th></tr><tr><td>2008</td><td>2.39</td></tr><tr><td>2009</td><td>1.36</td></tr><tr><td>2010</td><td>4.08</td></tr><tr><td>2011</td><td>7.62</td></tr></table>	Year	Ratio : 1	2008	2.39	2009	1.36	2010	4.08	2011	7.62	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 7.62 : 1</p> <p>This ratio is has changed as Council has looked at its reserves and released funds that it no longer required as a reserve for the purpose originally intended.</p>
Year	Ratio : 1											
2008	2.39											
2009	1.36											
2010	4.08											
2011	7.62											
<p>2. Debt Service Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2008</td><td>1.28%</td></tr><tr><td>2009</td><td>1.34%</td></tr><tr><td>2010</td><td>2.09%</td></tr><tr><td>2011</td><td>1.84%</td></tr></table>	Year	Ratio %	2008	1.28%	2009	1.34%	2010	2.09%	2011	1.84%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 1.84%</p> <p>Council has paid out the loan on the staff houses in Coolah early that has impacted on this result</p>
Year	Ratio %											
2008	1.28%											
2009	1.34%											
2010	2.09%											
2011	1.84%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2008</td><td>29.60%</td></tr><tr><td>2009</td><td>26.83%</td></tr><tr><td>2010</td><td>29.24%</td></tr><tr><td>2011</td><td>28.63%</td></tr></table>	Year	Ratio %	2008	29.60%	2009	26.83%	2010	29.24%	2011	28.63%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 28.63%</p> <p>Council's rates and charges has increased from 2009-10 to 2010-11 by (\$289,000). This is a smaller increase than in the previous year which was (\$384,000) which has resulted in the reduction in the coverage ratio by .42%</p>
Year	Ratio %											
2008	29.60%											
2009	26.83%											
2010	29.24%											
2011	28.63%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2008</td><td>14.16%</td></tr><tr><td>2009</td><td>9.03%</td></tr><tr><td>2010</td><td>11.09%</td></tr><tr><td>2011</td><td>15.13%</td></tr></table>	Year	Ratio %	2008	14.16%	2009	9.03%	2010	11.09%	2011	15.13%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 15.13%</p> <p>Council after changing its debt policy collection to 90 days has now brought this back to 30 & should see a marked improvement during the next 12 months. There was also a change in the manner the sewer charges had been levied which also had a material impact on this result.</p>
Year	Ratio %											
2008	14.16%											
2009	9.03%											
2010	11.09%											
2011	15.13%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2008</td><td>86.50%</td></tr><tr><td>2009</td><td>155.51%</td></tr><tr><td>2010</td><td>18.11%</td></tr><tr><td>2011</td><td>41.41%</td></tr></table>	Year	Ratio %	2008	86.50%	2009	155.51%	2010	18.11%	2011	41.41%	<p>Purpose of Bldg & Infrastructure Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2010/11 Ratio 41.41%</p> <p>Due to a change in Council's priorities.</p>
Year	Ratio %											
2008	86.50%											
2009	155.51%											
2010	18.11%											
2011	41.41%											

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Water 2011	Sewer 2011	General ¹ 2011
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions ⁽¹⁾</u>	6.93 : 1	56.52 : 1	7.96 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
2. Debt Service Ratio			
<u>Debt Service Cost</u>	3.63%	0.14%	1.83%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
3. Rates & Annual Charges Coverage Ratio			
<u>Rates & Annual Charges</u>	44.15%	79.99%	25.03%
Income from Continuing Operations			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual & Extra Charges Outstanding</u>	100.99%	38.49%	2.14%
Rates, Annual & Extra Charges Collectible			
5. Building & Infrastructure Renewals Ratio			
<u>Asset Renewals⁽⁴⁾ [Buildings & Infrastructure]</u>	0.00%	0.00%	40.53%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)			

Notes

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

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 14. Investment Properties

\$ '000	Notes	Actual 2011	Actual 2010
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Council has not classified any Land or Buildings as "Investment Properties"

Note 15. Financial Risk Management

Risk Management

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

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

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

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

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	
	2011	2010	2011	2010
Financial Assets				
Cash and Cash Equivalents	8,468	6,318	8,036	7,141
Investments				
- "Held to Maturity"	6,247	9,174	6,500	9,174
Receivables	4,381	2,360	4,417	2,360
Total Financial Assets	19,096	17,852	18,953	18,675
Financial Liabilities				
Bank Overdraft	-	-	-	57
Payables	1,130	1,056	1,208	1,045
Loans / Advances	1,806	2,179	1,789	2,179
Lease Liabilities	102	162	163	162
Total Financial Liabilities	3,038	3,397	3,160	3,443

Fair Value is determined as follows:

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio.

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
2011				
Possible impact of a 10% movement in Market Values	650	650	650	650
Possible impact of a 1% movement in Interest Rates	145	145	145	145
2010				
Possible impact of a 10% movement in Market Values	460	460	460	460
Possible impact of a 1% movement in Interest Rates	46	46	46	46

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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.

