

Warrumbungle Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

"excellence in local government"



Warrumbungle Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2013

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
 - (iv) These financial statements were authorised for issue by the Council on 24 September 2013. Council has the power to amend and reissue these financial statements.
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Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2013.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

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

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

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

Warrumbungle Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2013

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 15 August 2013.



Peter Shinton
MAYOR



Murray Coe
COUNCILLOR



Steve Loane
GENERAL MANAGER



Stefan Murru
RESPONSIBLE ACCOUNTING OFFICER

Warrumbungle Shire Council

Income Statement

for the financial year ended 30 June 2013

| Budget ⁽¹⁾ 2013 \$ '000 | | Notes | Actual 2013 | Actual 2012 |
|--|--|-------|----------------|----------------|
| Income from Continuing Operations | | | | |
| Revenue: | | | | |
| 10,533 | Rates & Annual Charges | 3a | 10,420 | 10,040 |
| 5,115 | User Charges & Fees | 3b | 5,994 | 5,715 |
| 998 | Interest & Investment Revenue | 3c | 1,067 | 780 |
| 667 | Other Revenues | 3d | 2,339 | 774 |
| 15,184 | Grants & Contributions provided for Operating Purposes | 3e,f | 15,069 | 15,835 |
| 1,417 | Grants & Contributions provided for Capital Purposes | 3e,f | 1,006 | 1,166 |
| Other Income: | | | | |
| 262 | Net gains from the disposal of assets | 5 | - | - |
| - | Net Share of interests in Joint Ventures & Associated Entities using the equity method | 19 | 10 | - |
| 34,176 | Total Income from Continuing Operations | | 35,905 | 34,310 |
| Expenses from Continuing Operations | | | | |
| 13,923 | Employee Benefits & On-Costs | 4a | 12,994 | 12,561 |
| 203 | Borrowing Costs | 4b | 255 | 200 |
| 7,225 | Materials & Contracts | 4c | 7,906 | 8,154 |
| 10,024 | Depreciation & Amortisation | 4d | 9,525 | 9,478 |
| - | Impairment | 4d | - | - |
| 5,078 | Other Expenses | 4e | 5,554 | 5,965 |
| - | Net Losses from the Disposal of Assets | 5 | 600 | 285 |
| - | Net Share of interests in Joint Ventures & Associated Entities using the equity method | 19 | - | 24 |
| 36,453 | Total Expenses from Continuing Operations | | 36,834 | 36,667 |
| (2,277) | Operating Result from Continuing Operations | | (929) | (2,357) |
| Discontinued Operations | | | | |
| - | Net Profit/(Loss) from Discontinued Operations | 24 | - | - |
| (2,277) | Net Operating Result for the Year | | (929) | (2,357) |
| (2,277) | Net Operating Result attributable to Council | | (929) | (2,357) |
| - | Net Operating Result attributable to Non-controlling Interests | | - | - |
| (3,694) | Net Operating Result for the year before Grants and Contributions provided for Capital Purposes | | (1,935) | (3,523) |

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

Warrumbungle Shire Council

Statement of Comprehensive Income for the financial year ended 30 June 2013

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|---|----------|-----------------|----------------|
| Net Operating Result for the year (as per Income statement) | | (929) | (2,357) |
| Other Comprehensive Income: | | | |
| <i>Amounts which will not be reclassified subsequently to the Operating Result</i> | | | |
| Gain (loss) on revaluation of I,PP&E | 20b (ii) | (14,719) | 43,795 |
| Adjustment to correct prior period errors | | - | - |
| Impairment (loss) reversal relating to I,PP&E | 20b (ii) | (108) | - |
| Total Items which will not be reclassified subsequently to the Operating Result | | (14,827) | 43,795 |
| <i>Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met</i> | | | |
| Realised (gain) loss on available-for-sale investments recognised in P&L | 20b (ii) | - | - |
| Gain (loss) on revaluation of available-for-sale investments | 20b (ii) | - | - |
| Realised (gain) loss from other reserves recognised in P&L | 20b (ii) | - | - |
| Gain (loss) on revaluation of other reserves | 20b (ii) | - | - |
| Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met | | - | - |
| Total Other Comprehensive Income for the year | | (14,827) | 43,795 |
| Total Comprehensive Income for the Year | | (15,756) | 41,438 |
| Total Comprehensive Income attributable to Council | | (15,756) | 41,438 |
| Total Comprehensive Income attributable to Non-controlling Interests | | - | - |

Warrumbungle Shire Council

Statement of Financial Position as at 30 June 2013

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|--|-------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash & Cash Equivalents | 6a | 14,171 | 10,796 |
| Investments | 6b | - | 3,317 |
| Receivables | 7 | 4,013 | 3,685 |
| Inventories | 8 | 536 | 573 |
| Total Current Assets | | 18,720 | 18,371 |
| Non-Current Assets | | | |
| Investments | 6b | 2,760 | 2,520 |
| Receivables | 7 | 1 | - |
| Inventories | 8 | 319 | 451 |
| Infrastructure, Property, Plant & Equipment | 9 | 428,890 | 441,195 |
| Investments accounted for using the equity method | 19 | 296 | 286 |
| Total Non-Current Assets | | 432,266 | 444,452 |
| TOTAL ASSETS | | 450,986 | 462,823 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 10 | 2,395 | 2,137 |
| Borrowings | 10 | 397 | 153 |
| Provisions | 10 | 3,642 | 3,446 |
| Liabilities associated with assets classified as "held for sale" | 22 | - | - |
| Total Current Liabilities | | 6,434 | 5,736 |
| Non-Current Liabilities | | | |
| Payables | 10 | - | - |
| Borrowings | 10 | 4,901 | 1,585 |
| Provisions | 10 | 1,197 | 1,292 |
| Investments accounted for using the equity method | 19 | - | - |
| Liabilities associated with assets classified as "held for sale" | 22 | - | - |
| Total Non-Current Liabilities | | 6,098 | 2,877 |
| TOTAL LIABILITIES | | 12,532 | 8,613 |
| Net Assets | | 438,454 | 454,210 |
| EQUITY | | | |
| Retained Earnings | 20 | 357,689 | 358,618 |
| Revaluation Reserves | 20 | 80,765 | 95,592 |
| Council Equity Interest | | 438,454 | 454,210 |
| Non-controlling Interests | | - | - |
| Total Equity | | 438,454 | 454,210 |

Warrumbungle Shire Council

Statement of Changes in Equity for the financial year ended 30 June 2013

| \$ '000 | Notes | Retained Earnings | Reserves (Refer 20b) | Council Interest | Non-controlling Interest | Total Equity |
|--|----------|-------------------|----------------------|------------------|--------------------------|-----------------|
| 2013 | | | | | | |
| Opening Balance (as per Last Year's Audited Accounts) | | 358,618 | 95,592 | 454,210 | - | 454,210 |
| a. Correction of Prior Period Errors | 20 (c) | - | - | - | - | - |
| b. Changes in Accounting Policies (prior year effects) | 20 (d) | - | - | - | - | - |
| Revised Opening Balance (as at 1/7/12) | | 358,618 | 95,592 | 454,210 | - | 454,210 |
| c. Net Operating Result for the Year | | (929) | - | (929) | - | (929) |
| d. Other Comprehensive Income | | | | | | |
| - Revaluations : IPP&E Asset Revaluation Rsve | 20b (ii) | - | (14,719) | (14,719) | - | (14,719) |
| - Revaluations: Other Reserves | 20b (ii) | - | - | - | - | - |
| - Transfers to Income Statement | 20b (ii) | - | - | - | - | - |
| - Impairment (loss) reversal relating to I,PP&E | 20b (ii) | - | (108) | (108) | - | (108) |
| - Other Movements (enter details here) | 20b (ii) | - | - | - | - | - |
| Other Comprehensive Income | | - | (14,827) | (14,827) | - | (14,827) |
| Total Comprehensive Income (c&d) | | (929) | (14,827) | (15,756) | - | (15,756) |
| e. Distributions to/(Contributions from) Non-controlling Interests | | - | - | - | - | - |
| f. Transfers between Equity | | - | - | - | - | - |
| Equity - Balance at end of the reporting period | | 357,689 | 80,765 | 438,454 | - | 438,454 |