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

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

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

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	169	2,798	133	253
Past due by up to 30 days	296	123	212	327
Past due between 31 and 180 days	334	2	82	109
Past due between 181 and 365 days	96	6	153	347
Past due by more than 1 year	549	104	253	565
	<u>1,444</u>	<u>3,033</u>	<u>833</u>	<u>1,601</u>
(ii) Movement in Provision for Impairment of Receivables			2011	2010
Balance at the beginning of the year			74	387
- previous impairment losses reversed			22	(313)
Balance at the end of the year			<u>96</u>	<u>74</u>

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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 to no maturity	payable in:						Total	Actual
		≤1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs	Cash Outflows	Carrying Values
2011									
Trade/Other Payables	148	1,205	-	-	-	-	-	1,353	1,130
Loans & Advances	-	95	130	96	920	660	-	1,901	1,806
Lease Liabilities	-	101	75	-	-	-	-	176	102
Total Financial Liabilities	148	1,401	205	96	920	660	-	3,430	3,038
2010									
Trade/Other Payables	143	902	-	-	-	-	-	1,045	1,056
Loans & Advances	-	373	130	96	920	660	-	2,179	2,179
Lease Liabilities	-	51	51	51	9	-	-	162	162
Total Financial Liabilities	143	1,326	181	147	929	660	-	3,386	3,397

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:

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	1,130	0.1%	1,056	0.0%
Loans & Advances - Fixed Interest Rate	1,806	6.6%	2,179	6.6%
Lease Liabilities	102	9.0%	162	9.0%
	<u>3,038</u>		<u>3,397</u>	

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 10/11 was incorporated as part of its Management Plan.

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	2011 Budget	2011 Actual	2011 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	10,017	9,659	(358)	(4%)	U
User Charges & Fees	4,785	4,462	(323)	(7%)	U
Interest & Investment Revenue	243	1,328	1,085	447%	F
Council held some investments which were not earning interest due to the Global Financial Crisis. Some of these investments have now matured and the funds have been reinvested. The investments are currently earning high returns on the short term money market.					
Other Revenues	536	800	264	49%	F
Included in this result is income from a major insurance claim from November 2008 which was not budgeted for of \$238,000 which is the major part of increase					
Operating Grants & Contributions	11,465	14,873	3,408	30%	F
Additional Grant monies were received during 2010/11 which had not been included in the budget.					
Capital Grants & Contributions	3,977	2,410	(1,567)	(39%)	U
This year Council has been advised that the Roads to Recovery Grant must be included as a operational grant whereas it was budgeted for as Capital					
Net Gains from Disposal of Assets	85	211	126	148%	F
More Plant and Equipment items were sold or traded in, a lot of the light vehicles had been traded earlier than normal thus a better changeover return was achieved than was allowed for in this year's budget.					

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 Variance*	
EXPENSES				
Employee Benefits & On-Costs	11,047	13,500	(2,453)	(22%) U
There has been four long serving employees retired paid out and the termination of a contract that required the payment of a penalty clause. There was also significant overtime for flood damage works not budgeted for and more work was carried by Councils staff.				
Borrowing Costs	137	153	(16)	(12%) U
This is a result of Council changing its budgeted position of paying repayments to paying out the loan for staff housing at Coolah early				
Materials & Contracts	12,096	7,671	4,425	37% F
This has varied due to the mix of work carried out and the amount that remains outstanding				
Depreciation & Amortisation	7,792	9,672	(1,880)	(24%) U
Revaluation of Buildings and Other Structures as at the 30 June 2011 saw a significant change in depreciation. There was also an increase in the amount of Quarry Amortisation.				
Impairment Expenses	-	831	(831)	0% U
The amount of impairment due to flood damaged roads was not anticipated in this year's budget.				
Other Expenses	757	5,019	(4,262)	(563%) U
The amount has increased here as there was a large amount of flood damage in November and December last year.				
Share of Net Losses - Joint Ventures & Associate:	-	34	(34)	0% U

\$ '000	2011 Budget	2011 Actual	2011 Variance*	
Budget Variations relating to Council's Cash Flow Statement include:				
Cash Flows from Operating Activities	6,984	5,148	(1,836)	(26.3%) U
Council has had flood damage works during the period not budgeted for in December this work totalled \$1,316,667 which had not been budgeted for.				
Cash Flows from Investing Activities	(6,563)	(2,565)	3,998	(60.9%) F
Council has had the full face value of investments paid back during the year which had previously been reduced to market value and the funds then reinvested on the market either at call or in short term deposits.				
Cash Flows from Financing Activities	(247)	(433)	(186)	75.3% U
Council had allowed for various pieces of Rural Fire Service Appliances and one Cat 4 appliance was not received prior to the 30th June 2011.				

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	159	57	-	-	-	-	216	-	(216)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	6	-	-	-	-	-	6	-	(6)	-	-
Community Facilities	4	-	-	-	-	-	4	-	(4)	-	-
Bushfire	33	-	-	-	-	-	33	-	(33)	-	-
Other	2	-	-	-	-	-	2	-	(2)	-	-
S94 Contributions - under a Plan	204	57	-	-	-	-	261	-	(261)	-	-
S94A Levies - under a Plan	-	-	-	-	-	-	-	-	-	-	-
Total S94 Revenue Under Plans	204	57	-	-	-	-	261	-	-	-	-
S94 not under Plans	27	36	-	-	-	-	63	-	(63)	-	-
S93F Planning Agreements	-	-	-	-	-	-	-	-	-	-	-
S64 Contributions	104	-	-	2	-	-	106	-	-	-	-
Total Contributions	335	93	-	2	-	-	430	-	(324)	-	-

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - WARRUMBUNGLE SHIRE COUNCIL

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	159	57	-	-	-	-	216	-	(216)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	6	-	-	-	-	-	6	-	(6)	-	-
Community Facilities	4	-	-	-	-	-	4	-	(4)	-	-
Bushfire	33	-	-	-	-	-	33	-	(33)	-	-
Other	2	-	-	-	-	-	2	-	(2)	-	-
Total	204	57	-	-	-	-	261	-	(261)	-	-

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	27	36	-	-	-	-	63	-	(63)	-	-
Total	27	36	-	-	-	-	63	-	(63)	-	-

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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 from 2009/10 & beyond.

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

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.
Council's share of this deficit has been broadly estimated to be \$747,994 as at 30/6/2011.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/11.

(ii) Infringement Notices/Fines

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

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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 2011	Actual 2010	Actual 2011	Actual 2010
Associated Entities	-	-	-	-
Joint Venture Entities	(34)	(6)	310	339
Total	(34)	(6)	310	339

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

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

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

(i) Associated Entities

Council has no interest in any Associated Entities.

(ii) Joint Venture Entities

(a) Carrying Amounts

Name of Entity	Principal Activity	2011	2010
Macquarie Regional Library	Community Library Services	310	339
Total Carrying Amounts - Joint Venture Entities		310	339

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2011	2010	2011	2010	2011	2010
Macquarie Regional Library	20%	19%	20%	19%	25%	25%

(c) Movement in Carrying Amounts

	Macquarie Regional Library	
	2011	2010
Opening Balance	339	322
Share in Operating Result	(34)	(6)
Adjustments to Equity	5	23
Councils Equity Share in the Joint Venture Entity	310	339

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

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

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2011					
Macquarie Regional Library	205	217	109	3	310
Totals	205	217	109	3	310
2010					
Macquarie Regional Library	206	248	102	13	339
Totals	206	248	102	13	339

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

	2011			2010		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Macquarie Regional Library	415	449	(34)	423	429	(6)
Totals	415	449	(34)	423	429	(6)

(f) Share of Joint Venture Entities Expenditure Commitments

	2011	2010
Capital Commitments	-	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-

(g) Contingent Liabilities of Joint Venture Entities

	2011	2010
Share of Contingent Liabilities incurred jointly with other Participants	20%	19%
Share of Contingent Liabilities for which Council is severally liable	20%	19%

19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

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

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2011	Actual 2010
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		342,131	261,021
a. Correction of Prior Period Errors	20 (c)	172	79,739
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		(3,137)	1,371
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes		-	-
Balance at End of the Reporting Period		<u>339,166</u>	<u>342,131</u>

b. Reserves**(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	51,797	17,639
- "Available for Sale" Financial Investments Revaluation Reserve	-	-
- Other Reserves (Specify)	-	-
Total	<u>51,797</u>	<u>17,639</u>

(ii). Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve		
- Opening Balance	17,639	16,744
- Revaluations for the year	9(a) 34,158	895
- Impairment of revalued assets (incl. impairment reversals)	9(a) -	-
- Transfer to Retained Earnings for Asset disposals		-
- Correction of Prior Period Errors	20(c) -	-
- Other movements (Land Additions)	-	-
- Balance at End of Year	<u>51,797</u>	<u>17,639</u>
TOTAL VALUE OF RESERVES	<u>51,797</u>	<u>17,639</u>

(iii). Nature & Purpose of Reserves

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
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c. Correction of Error/s relating to a Previous Reporting Period

Council made the following correction of errors during this reporting period.

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

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

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

The values of these prior period adjustments are as follows:

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

Correction of errors disclosed in last year's financial statements

Council revalued various asset classes for the 09/10 Year End.

This reassessment resulted in a material difference as to where some assets actually sat in with respect to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.

Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/08 (the closing date for the comparative figures in last year's report).

As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/09 to reflect the correct value of accumulated depreciation;

- Roads, Bridges & Footpaths	decrease to accumulated depreciation	-	77,391
- Stormwater Drainage	decrease to accumulated depreciation		2,348

This adjustment resulted in a net increase in Council's Accumulated Surplus as at 30/6/09.

In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors

have been recognised retrospectively.

These amounted to the following Equity Adjustments:

- Adjustments to Opening Equity - 1/7/09	-	79,739
(relating to adjustments for the 30/6/09 reporting year end and prior periods)		
- Adjustments to Closing Equity - 30/6/10	-	-
(relating to adjustments for the 30/6/10 year end)		
Total Prior Period Adjustments - Prior Period Errors	172	79,739

In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in Accounting Policy have been recognised retrospectively.

These amounted to the following Equity Adjustments:

- Adjustments to Opening Equity - 1/7/09		-
(relating to adjustments for the 30/6/09 reporting year end and prior periods)		
- Adjustments to Closing Equity - 30/6/10		-
(relating to adjustments for the 30/6/10 year end)		
Total Prior Period Adjustments - Accounting Policy Changes	-	-

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	1,083	1,159	7,417
User Charges & Fees	794	128	3,540
Interest & Investment Revenue	92	154	1,082
Other Revenues	51	7	742
Grants & Contributions provided for Operating Purposes	54	1	14,818
Grants & Contributions provided for Capital Purposes	379	-	2,031
Other Income			
Net Gains from Disposal of Assets	-	-	211
Total Income from Continuing Operations	2,453	1,449	29,841
Expenses from Continuing Operations			
Employee Benefits & on-costs	618	389	12,493
Borrowing Costs	49	2	102
Materials & Contracts	1,111	430	6,130
Depreciation & Amortisation	834	318	8,520
Impairment	-	-	831
Other Expenses	-	-	5,019
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	34
Total Expenses from Continuing Operations	2,612	1,139	33,137
Operating Result from Continuing Operations	(159)	310	(3,296)
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(159)	310	(3,296)
Net Operating Result attributable to each Council Fund	(159)	310	(3,296)
Net Operating Result attributable to Minority Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(538)	310	(5,327)

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

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

Warrumbungle Shire Council

Notes to the Financial Statements

as at 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	-	326	8,142
Investments	876	2,413	(3,289)
Receivables	1,152	458	2,771
Inventories	37	4	486
Other	-	-	-
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	2,065	3,201	8,110
Non-Current Assets			
Investments	-	-	6,247
Receivables	-	-	-
Inventories	-	-	451
Infrastructure, Property, Plant & Equipment	23,367	16,259	338,168
Investments Accounted for using the equity method	-	-	310
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	23,367	16,259	345,176
TOTAL ASSETS	25,432	19,460	353,286
LIABILITIES			
Current Liabilities			
Payables	25	-	1,105
Borrowings	-	-	189
Provisions	268	56	2,727
Total Current Liabilities	293	56	4,021
Non-Current Liabilities			
Payables	914	-	(914)
Borrowings	-	-	1,719
Provisions	-	2	1,124
Total Non-Current Liabilities	914	2	1,929
TOTAL LIABILITIES	1,207	58	5,950
Net Assets	24,225	19,402	347,336
EQUITY			
Retained Earnings	19,197	9,805	291,326
Revaluation Reserves	5,028	9,597	55,934
Total Equity	24,225	19,402	347,260

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

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000

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

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2011, 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 09/01/12.