| \$ '000 | Notes | Retained Earnings | Reserves (Refer 20b) | Council Interest | Non-controlling Interest | Total Equity |
|--|----------|-------------------|----------------------|------------------|--------------------------|----------------|
| 2012 | | | | | | |
| Opening Balance (as per Last Year's Audited Accounts) | | 339,166 | 51,797 | 390,963 | - | 390,963 |
| a. Correction of Prior Period Errors | 20 (c) | 21,809 | - | 21,809 | - | 21,809 |
| b. Changes in Accounting Policies (prior year effects) | 20 (d) | - | - | - | - | - |
| Revised Opening Balance (as at 1/7/11) | | 360,975 | 51,797 | 412,772 | - | 412,772 |
| c. Net Operating Result for the Year | | (2,357) | - | (2,357) | - | (2,357) |
| d. Other Comprehensive Income | | | | | | |
| - Revaluations : IPP&E Asset Revaluation Rsve | 20b (ii) | - | 43,795 | 43,795 | - | 43,795 |
| - Revaluations: Other Reserves | 20b (ii) | - | - | - | - | - |
| - Transfers to Income Statement | 20b (ii) | - | - | - | - | - |
| - Impairment (loss) reversal relating to I,PP&E | 20b (ii) | - | - | - | - | - |
| - Other Movements (enter details here) | 20b (ii) | - | - | - | - | - |
| Other Comprehensive Income | | - | 43,795 | 43,795 | - | 43,795 |
| Total Comprehensive Income (c&d) | | (2,357) | 43,795 | 41,438 | - | 41,438 |
| e. Distributions to/(Contributions from) Non-controlling Interests | | - | - | - | - | - |
| f. Transfers between Equity | | - | - | - | - | - |
| Equity - Balance at end of the reporting period | | 358,618 | 95,592 | 454,210 | - | 454,210 |

Warrumbungle Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2013

| Budget 2013 | \$ '000 | Notes | Actual 2013 | Actual 2012 |
|---|---|-------|----------------|----------------|
| Cash Flows from Operating Activities | | | | |
| Receipts: | | | | |
| 11,233 | Rates & Annual Charges | | 10,458 | 10,015 |
| 6,515 | User Charges & Fees | | 6,229 | 6,602 |
| 777 | Investment & Interest Revenue Received | | 609 | 786 |
| 16,601 | Grants & Contributions | | 16,427 | 17,883 |
| - | Bonds, Deposits & Retention amounts received | | 487 | 10 |
| 1,598 | Other | | 3,730 | 1,467 |
| Payments: | | | | |
| (13,918) | Employee Benefits & On-Costs | | (12,794) | (12,226) |
| (7,214) | Materials & Contracts | | (9,401) | (8,650) |
| (203) | Borrowing Costs | | (320) | (140) |
| - | Bonds, Deposits & Retention amounts refunded | | - | - |
| (5,948) | Other | | (6,458) | (6,362) |
| 9,441 | Net Cash provided (or used in) Operating Activities | 11b | 8,967 | 9,385 |
| Cash Flows from Investing Activities | | | | |
| Receipts: | | | | |
| 3,500 | Sale of Investment Securities | | 3,500 | 500 |
| 43 | Sale of Real Estate Assets | | - | - |
| 1,271 | Sale of Infrastructure, Property, Plant & Equipment | | 1,338 | 981 |
| | Deferred Debtors Receipts | | 3 | 4 |
| Payments: | | | | |
| (11,498) | Purchase of Infrastructure, Property, Plant & Equipment | | (13,993) | (8,372) |
| (55) | Purchase of Real Estate Assets | | - | - |
| (6,739) | Net Cash provided (or used in) Investing Activities | | (9,152) | (6,887) |
| Cash Flows from Financing Activities | | | | |
| Receipts: | | | | |
| 1,150 | Proceeds from Borrowings & Advances | | 3,800 | - |
| Payments: | | | | |
| (180) | Repayment of Borrowings & Advances | | (183) | (130) |
| (59) | Repayment of Finance Lease Liabilities | | (57) | (40) |
| 911 | Net Cash Flow provided (used in) Financing Activities | | 3,560 | (170) |
| 3,613 | Net Increase/(Decrease) in Cash & Cash Equivalents | | 3,375 | 2,328 |
| 7,008 | plus: Cash & Cash Equivalents - beginning of year | 11a | 10,796 | 8,468 |
| 10,621 | Cash & Cash Equivalents - end of the year | 11a | 14,171 | 10,796 |
| Additional Information: | | | | |
| | plus: Investments on hand - end of year | 6b | 2,760 | 5,837 |
| | Total Cash, Cash Equivalents & Investments | | 16,931 | 16,633 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

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

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying the entity's accounting policies

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

(b) Revenue recognition

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

(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 June 2013) and (ii) all the related operating results (for the financial year ended the 30th June 2013).

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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 & Partnerships are accounted for using the equity method and is carried at cost.

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

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

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

- **Castlereagh Macquarie Weeds County Council**

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

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

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

(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.

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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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

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

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided

if the expenditure on the acquisition and development of the land had not been made.

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

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

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the 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**
(External Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(External Valuation)
- **Drainage Assets** (External Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (Internal Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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

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

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

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

Capitalisation Thresholds

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

Land

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

Plant & Equipment

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

Buildings & Land Improvements

| | |
|----------------------------|------------|
| Park Furniture & Equipment | > \$10,000 |
|----------------------------|------------|

Building

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

Other Structures

> \$5,000

Water & Sewer Assets

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 |

Water & Sewer Assets

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

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

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

Other Equipment

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

Buildings

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

Stormwater Drainage

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

Transportation Assets

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

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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 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"*.

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.

Council does not hold any investment properties.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

(r) Non-Current Assets (or Disposal Groups) “Held for Sale” & Discontinued Operations

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

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

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

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

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(s) Impairment of assets

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

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

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

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

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

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed..

(w) Provisions

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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

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

(ii) Other Long Term Obligations

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

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

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

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and

currency that match as closely as possible the estimated future cash outflows.

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

(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"

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20 February 2013 and covers the period ended 30 June 2013.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2013 was \$249,307.

The amount of additional contributions included in the total employer contribution advised above is \$138,853.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 645,577 as at 30 June 2013.

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

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

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

Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/13.

(y) Self insurance

Council does not self insure.

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

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

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

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.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

Goods & Services Tax (GST)

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

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

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

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

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

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

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

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2013.

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, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)

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 2015 but is available for early adoption.

When adopted, the standard will affect in particular 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 although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

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

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

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

Applicable to Local Government but no implications for Council;

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014).

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the

entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

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

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

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

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

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

obligations are shared by the parties to the joint arrangement.

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

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

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

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

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

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

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

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

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

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

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

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

The amendments will have to be implemented retrospectively.