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 2011.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2011 and which are only indicative of conditions that arose after 30 June 2011.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2011	2010
Lemonwood Pit	2013	5	10
Naparoo	2013	6	6
Glenmore	2013	8	6
Caradoc Park	2013	3	6
Dromore	2013	-	6
Allandale (Kooriga)	2013	1	6
Beamsfield	2013	34	10
Cook	2013	4	27
Wanloch	2013	8	10
Box Hill	2018	6	5
Lumeah	2018	-	5
Carlyons	2018	15	5
Kirban	2018	6	5
Avis 1&2	2018	8	4
Coolah TSR	2018	2	15
Pidgee	2018	13	4
Barrier Gates	2023	14	10
Rhodes	2023	5	15
Cloven Hills	2028	8	15
Connemara	2028	13	10
Coolah Ck	2028	3	10
Edenmore	2028	16	15
Lochneil	2028	8	15
Pipers Pit	2028	4	10
Quondory	2028	29	10
Wyoming	2028	19	10
Maroo 1&2	2038	12	10
Baradine Aerodrome	2038	8	10
Glendale	2038	8	19
Coolie Camp	2038	5	10
North Pine	2038	8	9
Silentdale	2038	3	15
Danlo	2038	39	27
The Pinnacles	2038	21	27
Timbali	2038	13	19
Hillgrove	2038	4	10
Coonabarabran Quarry	2038	2	31

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Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2011	2010
Goally 1,2&3	2038	33	27
Sleightholmes	2038	21	19
Kroobit	2038	24	10
TV Tower	2038	15	27
Fosters Pit	2038	20	19
Beni	2038	11	10
Coleraine	2038	4	13
Danabar	2038	7	10
Duce's Pit	2038	25	15
Galashiels Pit	2038	10	10
Hawthorne	2038	21	15
Inchmoor	2038	9	10
Kurrajong Park 1&2	2038	5	15
Lockerbie	2038	3	15
Loloma	2038	9	15
Maduba	2038	1	4
Cossington	2038	5	4
Millings	2038	3	10
Mt Hope	2038	2	4
Narangarie	2038	8	10
Neible	2038	3	4
Oban Pit	2038	12	19
Old Castle	2038	14	15
Orana	2038	8	4
Rawlinsons Pit	2038	5	15
Rawlinsons Old Pit	2038	4	
Round Mountain	2038	4	10
Woodlands	2038	3	10
A Becketts	2038	2	-
Arkabah	2038	2	-
Barwidgee South	2038	14	-
Barwon	2038	2	-
Bellerive	2038	1	-
Bobella	2038	-	-
Boomely	2038	2	-
Borambitty	2038	6	-
Brains	2038	1	-
Bretni Road	2038	8	-
Burrawong Park	2038	3	-

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Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2011	2010
Burton	2038	4	-
Caledonia	2038	6	-
Cheriton	2038	2	-
Cobbora	2038	7	-
Cromarty Park	2038	-	-
Curteis	2038	4	-
Dowd Road	2038	3	-
Dunedoo	2038	4	-
Ewendale	2038	3	-
Foran's Lane	2038	22	-
Frost	2038	10	-
Gamble Creek	2038	1	-
Glenrowan	2038	28	-
Gunnedah	2038	26	-
Haynes	2038	2	-
Hazelmere	2038	2	-
Hereford Park	2038	1	-
Hollymount	2038	3	-
Johnsons	2038	14	-
Kentuckey	2038	3	-
Kiah	2038	2	-
Killara	2038	2	-
Kindalyn	2038	17	-
Kinross	2038	-	-
Koroa	2038	10	-
Kurravale	2038	3	-
Kybeyan	2038	3	-
Lanbre	2038	10	-
Liamena	2038	8	-
Lynwood	2038	3	-
Maldannia	2038	-	-
Marombi Road 1&2	2038	1	-
Maronga	2038	3	-
Mendooran 1&2	2038	16	-
Merrygoen	2038	2	-
Morton Bay	2038	2	-
Mt Marlow	2038	7	-
Murrumbong	2038	6	-

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Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2011	2010
O Neills	2038	1	-
Pandora	2038	-	-
Peridot	2038	2	-
Pine Ridge	2038	25	-
Pound	2038	4	-
Scotts	2038	4	-
Saltwater	2038	4	-
Sandy Creek Road	2038	1	-
Skinnners	2038	1	-
Spring Ridge Road	2038	3	-
Thompsons	2038	3	-
Todds	2038	6	-
Tonniges Road	2038	-	-
Turee	2038	10	-
Warrawonga	2038	-	-
Watsons	2038	18	-
Wattlegrove	2038	7	-
Witta Coola	2038	9	-
Weetaliba	2038	2	-
Yellow Cutting MR396	2038	19	19
Balance at End of the Reporting Period	10	<u>1,050</u>	<u>792</u>