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

Not applicable to Local Government per se;

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

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

(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 2013

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

| Functions/Activities | Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b). | | | | | | | | | | | | |
|--|--|---------------|---------------|-------------------------------------|---------------|---------------|---|-----------------|-----------------|--|---------------|---|----------------|
| | Income from Continuing Operations | | | Expenses from Continuing Operations | | | Operating Result from Continuing Operations | | | Grants included in Income from Continuing Operations | | Total Assets held (Current & Non-current) | |
| | Original Budget | Actual | Actual | Original Budget | Actual | Actual | Original Budget | Actual | Actual | Actual | Actual | Actual | Actual |
| | 2013 | 2013 | 2012 | 2013 | 2013 | 2012 | 2013 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Governance | | - | - | - | 351 | 299 | - | (351) | (299) | - | - | - | - |
| Administration | 935 | 786 | 680 | 6,083 | 4,548 | 4,193 | (5,148) | (3,762) | (3,513) | 65 | 419 | 30,237 | 28,891 |
| Public Order & Safety | 2,520 | 3,189 | 2,568 | 3,173 | 3,800 | 3,681 | (653) | (611) | (1,113) | 2,437 | 2,494 | 3,851 | 4,651 |
| Health | 63 | 613 | 63 | 155 | 715 | 196 | (92) | (102) | (133) | 2 | 5 | 1,582 | 2,288 |
| Environment | 1,688 | 1,679 | 1,598 | 2,070 | 2,178 | 2,142 | (382) | (499) | (544) | 58 | 57 | - | - |
| Community Services & Education | 2,849 | 3,063 | 2,886 | 2,794 | 3,064 | 2,912 | 55 | (1) | (26) | 2,027 | 1,895 | 4,958 | 6,671 |
| Housing & Community Amenities | 181 | 173 | 206 | 447 | 906 | 831 | (266) | (733) | (625) | 32 | 63 | 9,843 | 20,155 |
| Water Supplies | 2,864 | 2,975 | 2,230 | 1,665 | 2,769 | 2,622 | 1,199 | 206 | (392) | 292 | 40 | 31,875 | 31,123 |
| Sewerage Services | 1,340 | 1,339 | 1,231 | 835 | 1,262 | 1,276 | 505 | 77 | (45) | 41 | 29 | 25,660 | 25,034 |
| Recreation & Culture | 226 | 211 | 203 | 2,565 | 2,982 | 2,894 | (2,339) | (2,771) | (2,691) | 86 | 106 | 19,828 | 28,463 |
| Fuel & Energy | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Agriculture | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Mining, Manufacturing & Construction | 77 | 371 | 56 | 220 | 452 | 301 | (143) | (81) | (245) | - | - | 674 | 862 |
| Transport & Communication | 8,175 | 7,949 | 8,044 | 15,851 | 13,238 | 14,588 | (7,676) | (5,289) | (6,544) | 2,676 | 1,978 | 321,200 | 313,122 |
| Economic Affairs | 145 | 155 | 135 | 595 | 569 | 708 | (450) | (414) | (573) | 99 | 93 | 982 | 1,277 |
| Total Functions & Activities | 21,063 | 22,503 | 19,900 | 36,453 | 36,834 | 36,643 | (15,390) | (14,331) | (16,743) | 7,815 | 7,179 | 450,690 | 462,537 |
| Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method) | | 10 | - | | - | 24 | - | 10 | (24) | | - | 296 | 286 |
| General Purpose Income ¹ | 13,113 | 13,392 | 14,410 | | | - | 13,113 | 13,392 | 14,410 | 5,722 | 7,340 | | - |
| Operating Result from Continuing Operations | 34,176 | 35,905 | 34,310 | 36,453 | 36,834 | 36,667 | (2,277) | (929) | (2,357) | 13,537 | 14,519 | 450,986 | 462,823 |

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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, RMS works, other.

ECONOMIC AFFAIRS

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|--|--------------|------------------------|------------------------|
| (a) Rates & Annual Charges | | | |
| Ordinary Rates | | | |
| Residential | | 1,779 | 1,727 |
| Farmland | | 4,437 | 4,265 |
| Business | | 530 | 517 |
| Total Ordinary Rates | | 6,746 | 6,509 |
| Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611) | | | |
| Domestic Waste Management Services | | 1,117 | 1,026 |
| Water Supply Services | | 1,212 | 1,193 |
| Sewerage Services | | 1,007 | 1,015 |
| Waste Management Services (non-domestic) | | 338 | 297 |
| Total Annual Charges | | 3,674 | 3,531 |
| <u>TOTAL RATES & ANNUAL CHARGES</u> | | <u>10,420</u> | <u>10,040</u> |

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|--|-------|----------------|----------------|
| (b) User Charges & Fees | | | |
| Specific User Charges (per s.502 - Specific "actual use" charges) | | | |
| Water Supply Services | | 1,337 | 884 |
| Sewerage Services | | 128 | 108 |
| Total User Charges | | 1,465 | 992 |
| Other User Charges & Fees | | | |
| (i) Fees & Charges - Statutory & Regulatory Functions (per s.608) | | | |
| Building Regulation | | 13 | 17 |
| Planning Regulation | | 27 | 30 |
| Private Works - Section 67 | | 434 | 129 |
| Registration Fees | | 26 | 12 |
| Regulatory Fees | | 30 | 36 |
| Section 149 Certificates (EPA Act) | | 35 | 25 |
| Section 603 Certificates | | 17 | 2 |
| Statutory Fees | | 3 | 3 |
| Total Fees & Charges - Statutory/Regulatory | | 585 | 254 |
| (ii) Fees & Charges - Other (incl. General User Charges) (per s.608) | | | |
| Aged Care | | 143 | 129 |
| Cemeteries | | 65 | 76 |
| Child Care | | 800 | 768 |
| Lease Rentals | | 28 | 14 |
| Leaseback Fees - Council Vehicles | | 83 | 51 |
| Park Rents | | 8 | 10 |
| Quarry Revenues | | 324 | 7 |
| RMS (formerly RTA) Charges (State Roads not controlled by Council) | | 2,277 | 3,234 |
| Sundry Sales | | 7 | 10 |
| Swimming Centres | | 98 | 70 |
| Tourism | | 47 | 37 |
| Waste Disposal Tipping Fees | | 41 | 36 |
| Other | | 23 | 27 |
| Total Fees & Charges - Other | | 3,944 | 4,469 |
| TOTAL USER CHARGES & FEES | | 5,994 | 5,715 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|--|-------|---------------------|-------------------|
| (c) Interest & Investment Revenue (incl. losses) | | | |
| Interest & Dividends | | | |
| - Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates) | | 155 | 172 |
| - Interest earned on Investments (interest & coupon payment income) | | 453 | 515 |
| Impairment Losses/Reversals | | | |
| - Impairment (Losses)/Reversals - Investments other than AFS | | 424 | 90 |
| Other | | 35 | 3 |
| <u>TOTAL INTEREST & INVESTMENT REVENUE</u> | | <u>1,067</u> | <u>780</u> |
| Interest Revenue is attributable to: | | | |
| Unrestricted Investments/Financial Assets: | | | |
| Overdue Rates & Annual Charges (General Fund) | | 92 | 98 |
| General Council Cash & Investments | | 832 | 561 |
| Restricted Investments/Funds - External: | | | |
| Development Contributions | | | |
| - Section 94 | | 11 | 11 |
| - Section 64 | | 5 | 3 |
| Water Fund Operations | | 65 | 55 |
| Sewerage Fund Operations | | 62 | 52 |
| Total Interest & Investment Revenue Recognised | | <u>1,067</u> | <u>780</u> |
| (d) Other Revenues | | | |
| Rental Income - Other Council Properties | | 84 | 84 |
| Legal Fees Recovery - Rates & Charges (Extra Charges) | | 70 | 109 |
| Commissions & Agency Fees | | 124 | 122 |
| Diesel Rebate | | 119 | 90 |
| Insurance Claim Recoveries | | 388 | 150 |
| Recycling Income (non domestic) | | 105 | 159 |
| Reimbursements for Wambelong Fire related costs | | 1,283 | - |
| Other | | 166 | 60 |
| <u>TOTAL OTHER REVENUE</u> | | <u>2,339</u> | <u>774</u> |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