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

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

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	792	737
Amounts capitalised to new or existing assets:		
- Additional provision raised	387	-
- Correction of error	(152)	-
Amortisation of discount (expensed to borrowing costs)	(23)	55
Total - Reinstatement, rehabilitation and restoration provision	<u>1,004</u>	<u>792</u>

Amount of Expected Reimbursements

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 27. Financial Commentary & Review

\$ '000

Key Financial Figures of Council over the past 5 years (consolidated)

Financial Performance Figures	2011	2010	2009	2008	2007
Inflows:					
Rates & Annual Charges Revenue	9,659	9,103	8,269	8,060	7,653
User Charges Revenue	4,462	4,959	4,296	3,476	3,730
Interest & Investment Revenue (Losses)	1,328	1,808	(118)	(1,319)	1,347
Grants Income - Operating & Capital	14,899	11,648	14,216	10,940	7,882
Total Income from Continuing Operations	33,743	31,135	30,823	26,746	24,616
Sale Proceeds from I,PP&E	1,173	1,157	1,561	1,311	1,003
New Loan Borrowings & Advances	-	-	1,000	-	-
Outflows:					
Employee Benefits & On-cost Expenses	13,500	11,856	9,607	10,962	8,425
Borrowing Costs	153	219	151	117	103
Materials & Contracts Expenses	7,671	5,846	5,944	6,963	7,347
Total Expenses from Continuing Operations	36,880	29,764	26,856	28,511	24,744
Total Cash purchases of I,PP&E	6,750	9,794	15,188	8,330	6,994
Total Loan Repayments (incl. Finance Leases)	433	300	166	114	269
Operating Surplus/(Deficit) (excl. Capital Income)	(5,547)	(2,379)	(2,073)	(5,565)	(2,467)
Financial Position Figures	2011	2010	2009	2008	2007
Current Assets	13,376	12,438	5,016	5,023	6,713
Current Liabilities	4,370	4,724	3,623	3,647	3,681
Net Current Assets	9,006	7,714	1,393	1,376	3,032
Available Working Capital (Unrestricted Net Current Assets)	9,598	3,842	805	811	1,681
Cash & Investments - Unrestricted	7,168	2,978	1,271	4,309	6,563
Cash & Investments - Internal Restrictions	911	2,840	2,977	1,964	3,372
Cash & Investments - Total	14,715	15,492	14,566	15,250	17,534
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	1,908	2,341	2,641	1,732	1,617
Total Value of I,PP&E (excl. Land & Earthworks)	482,322	456,793	474,881	461,806	432,036
Total Accumulated Depreciation	111,175	112,991	212,162	205,534	185,027
Indicative Remaining Useful Life (as a % of GBV)	77%	75%	55%	55%	57%

Source: Published audited financial statements of Council (current year & prior year)

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 28. Council Information & Contact Details

Principal Place of Business:

20 - 22 John Street
Coonabarabran, NSW 2357

Contact Details
Mailing Address:

PO Box 191
Coonabarabran, NSW 2357

Opening Hours:

8:30am to 4:30pm
Monday to Friday

Telephone: 02 6849 2000

Facsimile: 02 6842 1337

Internet: www.warrumbungle.nsw.gov.au

Email: info@warrumbungle.nsw.gov.au

Officers
GENERAL MANAGER

Steve Loane

RESPONSIBLE ACCOUNTING OFFICER

Steve Loane

PUBLIC OFFICER
AUDITORS

Forsyths

Elected Members
MAYOR

Cr Peter Shinton

COUNCILLORS

M Coe

K Campbell

T Dissanayake

R Lewis

M Powell

V Schmidt

R Sullivan

D Todd

Other Information

ABN: 63 348 671 239

INDEPENDENT AUDIT REPORT

Report on the general purpose financial statements

To Warrumbungle Shire Council

SCOPE

The financial statements comprises the income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Warrumbungle Shire Council (the Council), for the year ended 30th June 2011.

Councils' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

INDEPENDENCE

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

BASIS OF QUALIFIED AUDITOR'S OPINION

Late lodgement of Financial Statements

The audited financial statements will be submitted late to the Division of Local Government and not within the prescribed time provided for in Section 416 of Division 2 of the *Local Government Act 1993*. The delays in finalising the financial statements have been a result of the time required to complete a full revaluation of Council's infrastructure assets.

QUALIFIED AUDIT OPINION

In our opinion, except for the effects on the financial statements of the matters referred to in the paragraph above titled Basis for qualified Auditor's Opinion:

- (a) The accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
- (b) the general purpose financial statements:
 - (i) has been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
 - (ii) is consistent with the Council's accounting records; and
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30th June 2011 and the results of its operations for the year then ended; and
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul Cornall
Principal

12th January 2012

92 Rusden Street Armidale

12 January 2012

The Mayor
Warrumbungle Shire Council
PO Box 120
COONABARABRAN NSW 2843

Armidale

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Forsyth's Business Services Pty Ltd
ABN 66 182 781 401

Dear Mayor

AUDIT OF ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2011 and have issued an audit opinion on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

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

Council's responsibilities

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

Audit Objectives

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

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

Scope of the Audit and responsibilities

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

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

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

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

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

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

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

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Warrumbungle Shire Council for the year ended 30 June 2011 included on Warrumbungle Shire Council's web site. The Council's Councillors are responsible for the integrity of it's web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

The Income Statement for the year ended 30 June 2011 discloses the following result:

Additional Reporting Requirements

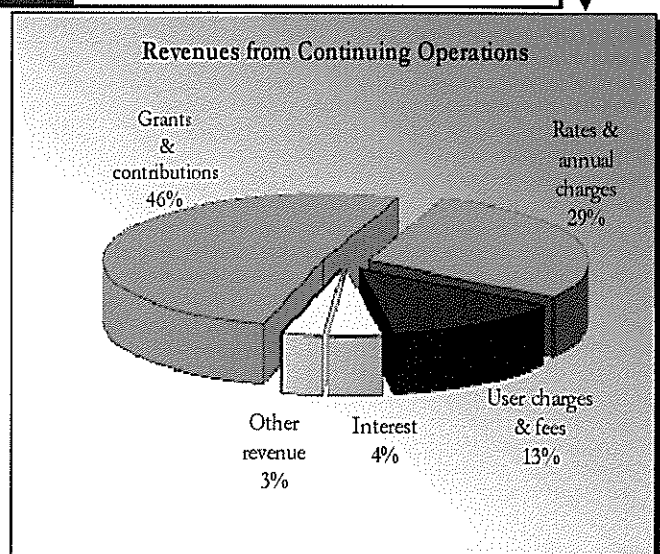
In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2011	2011	2010	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	10,017	9,659	9,103	6.1%	-3.6%
User charges & fees	4,785	4,462	4,959	-10.0%	-6.8%
Interest	243	1,328	1,808	-26.5%	446.5%
Other revenues from ordinary activities	536	800	657	21.8%	49.3%
Grants & contributions for operating purposes	11,465	14,873	10,543	41.1%	29.7%
Grants & contributions for capital purposes	3,977	2,410	3,750	-35.7%	-39.4%
Gain from sale of assets	85	211	315	-33.0%	148.2%
Total income from continuing operations	31,108	33,743	31,135	8.4%	8.5%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	11,047	13,500	11,856	13.9%	22.2%
Borrowing costs	137	153	219	-30.1%	11.7%
Materials and contracts	12,096	7,671	5,846	31.2%	-36.6%
Depreciation & amortisation	7,792	9,672	9,081	82.1%	24.1%
Impairment	0	831	0	0.0%	0.0%
Other expenses from ordinary activities	757	5,019	2,756	6.5%	563.0%
Loss from interests in joint ventures & associates	0	34	6	466.7%	0.0%
Total Expenses from continuing operations	31,829	36,880	29,764	23.9%	15.9%
OPERATING RESULT FROM CONTINUING OPERATIONS	(721)	(3,137)	1,371	-328.8%	335.1%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(4,698)	(5,547)	(2,379)	133.2%	18.1%

The financial statements report an operating deficit of \$3.1m for the year compared with a surplus of \$1.4m in the previous year. This result includes grants for capital purposes of \$14.9m. The expenditure of these grants are not recorded in this statement but in the Balance Sheet. When these grants are excluded, Council achieved a deficit of \$5.5m (2010: \$2.4m).

Income overall increased by 8.4% compared to 2010, mainly due to increases in grants & contributions for operating purposes and rates and annual charges, being partially offset by lower interest, user charges and fees and gains on sale of assets.

Grants and contributions for operating purposes increased by \$4.3m due to additional grants for flood damage works, higher Rural Fire Service grants and reclassification of roads to recovery funding from grants and contributions for operating purposes. Grants and contributions for capital purpose reduced by \$1.3m compared to 2010 due to



reclassification of roads to recovery funding to capital purposes.

Rates and annual charges increased due to higher water rates and charges, impact of farmland land value increases and government rate pegging allowances.

User charges and fees decreased due to lower water usage fees (wet weather conditions) and lower private works. Interest income was lower as there was a higher recovery in the market value adjustment for Council's investments in the 2010 year.

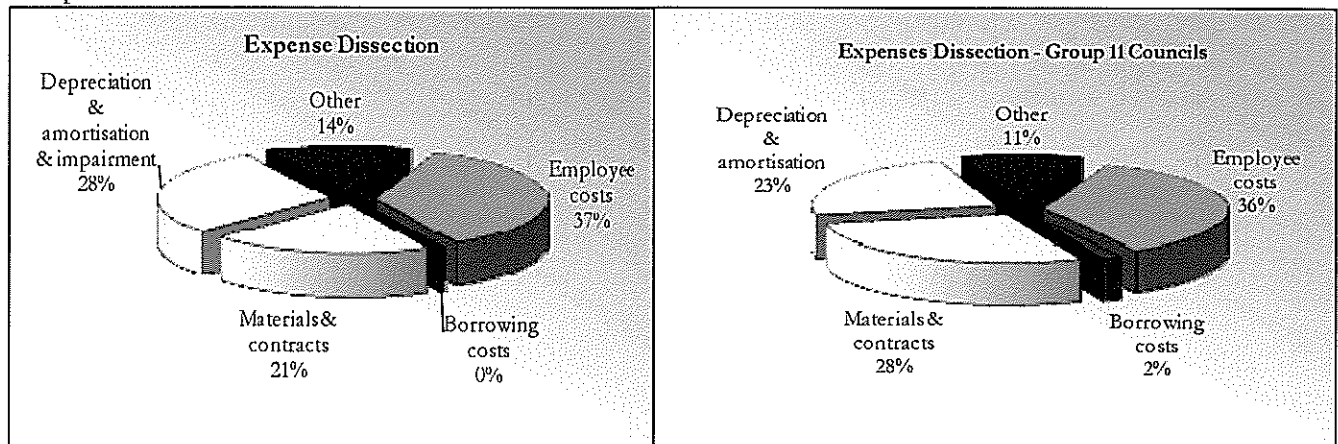
Expenditure rose by 23.9% on the previous year mainly due to higher:

- Employment costs – increase in employee numbers and higher wage rates;
- Depreciation expenditure - higher depreciation on revalued assets;
- Materials and contracts – Council diverted resources from infrastructure construction work to road maintenance, especially given the need to repair flood damaged infrastructure;
- Impairment costs- the asset impairment was the write off of infrastructure assets destroyed by flood damaged that occurred in the 2011 year; and
- Other costs – The Rural Fire Service levy for 2011 included unrecorded payments relating to the 2010 that were received after the 2010 financial year.