| \$ '000 | 2013 Operating | 2012 Operating | 2013 Capital | 2012 Capital |
|---|-------------------|-------------------|-----------------|-----------------|
| (e) Grants | | | | |
| General Purpose (Untied) | | | | |
| Financial Assistance - General Component | 3,468 | 4,493 | - | - |
| Financial Assistance - Local Roads Component | 2,163 | 2,756 | - | - |
| Pensioners' Rates Subsidies - General Component | 91 | 91 | - | - |
| Total General Purpose | 5,722 | 7,340 | - | - |
| Specific Purpose | | | | |
| Pensioners' Rates Subsidies: | | | | |
| - Water | 45 | 40 | - | - |
| - Sewerage | 41 | 29 | - | - |
| - Domestic Waste Management | 59 | 57 | - | - |
| Water Supplies | - | - | 247 | - |
| Aged Care | 723 | 660 | - | - |
| Bushfire & Emergency Services | 2,139 | 1,968 | 293 | 575 |
| Child Care | 1,253 | 1,214 | - | - |
| Community Care | 47 | 45 | - | - |
| Economic Development | 97 | 94 | - | - |
| Employment & Training Programs | 68 | 56 | - | - |
| Flood Restoration | - | 53 | - | - |
| Heritage & Cultural | 8 | 10 | - | 20 |
| Library | 57 | 57 | - | - |
| Recreation & Culture | 80 | 31 | - | - |
| Transport (Roads to Recovery) | 1,572 | 690 | - | - |
| Transport (Other Roads & Bridges Funding) | 651 | 1,071 | 430 | 482 |
| Other | 5 | 15 | - | 12 |
| Total Specific Purpose | 6,845 | 6,090 | 970 | 1,089 |
| Total Grants | 12,567 | 13,430 | 970 | 1,089 |
| Grant Revenue is attributable to: | | | | |
| - Commonwealth Funding | 8,238 | 8,818 | - | - |
| - State Funding | 4,329 | 4,612 | 970 | 1,089 |
| - Other Funding | - | - | - | - |
| | 12,567 | 13,430 | 970 | 1,089 |

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

| \$ '000 | | 2013 Operating | 2012 Operating | 2013 Capital | 2012 Capital |
|--|----|----------------------|----------------------|---------------------|---------------------|
| (f) Contributions | | | | | |
| Developer Contributions: | | | | | |
| (s93 & s94 - EP&A Act, s64 of the LGA): | | | | | |
| S 94A - Fixed Development Consent Levies | | - | - | 32 | 63 |
| Total Developer Contributions | 17 | - | - | 32 | 63 |
| Other Contributions: | | | | | |
| Kerb & Gutter | | - | - | 4 | 14 |
| RMS Contributions (Regional Roads, Block Grant) | | 2,502 | 2,405 | - | - |
| Total Other Contributions | | 2,502 | 2,405 | 4 | 14 |
| Total Contributions | | 2,502 | 2,405 | 36 | 77 |
| <u>TOTAL GRANTS & CONTRIBUTIONS</u> | | <u>15,069</u> | <u>15,835</u> | <u>1,006</u> | <u>1,166</u> |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

| | Actual 2013 | Actual 2012 |
|--|----------------|----------------|
| \$ '000 | | |
| (g) Restrictions relating to Grants and Contributions | | |
| Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner: | | |
| Unexpended at the Close of the Previous Reporting Period | 1,903 | 2,825 |
| add: Grants & contributions recognised in the current period but not yet spent: | 769 | 663 |
| less: Grants & contributions recognised in a previous reporting period now spent: | (663) | (1,585) |
| Net Increase (Decrease) in Restricted Assets during the Period | 106 | (922) |
| Unexpended and held as Restricted Assets | 2,009 | 1,903 |
| Comprising: | | |
| - Specific Purpose Unexpended Grants | 1,713 | 1,420 |
| - Developer Contributions | 296 | 483 |
| | 2,009 | 1,903 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|---|-------|----------------|----------------|
| (a) Employee Benefits & On-Costs | | | |
| Salaries and Wages | | 10,393 | 9,456 |
| Employee Leave Entitlements (ELE) | | 2,004 | 2,059 |
| Superannuation | | 1,141 | 1,058 |
| Workers' Compensation Insurance | | 370 | 627 |
| Fringe Benefit Tax (FBT) | | 24 | 19 |
| Training Costs (other than Salaries & Wages) | | 215 | 139 |
| Protective Clothing | | 43 | 46 |
| Total Employee Costs | | 14,190 | 13,404 |
| less: Capitalised Costs | | (1,196) | (843) |
| TOTAL EMPLOYEE COSTS EXPENSED | | 12,994 | 12,561 |
| Number of "Equivalent Full Time" Employees at year end | | 196 | 175 |
| Number of "Equivalent Full Time" Employees at year end (incl. vacancies) | | 211 | 207 |
| (b) Borrowing Costs | | | |
| (i) Interest Bearing Liability Costs | | | |
| Interest on Loans | | 200 | 113 |
| Charges relating to Finance Leases | | 3 | 26 |
| Total Interest Bearing Liability Costs | | 203 | 139 |
| less: Capitalised Costs | | - | - |
| Total Interest Bearing Liability Costs Expensed | | 203 | 139 |
| (ii) Other Borrowing Costs | | | |
| Discount adjustments relating to movements in Provisions (other than ELE) | | - | - |
| - Remediation Liabilities | 26 | 52 | 61 |
| Total Other Borrowing Costs | | 52 | 61 |
| TOTAL BORROWING COSTS EXPENSED | | 255 | 200 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|---|-------|----------------|----------------|
| (c) Materials & Contracts | | | |
| Raw Materials & Consumables | | 2,772 | 3,053 |
| Contractor & Consultancy Costs | | 4,793 | 4,808 |
| Auditors Remuneration ⁽¹⁾ | | 63 | 22 |
| Legal Expenses: | | | |
| - Legal Expenses: Planning & Development | | 13 | 5 |
| - Legal Expenses: Debt Recovery | | 115 | 125 |
| Operating Leases: | | | |
| - Operating Lease Rentals: Minimum Lease Payments ⁽²⁾ | | 150 | 141 |
| Total Materials & Contracts | | 7,906 | 8,154 |
| less: Capitalised Costs | | - | - |
| TOTAL MATERIALS & CONTRACTS | | 7,906 | 8,154 |
| 1. Auditor Remuneration | | | |
| During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities): | | | |
| (i) Audit and Other Assurance Services | | | |
| - Audit & review of financial statements: Council's Auditor | | 34 | 22 |
| - Audit & review of financial statements: Other Consolidated Entity Auditors | | - | - |
| - Audit of regulatory returns | | 6 | - |
| - Internal Audit | | 23 | - |
| Remuneration for audit and other assurance services | | 63 | 22 |
| (ii) Taxation Services | | | |
| - Tax compliance services | | - | - |
| Remuneration for taxation services | | - | - |
| (iii) Other Services | | | |
| - Remuneration advice | | - | - |
| - Benchmarking advice | | - | - |
| Remuneration for other services | | - | - |
| Total Auditor Remuneration | | 63 | 22 |
| 2. Operating Lease Payments are attributable to: | | | |
| Computers | | 150 | 141 |
| | | 150 | 141 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

| \$ '000 | Notes | Impairment Costs | | Depreciation/Amortisation | |
|---|--------|------------------|----------------|---------------------------|----------------|
| | | Actual 2013 | Actual 2012 | Actual 2013 | Actual 2012 |
| (d) Depreciation, Amortisation & Impairment | | | | | |
| Plant and Equipment | | - | - | 2,031 | 1,909 |
| Office Equipment | | - | - | 42 | 43 |
| Furniture & Fittings | | - | - | 21 | 24 |
| Property, Plant & Equipment - Leased | | - | - | 42 | 47 |
| Land Improvements (depreciable) | | - | - | 42 | 36 |
| Buildings - Non Specialised | | - | - | 174 | 47 |
| Buildings - Specialised | | - | - | 348 | 472 |
| Other Structures | | - | - | 327 | 341 |
| Infrastructure: | | | | | |
| - Roads, Bridges & Footpaths | | - | - | 5,202 | 5,277 |
| - Stormwater Drainage | | - | - | 141 | 139 |
| - Water Supply Network | | - | - | 723 | 721 |
| - Sewerage Network | | - | - | 386 | 386 |
| Asset Reinstatement Costs | 9 & 26 | - | - | 46 | 36 |
| Total Depreciation & Impairment Costs | | - | - | 9,525 | 9,478 |
| less: Capitalised Costs | | - | - | - | - |
| less: Impairments (to)/from ARR [Equity] | 9a | - | - | - | - |
| TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED | | - | - | 9,525 | 9,478 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|--|-------|---------------------|---------------------|
| (e) Other Expenses | | | |
| Other Expenses for the year include the following: | | | |
| Advertising | | 70 | 97 |
| Bad & Doubtful Debts | | 115 | 188 |
| Bank Charges | | 37 | 28 |
| Conferences | | 29 | 19 |
| - NSW Fire Brigade Levy | | 41 | 42 |
| - NSW Rural Fire Service Levy | | 2,185 | 2,602 |
| - Noxious Weeds | | 93 | 88 |
| - Orana Arts | | 9 | 9 |
| Councillor Expenses - Mayoral Fee | | 22 | 22 |
| Councillor Expenses - Councillors' Fees | | 91 | 90 |
| Councillors' Expenses (incl. Mayor) - Other (excluding fees above) | | 81 | 107 |
| Donations, Contributions & Assistance to other organisations (Section 356) | | 204 | 162 |
| - Community Development Co-ordinators | | 64 | 81 |
| - Regional Library Contributions | | 467 | 426 |
| Election Expenses | | 71 | - |
| Electricity & Heating | | 590 | 482 |
| Insurance | | 230 | 597 |
| Postage | | 29 | 44 |
| Printing & Stationery | | 64 | 53 |
| Registration & Licences | | 352 | 264 |
| Street Lighting | | 103 | 94 |
| Subscriptions & Publications | | 73 | 22 |
| Telephone & Communications | | 240 | 204 |
| Tourism Expenses (excluding employee costs) | | 129 | 142 |
| Valuation Fees | | 47 | 45 |
| Quarry product cost of goods sold | | 60 | - |
| Other | | 58 | 57 |
| Total Other Expenses | | 5,554 | 5,965 |
| less: Capitalised Costs | | - | - |
| <u>TOTAL OTHER EXPENSES</u> | | <u>5,554</u> | <u>5,965</u> |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 5. Gains or Losses from the Disposal of Assets

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|--|-------|----------------|----------------|
| Property (excl. Investment Property) | | | |
| Proceeds from Disposal - Property | | - | - |
| less: Carrying Amount of Property Assets Sold / Written Off | | - | - |
| Net Gain/(Loss) on Disposal | | - | - |
| Plant & Equipment | | | |
| Proceeds from Disposal - Plant & Equipment | | 1,338 | 981 |
| less: Carrying Amount of P&E Assets Sold / Written Off | | (1,501) | (789) |
| Net Gain/(Loss) on Disposal | | (163) | 192 |
| Infrastructure | | | |
| Proceeds from Disposal - Infrastructure | | - | - |
| less: Carrying Amount of Infrastructure Assets Sold / Written Off | | (376) | (477) |
| Net Gain/(Loss) on Disposal | | (376) | (477) |
| Real Estate Assets Held For Sale | | | |
| Proceeds from Disposal - Real Estate Assets | | - | - |
| less: Carrying Amount of Real Estate Assets Sold / Written Off | | (61) | - |
| Net Gain/(Loss) on Disposal | | (61) | - |
| Investment Properties | | | |
| Proceeds from Disposal - Investment Properties | | - | - |
| less: Carrying Amount of Investment Properties Sold / Written Off | | - | - |
| Net Gain/(Loss) on Disposal | | - | - |
| Financial Assets* | | | |
| Proceeds from Disposal / Redemptions / Maturities - Financial Assets | | 3,500 | 500 |
| less: Carrying Amount of Financial Assets Sold / Redeemed / Matured | | (3,500) | (500) |
| Net Gain/(Loss) on Disposal | | - | - |
| Non Current Assets Classified as "Held for Sale" | | | |
| Proceeds from Disposal - Non Current Assets "Held for Sale" | | - | - |
| less: Carrying Amount of 'Held for Sale' Assets Sold / Written Off | | - | - |
| Net Gain/(Loss) on Disposal | | - | - |
| NET GAIN/(LOSS) ON DISPOSAL OF ASSETS | | (600) | (285) |
| * Financial Assets disposals / redemptions include: | | | |
| - Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss" | | - | - |
| Net Gain/(Loss) on Disposal of Financial Instruments | | - | - |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

| \$ '000 | Notes | 2013 | 2013 | 2012 | 2012 |
|--|-------|-------------------|-----------------------|-------------------|-----------------------|
| | | Actual Current | Actual Non Current | Actual Current | Actual Non Current |
| Cash & Cash Equivalents (Note 6a) | | | | | |
| Cash on Hand and at Bank | | 1,267 | - | 585 | - |
| Cash-Equivalent Assets ¹ | | | | | |
| - Deposits at Call | | 8,404 | - | 5,961 | - |
| - Short Term Deposits | | 4,500 | - | 4,250 | - |
| Total Cash & Cash Equivalents | | 14,171 | - | 10,796 | - |
| Investments (Note 6b) | | | | | |
| - NCD's, FRN's (with Maturities > 3 months) | | - | 2,760 | 3,317 | 2,520 |
| Total Investments | | - | 2,760 | 3,317 | 2,520 |
| TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS | | 14,171 | 2,760 | 14,113 | 2,520 |

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" | 14,171 | - | 10,796 | - |
|---|---------------|----------|---------------|----------|

Investments

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

| | | | | | |
|---|--------|---|-------|-------|-------|
| - "Held for Trading" | 6(b-i) | - | - | - | - |
| - "Designated at Fair Value on Initial Recognition" | 6(b-i) | - | 2,760 | 3,317 | 2,520 |

b. "Held to Maturity"

| | | | | | |
|--|---------|---|---|---|---|
| | 6(b-ii) | - | - | - | - |
|--|---------|---|---|---|---|

c. "Loans & Receivables"

| | | | | | |
|--|----------|---|---|---|---|
| | 6(b-iii) | - | - | - | - |
|--|----------|---|---|---|---|

d. "Available for Sale"

| | | | | | |
|--|---------|---|---|---|---|
| | 6(b-iv) | - | - | - | - |
|--|---------|---|---|---|---|

| | | | | | |
|--------------------|--|----------|--------------|--------------|--------------|
| Investments | | - | 2,760 | 3,317 | 2,520 |
|--------------------|--|----------|--------------|--------------|--------------|

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 6b. Investments (continued)

| | 2013 | 2013 | 2012 | 2012 |
|--|----------|--------------|--------------|--------------|
| | Actual | Actual | Actual | Actual |
| \$ '000 | Current | Non Current | Current | Non Current |
| Note 6(b-i) | | | | |
| Reconciliation of Investments classified as "At Fair Value through the Profit & Loss" | | | | |
| Balance at the Beginning of the Year | 3,317 | 2,520 | - | 6,247 |
| Revaluations (through the Income Statement) | 183 | 240 | - | 90 |
| Disposals (sales & redemptions) | (3,500) | - | (500) | - |
| Transfers between Current/Non Current | - | - | 3,817 | (3,817) |
| Balance at End of Year | - | 2,760 | 3,317 | 2,520 |
| Comprising: | | | | |
| - NCD's, FRN's (with Maturities > 3 months) | - | 2,760 | 3,317 | 2,520 |
| Total | - | 2,760 | 3,317 | 2,520 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

| | 2013 Actual Current | 2013 Actual Non Current | 2012 Actual Current | 2012 Actual Non Current |
|---|---------------------------|-------------------------------|---------------------------|-------------------------------|
| \$ '000 | | | | |
| Total Cash, Cash Equivalents and Investments | 14,171 | 2,760 | 14,113 | 2,520 |
| attributable to: | | | | |
| External Restrictions (refer below) | 4,596 | 1,454 | 3,418 | 2,520 |
| Internal Restrictions (refer below) | 5,222 | - | 946 | - |
| Unrestricted | 4,353 | 1,306 | 9,749 | - |
| | 14,171 | 2,760 | 14,113 | 2,520 |

| 2013 \$ '000 | Opening Balance | Transfers to Restrictions | Transfers from Restrictions | Closing Balance |
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|