The actual operating deficit for the year of \$3.1m compares with the original budget deficit of \$0.7m. The variation of \$2.4m between the actual results and the original budget (excluding revotes) is primarily due to the following:

- Interest and investment revenue (favourable \$1.1m) – higher than expected improvements in investment market values and interest returns, especially those funds re-invested from the liquidation of low interest investments;
- Operating and capital grants and contributions (favourable \$1.8m) – Council obtained additional flood damage grants and RTA contributions that were not budgeted;
- Employee costs (unfavourable \$2.4m) – Council experienced higher overtime levels due to flood and storm damage as well as payouts for long serving employees and early contract termination compensation;
- Materials and Contracts (favourable \$4.4m) – Misallocation of other expenditure and employee costs as materials and contract costs in the original budget and also variance between estimated maintenance and capital works;
- Depreciation and amortisation (unfavourable \$2.7m) - higher depreciation on revalued assets and there was asset impairment to write off of infrastructure assets destroyed by flood damaged in the 2011 year;
- Other expenses (unfavourable \$4.2m) – Error in original budget with other costs included in materials and contracts and the Rural Fire Service levies for 2011 including unrecorded payments relating to the 2010 that were received after the 2010 financial year. .

Below is a comparison of expense dissections for the Council for 2011 compared to the average of Group 11 Councils for 2010.



The major variation in Council expenditure mix compared to the benchmark relates to materials and contracts compared to depreciation and impairment costs. Council was required to write off flood damaged infrastructure in the 2011 year, which has impacted on the expense mix. Further, depreciation has been impacted by the revaluation of assets in the 2010 year. The Group 11 average data relates to the 2010 year and it is expected that depreciation costs will share a higher proportion of the expenditure mix in future years once the increase in depreciation as a result of the revaluations of roads and related infrastructure flows through the 2011 Group 11 results.

The following schedule of assets and liabilities has been extracted from the Balance Sheet as at 30 June 2011. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2011 \$'000	2010 \$'000	Variance %
CURRENT ASSETS			
Cash and cash equivalents	8,468	6,318	34.0%
Investments	-	3,181	0.0%
Receivables	4,381	2,345	86.8%
Inventories	527	594	-11.3%
TOTAL CURRENT ASSETS	13,376	12,438	7.5%
CURRENT LIABILITIES			
Payables	1,130	1,056	7.0%
Borrowings	189	424	-55.4%
Provisions	3,051	3,244	-5.9%
TOTAL CURRENT LIABILITIES	4,370	4,724	-7.5%
NET CURRENT ASSETS	9,006	7,714	16.7%
NON-CURRENT ASSETS			
Investments	6,247	5,993	4.2%
Inventories	451	330	36.7%
Receivables	-	15	0.0%
Investments accounted for using equity method	310	339	-8.6%
Infrastructure, Property Plant & Equipment	377,794	348,168	8.5%
TOTAL NON-CURRENT ASSETS	384,802	354,845	8.4%
NON-CURRENT LIABILITIES			
Provisions	1,126	872	29.1%
Borrowings	1,719	1,917	-10.3%
TOTAL NON-CURRENT LIABILITIES	2,845	2,789	2.0%
NET ASSETS	390,963	359,770	8.7%

Lower cash and investment levels (current and non-current) are a reflection of lower cash flows from operations due to the increase in infrastructure maintenance, especially regard to flood damage remediation.

Total borrowings decreased by \$0.4m due to debt repayments.

Receivables have increased by \$2m due to slower rates collections and outstanding RTA contribution debtor due to timing of claims with RTA at year end and increased revenue activity with RTA in 2011.

The significant increase in infrastructure, property, plant and equipment of \$30m is mainly due to the revaluation of buildings and community land in the 2011 year. The revaluation process ensures that asset condition and replacement values are assessed, which will then improve the depreciation methodology for infrastructure assets. Council has now revalued all of its infrastructure assets.

WORKING CAPITAL

The Net Current Asset position at year end is an important financial indicator as it discloses the working capital available to Council to fund day to day operations and finance infrastructure and new community projects. The funding of restrictions should also be considered when evaluating funds available for working capital purposes. The following table provides a reconciliation of unrestricted assets:

	Water \$'000	Sewerage \$'000	DWM \$'000	General \$'000	Total \$'000
Current Assets	2,065	3,201	193	7,917	13,376
Current Liabilities	293	56	148	3,873	4,370
Net Current Assets	1,772	3,145	45	4,044	9,006
Plus: Non-Current Investments	-	-	-	6,247	6,247
Plus: Net Liabilities Payable >12mths	-	-	-	2,387	2,387
Total Funds before Restrictions	1,772	3,145	45	12,678	17,640
LESS: Restricted Cash & Investments (Included in Revenue)					
Trust funds	-	-	-	148	148
Developer Contributions	81	25	-	324	430
Specific Purpose Grants & Contributions	-	-	-	2,395	2,395
	81	25	-	2,719	2,825
NET FUNDS AVAILABLE	1,691	3,120	45	9,959	14,815
LESS Internal Restrictions	-	-	-	911	911
Net Funds After All Restrictions	1,691	3,120	45	9,048	13,904

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	767	674	767	674
Carry over works	1,302	-	1,302	-
Bio Solid provision	-	200	-	200
Town improvement	27	17	27	17
Quarry restoration	140	-	140	-
Asset replacement	458	-	458	-
Construction of buildings	10	-	10	-
Other	136	20	136	20
	2,840	911	2,840	911

The above table demonstrates that the General function has available funds of \$10m before setting aside funds in reserves (internal restrictions). After funding \$0.9m in internal restrictions, Council has \$9m to fund day to day working capital requirements. However, included in non-current assets is \$6.2m of unrestricted illiquid non-current investments, which may not be realised at the same value as recorded in the financials if the cash was needed at short notice. If these investments are excluded Council would have unrestricted General funds of \$2.8m.