Details of Restrictions

External Restrictions - Included in Liabilities

| | | | | |
|--|------------|------------|--------------|------------|
| Trust | 157 | 733 | (245) | 645 |
| External Restrictions - Included in Liabilities | 157 | 733 | (245) | 645 |

External Restrictions - Other

| | | | | |
|--|--------------|--------------|----------------|--------------|
| Developer Contributions - General (D) | 374 | 44 | (236) | 182 |
| Developer Contributions - Water Fund (D) | 83 | 4 | - | 87 |
| Developer Contributions - Sewer Fund (D) | 26 | 1 | - | 27 |
| Specific Purpose Unexpended Grants (F) | 1,420 | 293 | - | 1,713 |
| Water Supplies (G) | 868 | 403 | - | 1,271 |
| Sewerage Services (G) | 3,010 | - | (885) | 2,125 |
| Domestic Waste Management (G) | - | - | - | - |
| External Restrictions - Other | 5,781 | 745 | (1,121) | 5,405 |
| Total External Restrictions | 5,938 | 1,478 | (1,366) | 6,050 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

| 2013 \$ '000 | Opening Balance | Transfers to Restrictions | Transfers from Restrictions | Closing Balance |
|---|--------------------|------------------------------|--------------------------------|--------------------|
| Internal Restrictions | | | | |
| Plant & Vehicle Replacement (Fleet Fund) | - | 7,071 | (5,439) | 1,632 |
| Employees Leave Entitlement | 709 | 642 | (255) | 1,096 |
| Carry Over Works (excl Fleet carry overs) | - | 2,155 | - | 2,155 |
| Bio Solid Provision Coolah | 100 | - | - | 100 |
| Bio Solid Provision Dunedoo | 100 | - | - | 100 |
| L.E.P. | 20 | - | - | 20 |
| Town Improvement | 17 | - | (17) | - |
| Quarry Remediation Fund | - | 119 | - | 119 |
| Total Internal Restrictions | 946 | 9,987 | (5,711) | 5,222 |
| TOTAL RESTRICTIONS | 6,884 | 11,465 | (7,077) | 11,272 |

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 7. Receivables

| \$ '000 | Notes | 2013 | | 2012 | |
|---|-------|---------------------|-----------------|---------------------|-----------------|
| | | Current | Non Current | Current | Non Current |
| Purpose | | | | | |
| Rates & Annual Charges | | 1,455 | - | 1,464 | - |
| Interest & Extra Charges | | 269 | - | 229 | - |
| User Charges & Fees | | 2,102 | - | 1,897 | - |
| Private Works | | 41 | - | 84 | - |
| Accrued Revenues | | | | | |
| - Interest on Investments | | 34 | - | 40 | - |
| - Other Income Accruals | | 47 | - | 32 | - |
| Government Grants & Subsidies | | - | - | 2 | - |
| Deferred Debtors | | 6 | 1 | 10 | - |
| Net GST Receivable | | 152 | - | - | - |
| Other Debtors | | 19 | - | 13 | - |
| Total | | 4,125 | 1 | 3,771 | - |
| less: Provision for Impairment | | | | | |
| Nil | | | | | |
| Rates & Annual Charges | | (91) | - | (62) | - |
| User Charges & Fees | | (21) | - | (24) | - |
| Total Provision for Impairment - Receivables | | (112) | - | (86) | - |
| <u>TOTAL NET RECEIVABLES</u> | | <u>4,013</u> | <u>1</u> | <u>3,685</u> | <u>-</u> |
| Externally Restricted Receivables | | | | | |
| Water Supply | | | | | |
| - Rates & Availability Charges | | 222 | - | 639 | - |
| - Other | | 656 | - | 15 | - |
| Sewerage Services | | | | | |
| - Rates & Availability Charges | | 473 | - | 476 | - |
| - Other | | 88 | - | 6 | - |
| Domestic Waste Management | | 174 | - | 152 | - |
| Total External Restrictions | | 1,613 | - | 1,288 | - |
| Internally Restricted Receivables | | | | | |
| Nil | | | | | |
| Internally Restricted Receivables | | - | - | - | - |
| Unrestricted Receivables | | 2,400 | 1 | 2,397 | - |
| TOTAL NET RECEIVABLES | | 4,013 | 1 | 3,685 | - |

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 10.00% (2012 11.00%).
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 2013

Note 8. Inventories & Other Assets

| \$ '000 | Notes | 2013 | | 2012 | |
|---|-------|------------|-------------|------------|-------------|
| | | Current | Non Current | Current | Non Current |
| Inventories | | | | | |
| Real Estate for resale (refer below) | | - | 319 | - | 451 |
| Stores & Materials | | 414 | - | 451 | - |
| Loose Tools | | 122 | - | 122 | - |
| Total Inventories | | 536 | 319 | 573 | 451 |
| Other Assets | | | | | |
| Nil | | | | | |
| TOTAL INVENTORIES / OTHER ASSETS | | 536 | 319 | 573 | 451 |
| Externally Restricted Assets | | | | | |
| Water | | | | | |
| Stores & Materials | | 37 | - | 37 | - |
| Total Water | | 37 | - | 37 | - |
| Sewerage | | | | | |
| Stores & Materials | | 4 | - | 4 | - |
| Total Sewerage | | 4 | - | 4 | - |
| Total Externally Restricted Assets | | 41 | - | 41 | - |
| Total Internally Restricted Assets | | - | - | - | - |
| Total Unrestricted Assets | | 495 | 319 | 532 | 451 |
| TOTAL INVENTORIES & OTHER ASSETS | | 536 | 319 | 573 | 451 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 8. Inventories & Other Assets (continued)

| \$ '000 | 2013 | | 2012 | |
|--|----------|-------------|----------|-------------|
| | Current | Non Current | Current | Non Current |
| (i) Other Disclosures | | | | |
| (a) Details for Real Estate Development | | | | |
| Residential | - | 94 | - | 165 |
| Industrial/Commercial | - | 225 | - | 286 |
| Total Real Estate for Resale | - | 319 | - | 451 |
| (Valued at the lower of cost and net realisable value) | | | | |
| Represented by: | | | | |
| Acquisition Costs | - | 319 | - | 451 |
| Total Costs | - | 319 | - | 451 |
| less: Provision for Under Recovery | - | - | - | - |
| Total Real Estate for Resale | - | 319 | - | 451 |
| Movements: | | | | |
| Real Estate assets at beginning of the year | - | 451 | - | 451 |
| - Purchases and other costs | - | - | - | - |
| - Transfers in from (out to) Note 9 | (71) | - | - | - |
| - WDV of Sales (exp) 5 | (61) | - | - | - |
| - Transfer between Current/Non Current | 132 | (132) | - | - |
| - Other | - | - | - | - |
| Total Real Estate for Resale | - | 319 | - | 451 |
| (c) Inventories recognised as an expense for the year included: | | | | |
| - Real Estate for Resale | | | 61 | - |
| - Stores & Materials | | | 8 | 6 |
| - Trading Stock | | | - | - |

(d) Inventory Write Downs

\$69,171 was recognised as an expense relating to the write down of Inventory balances held during the year.

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant & Equipment

| \$ '000 | as at 30/6/2012 | | | | | Asset Movements during the Reporting Period | | | | | | | | | | as at 30/6/2013 | | | | |
|---|-----------------|------------------|----------------|------------|-------------------|---|--|------------------------------|-------------------------|---|------------------|----------------------------|--|---|---|-----------------|------------------|----------------|------------|-------------------|
| | At Cost | At Fair Value | Accumulated | | Carrying Value | Asset Additions | Reinstatement Costs for Impaired Assets | WDV of Asset Disposals | Depreciation Expense | Impairment Loss (recognised in Equity) | WIP Transfers | Adjustments & Transfers | Tfrs from/(to) Real Estate Assets (Note 8) | Revaluation Decrements to Equity (ARR) | Revaluation Increments to Equity (ARR) | At Cost | At Fair Value | Accumulated | | Carrying Value |
| | | | Dep'n | Impairment | | | | | | | | | | | | | | Dep'n | Impairment | |
| Capital Work in Progress | 3,225 | - | - | - | 3,225 | 7,523 | - | - | - | - | (7,051) | - | - | - | - | 3,697 | - | - | - | 3,697 |
| Plant & Equipment | - | 22,826 | 12,924 | - | 9,902 | 3,040 | - | (1,501) | (2,031) | - | 116 | - | - | - | - | - | 23,092 | 13,566 | - | 9,526 |
| Office Equipment | - | 1,644 | 1,549 | - | 95 | 202 | - | - | (42) | - | 97 | - | - | - | - | - | 1,943 | 1,591 | - | 352 |
| Furniture & Fittings | - | 546 | 444 | - | 102 | - | - | - | (21) | - | - | - | - | - | - | - | 546 | 465 | - | 81 |
| Plant & Equipment (under Finance Lease) | - | 378 | 199 | - | 179 | - | - | - | (42) | - | (116) | - | - | - | - | - | 76 | 55 | - | 21 |
| Land: | | | | | | | | | | | | | | | | | | | | |
| - Operational Land | - | 4,765 | - | - | 4,765 | - | - | (46) | - | - | - | - | 71 | - | 592 | - | 5,382 | - | - | 5,382 |
| - Community Land | - | 1,295 | - | - | 1,295 | - | - | - | - | - | - | - | - | - | - | - | 1,295 | - | - | 1,295 |
| - Land under Roads (pre 1/7/08) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Land under Roads (post 30/6/08) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Land Improvements - non depreciable | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Land Improvements - depreciable | - | 816 | 142 | - | 674 | 43 | - | - | (42) | - | 95 | - | - | - | - | - | 953 | 184 | - | 769 |
| Buildings - Non Specialised | - | 3,498 | 1,030 | - | 2,468 | 83 | - | - | (174) | - | 3,085 | 10,326 | - | (4,540) | - | - | 20,253 | 9,006 | - | 11,247 |
| Buildings - Specialised | - | 48,255 | 7,761 | - | 40,494 | 15 | - | - | (348) | - | 374 | (10,326) | - | (11,930) | - | - | 39,219 | 20,940 | - | 18,279 |
| Other Structures | - | 11,561 | 3,478 | - | 8,083 | 61 | - | - | (327) | - | (46) | - | - | - | - | - | 11,479 | 3,708 | - | 7,771 |
| Infrastructure: | | | | | | | | | | | | | | | | | | | | |
| - Roads, Bridges, Footpaths | - | 245,990 | 33,122 | - | 212,868 | 2,305 | 544 | (330) | (5,202) | (108) | 2,708 | - | - | - | - | - | 249,678 | 36,891 | - | 212,787 |
| - Bulk Earthworks (non-depreciable) | - | 103,239 | - | - | 103,239 | - | - | - | - | - | - | - | - | - | - | - | 103,239 | - | - | 103,239 |
| - Stormwater Drainage | - | 8,166 | 2,689 | - | 5,477 | 24 | - | - | (141) | - | 12 | - | - | - | - | - | 8,203 | 2,829 | - | 5,374 |
| - Water Supply Network | - | 56,138 | 29,380 | - | 26,758 | 134 | - | - | (723) | - | 726 | - | - | - | 650 | - | 58,403 | 30,855 | - | 27,548 |
| - Sewerage Network | - | 33,661 | 12,935 | - | 20,726 | 19 | - | - | (386) | - | - | - | - | - | 509 | - | 34,522 | 13,654 | - | 20,868 |
| - Other Infrastructure | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets: | | | | | | | | | | | | | | | | | | | | |
| - Other | - | 91 | 91 | - | - | - | - | - | - | - | - | - | - | - | - | - | 91 | 91 | - | - |
| Reinstatement, Rehabilitation & Restoration Assets (refer Note 26) | | | | | | | | | | | | | | | | | | | | |
| - Quarry Asset | - | 1,057 | 212 | - | 845 | - | - | - | (46) | - | - | (145) | - | - | - | - | 911 | 257 | - | 654 |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP. | 3,225 | 543,926 | 105,956 | - | 441,195 | 13,449 | 544 | (1,877) | (9,525) | (108) | - | (145) | 71 | (16,470) | 1,751 | 3,697 | 559,285 | 134,092 | - | 428,890 |

page 49 Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$4.620m) and New Assets (\$5.471m).

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

| \$ '000 Class of Asset | Actual 2013 | | | | Actual 2012 | | | |
|------------------------------------|----------------|------------------|----------------------|-------------------|----------------|------------------|----------------------|-------------------|
| | 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 | 197 | - | - | 197 | 688 | - | - | 688 |
| Plant & Equipment | - | 366 | 122 | 244 | - | 128 | 88 | 40 |
| Office Equipment | - | 33 | 33 | - | - | 33 | 33 | - |
| Furniture & Fittings | - | - | - | - | - | - | - | - |
| Land | | | | | | | | |
| - Operational Land | - | 296 | - | 296 | - | 296 | - | 296 |
| - Community Land | - | - | - | - | - | - | - | - |
| - Improvements non-depreciable | - | - | - | - | - | - | - | - |
| - Improvements - depreciable | - | 5 | 5 | - | - | 5 | 5 | - |
| Buildings | - | 1,415 | 528 | 887 | - | 1,417 | 159 | 1,258 |
| Other Structures | - | 537 | 107 | 430 | - | 537 | 96 | 441 |
| Infrastructure | - | 58,403 | 30,855 | 27,548 | - | 56,138 | 29,380 | 26,758 |
| Other Assets | - | - | - | - | - | - | - | - |
| Total Water Supply | 197 | 61,055 | 31,650 | 29,602 | 688 | 58,554 | 29,761 | 29,481 |
| Sewerage Services | | | | | | | | |
| WIP | - | - | - | - | - | - | - | - |
| Plant & Equipment | - | 184 | 183 | 1 | - | 184 | 180 | 4 |
| Office Equipment | - | - | - | - | - | - | - | - |
| Furniture & Fittings | - | - | - | - | - | - | - | - |
| Land | | | | | | | | |
| - Operational Land | 406 | - | - | 406 | - | 406 | - | 406 |
| - Community Land | - | - | - | - | - | - | - | - |
| - Improvements non-depreciable | - | - | - | - | - | - | - | - |
| - Improvements - depreciable | - | - | - | - | - | - | - | - |
| Buildings | - | 179 | 110 | 69 | - | 183 | 30 | 153 |
| Other Structures | - | 367 | 155 | 212 | - | 367 | 144 | 223 |
| Infrastructure | - | 34,522 | 13,654 | 20,868 | - | 33,661 | 12,935 | 20,726 |
| Other Assets | - | - | - | - | - | - | - | - |
| Total Sewerage Services | 406 | 35,252 | 14,102 | 21,556 | - | 34,801 | 13,289 | 21,512 |
| | | | | | | | | |
| TOTAL RESTRICTED I,PP&E | 603 | 96,307 | 45,752 | 51,158 | 688 | 93,355 | 43,050 | 50,993 |