Internal restrictions are funds Council has earmarked for particular projects or to fund specific operating needs. Council has internally restricted \$674,000 to fund employee leave entitlements. This restriction represents 22% of all leave entitlements. This funding is considered inadequate especially when compared to other Councils where the reserve is usually as much as 40% of total leave entitlements.

PERFORMANCE INDICATORS

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

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2011	2010	2009	2008	2007
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	7.62	4.08	1.36	2.39	3.26
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	1.8%	2.1%	1.3%	1.3%	2.0%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	28.6%	29.2%	26.8%	29.6%	31.1%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	15.1%	11.1%	9.0%	14.2%	15.2%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	0.41	0.18	1.56	0.87	-

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants & contributions. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 7.62 as at 30 June 2011 indicates that there is \$7.62 of unrestricted current assets for every \$1.00 of current liabilities. Council's ratio of 7.62 compares to the average of 3.84 (2010 data) for category 11 Councils and is higher than the State average of 2.71 (2010 data). The improvement in the ratio for 2011 is due to Council being able to liquidate some of its long term investments and convert them to short term deposits.

The debt service ratio of 1.8% indicates the percentage of Council's operating revenues being utilised to fund debt servicing costs. This ratio is lower than the average of 3.47% for category 11 Councils and the State average of 3.97% (2010 data). Council has the ability to source additional bank loan funding if required to meet capital needs.

The rate coverage ratio shows that 28.6% of the councils revenue is derived from rates and annual charges. This compares to the category 11 Council average 34.28% (2010 data). The ratio shows councils dependence on non-rate income.

The outstanding rates and charges ratio of 15.1% has deteriorated compared to the previous year. The benchmark for Council's is to have a outstanding rates ratio of less than 5%. We continue to encourage Council to focus on collecting debts as current strategies appear to be not effective in improving the collection of cash for operational needs.

The asset renewals ratio outlines Council's performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2011 Council spent \$0.41 for every \$1 in estimated asset deterioration. The Group 11 average for the asset renewal ratio was \$0.94 and the state average of \$0.84.

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

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

Overall the financial indicators show that Council's financial standing is sound in the short to medium term. Infrastructure management will need to be a continued focus for Council in the long term and reflected in its Integrated Planning and Reporting.

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

CASH MOVEMENTS	Actual 2011	Actual 2010	Variance
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	32,192	30,557	5.4%
Proceeds from Assets Sales	1,173	1,157	1.4%
Proceeds from sale of investments	9,181	4,545	102.0%
Repayment from Deferred Debtors	4	6	-33.3%
Proceeds from Borrowings	0	0	0.0%
TOTAL RECEIPTS	42,550	36,265	17.3%
CASH OUTFLOWS			
Operating Payments	27,044	22,068	22.5%
Purchase of Assets	6,918	9,794	-29.4%
Purchase of investments	6,000	0	0.0%
Repayment of Loans	433	300	44.3%
Other payments	5	23	-78.3%
TOTAL PAYMENTS	40,400	32,185	25.5%
TOTAL CASH MOVEMENT	2,150	4,080	-47.3%
Cash assets	8,468	6,318	
Investments (current and non-current)	6,247	9,174	
Total Cash & Investments on Hand	14,715	15,492	-5.0%

The reduction in total cash and investments is a reflection of lower cash flows from operations due to the increase in infrastructure maintenance, especially regard to flood damage remediation.

Cash Outflows for "Purchase of Assets" of \$4.9m included road and bridge construction totalling \$1.1m. This compares with the \$5.7m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring roads and bridges to a satisfactory standard is \$16m.

With regard to the remaining \$5.6m, the other major asset purchases related to plant and equipment of \$3.2m and various other land and building projects.

SPECIAL PURPOSE REPORTS

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

WATER SUPPLY FUNCTION

The Special Purpose Financial Reports disclose that the Water Supply function recorded an operating deficit (before capital funding) of \$538,000 after allowing for depreciation of \$834,000.

The Net Current Asset position records a positive balance of \$1,772,000. The net current asset position provides a sound working capital balance to meet short to medium operational requirements. We do note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring water assets to a satisfactory standard is \$1.3m.

SEWERAGE SERVICES

The Sewerage function recorded an operating surplus (before capital funding) of \$310,000 after allowing for depreciation of \$318,000.

The current level of Net Current Assets of \$3,145,000 is sound, particularly in view of the fact that the function has no borrowings and that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring water assets to a satisfactory standard is \$0.7pm.

GENERAL

Reporting obligations under the Local Government Act

Council's systems and records continue to improve during the year. The audited financial statements will be submitted late to the Division of Local Government and not within the prescribed time provided for in Division 2 of the *Local Government Act 1993*. The delays in finalising the financial statements have been a result of continued problems arising from lack of finance staff resources.

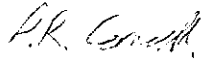
Matters of a technical nature have been documented in a management letter to the General Manager.

We take this opportunity of thanking the General Manager and his staff for their co-operation and assistance during the course of the audit.

Under section 419 of the *Local Government Act 1993*, Council is required to give public notice of a Council meeting for the purpose of presenting the audited financial statements and the auditor's report. A Principal of this firm is available to attend this meeting to address any questions in respect of the audit report or the conduct of the audit.

Yours faithfully

FORSYTHS BUSINESS SERVICES PTY LTD



Paul Cornall
Principal