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|--|---------|---------------------|-----------------|
| (i) Impairment Losses recognised in the Income Statement include: | | | |
| - N/A | | - | - |
| Total Impairment Losses | | - | - |
| (ii) Reversals of Impairment Losses previously recognised in the Income Statement include: | | | |
| - N/A | | - | - |
| Total Impairment Reversals | | - | - |
| <u>IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L</u> | 4(d) | <u>-</u> | <u>-</u> |
| (iii) Impairment Losses recognised direct to Equity (ARR) include: | | | |
| -Impairment of road assets as a result of the Wambelong S44 fire | | (108) | - |
| Total Impairment Losses | | (108) | - |
| (iv) Reversals of Impairment Losses previously recognised direct to Equity (ARR) include: | | | |
| - N/A | | - | - |
| Total Impairment Reversals | | - | - |
| <u>IMPAIRMENT of ASSETS - DIRECT to EQUITY (ARR)</u> | 20 (ii) | <u>(108)</u> | <u>-</u> |

Refer to Note 9(a) for Impairment Restoration Works totalling \$544K undertaken this year relating to current year or prior year Impairments.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings & Provisions

| \$ '000 | Notes | 2013 | | 2012 | |
|---|-------|--------------|--------------|--------------|--------------|
| | | Current | Non Current | Current | Non Current |
| Payables | | | | | |
| Goods & Services - operating expenditure | | 1,243 | - | 1,416 | - |
| Accrued Expenses: | | | | | |
| - Borrowings | | 47 | - | 18 | - |
| - Salaries & Wages | | 310 | - | 255 | - |
| - Other Expenditure Accruals | | 136 | - | 132 | - |
| Security Bonds, Deposits & Retentions | | 645 | - | 158 | - |
| ATO - Net GST Payable | | - | - | 124 | - |
| Other | | 14 | - | 34 | - |
| Total Payables | | 2,395 | - | 2,137 | - |
| Borrowings | | | | | |
| Loans - Secured ¹ | | 392 | 4,901 | 96 | 1,580 |
| Finance Lease Liabilities | | 5 | - | 57 | 5 |
| Total Borrowings | | 397 | 4,901 | 153 | 1,585 |
| Provisions | | | | | |
| Employee Benefits; | | | | | |
| Annual Leave | | 1,237 | - | 1,163 | - |
| Long Service Leave | | 1,817 | 79 | 1,778 | 77 |
| Other Leave | | 125 | - | 101 | - |
| ELE On-Costs | | 386 | 9 | 332 | 7 |
| Sub Total - Aggregate Employee Benefits | | 3,565 | 88 | 3,374 | 84 |
| Asset Remediation/Restoration (Future Works) | 26 | 77 | 1,109 | 72 | 1,208 |
| Total Provisions | | 3,642 | 1,197 | 3,446 | 1,292 |
| Total Payables, Borrowings & Provisions | | 6,434 | 6,098 | 5,736 | 2,877 |
| (i) Liabilities relating to Restricted Assets | | | | | |
| | | 2013 | | 2012 | |
| | | Current | Non Current | Current | Non Current |
| Externally Restricted Assets | | | | | |
| Water | | 338 | 827 | 320 | 865 |
| Sewer | | 74 | 1 | 118 | 1 |
| Domestic Waste Management | | - | - | - | - |
| Other | | 645 | - | 157 | - |
| Liabilities relating to externally restricted assets | | 1,057 | 828 | 595 | 866 |
| Internally Restricted Assets | | | | | |
| Nil | | - | - | - | - |
| Liabilities relating to internally restricted assets | | - | - | - | - |
| Total Liabilities relating to restricted assets | | 1,057 | 828 | 595 | 866 |
| Total Liabilities relating to Unrestricted Assets | | 5,377 | 5,270 | 5,141 | 2,011 |
| TOTAL PAYABLES, BORROWINGS & PROVISIONS | | 6,434 | 6,098 | 5,736 | 2,877 |

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 2013

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

| | Actual 2013 | Actual 2012 |
|---|----------------|----------------|
| \$ '000 | | |
| (ii) Current Liabilities not anticipated to be settled within the next 12 months | | |
| The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Provisions - Employees Benefits | 2,288 | 2,164 |
| | 2,288 | 2,164 |

Note 10b. Description of and movements in Provisions

| Class of Provision | 2012 | 2013 | | | | Closing Balance as at 30/6/13 |
|--------------------|------------------------------------|--------------------------|-----------------------------|--|-------------------------------|-------------------------------------|
| | Opening Balance as at 1/7/12 | Additional Provisions | Decrease due to Payments | Remeasurement effects due to Discounting | Unused amounts reversed | |
| Annual Leave | 1,163 | 771 | (723) | 26 | - | 1,237 |
| Long Service Leave | 1,855 | 328 | (297) | 10 | - | 1,896 |
| Other Leave | 101 | 24 | - | - | - | 125 |
| ELE On-Costs | 339 | - | - | 56 | - | 395 |
| Asset Remediation | 1,280 | - | - | (94) | - | 1,186 |
| TOTAL | 4,738 | 1,123 | (1,020) | (2) | - | 4,839 |

- 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.
- Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.
- 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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|---|-------|----------------|----------------|
| (a) Reconciliation of Cash Assets | | | |
| Total Cash & Cash Equivalent Assets | 6a | 14,171 | 10,796 |
| Less Bank Overdraft | 10 | - | - |
| BALANCE as per the STATEMENT of CASH FLOWS | | 14,171 | 10,796 |
| (b) Reconciliation of Net Operating Result to Cash provided from Operating Activities | | | |
| Net Operating Result from Income Statement | | (929) | (2,357) |
| Adjust for non cash items: | | | |
| Depreciation & Amortisation | | 9,525 | 9,478 |
| Net Losses/(Gains) on Disposal of Assets | | 600 | 285 |
| Non Cash Capital Grants and Contributions | | - | - |
| Impairment Losses / (Prior Period Reversals) - Financial Investments | | (424) | (90) |
| Unwinding of Discount Rates on Reinstatement Provisions | | (94) | 61 |
| Share of Net (Profits) or Losses of Associates/Joint Ventures | | (10) | 24 |
| +/- Movement in Operating Assets and Liabilities & Other Cash Items: | | | |
| Decrease/(Increase) in Receivables | | (358) | 702 |
| Increase/(Decrease) in Provision for Doubtful Debts | | 26 | (10) |
| Decrease/(Increase) in Inventories | | 178 | (46) |
| Decrease/(Increase) in Other Assets | | - | - |
| Increase/(Decrease) in Payables | | (173) | 900 |
| Increase/(Decrease) in accrued Interest Payable | | 29 | (1) |
| Increase/(Decrease) in other accrued Expenses Payable | | 59 | 49 |
| Increase/(Decrease) in Other Liabilities | | 343 | 59 |
| Increase/(Decrease) in Employee Leave Entitlements | | 195 | 331 |
| Increase/(Decrease) in Other Provisions | | - | - |
| NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS | | 8,967 | 9,385 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|--|-------|----------------|----------------|
| (c) Non-Cash Investing & Financing Activities | | | |
| Nil | | | |
| Total Non-Cash Investing & Financing Activities | | - | - |
| (d) Financing Arrangements | | | |
| (i) Unrestricted access was available at balance date to the following lines of credit: | | | |
| Bank Overdraft Facilities ⁽¹⁾ | | 500 | 500 |
| Total Financing Arrangements | | 500 | 500 |
| Amounts utilised as at Balance Date: | | | |
| - Bank Overdraft Facilities | | - | - |
| - Credit Cards / Purchase Cards | | - | - |
| Total Financing Arrangements Utilised | | - | - |

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

(ii) Secured Loan Liabilities

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

(e) Net Cash Flows Attributable to Discontinued Operations

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|--|-------|----------------|----------------|
| (a) Capital Commitments (exclusive of GST) | | | |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | | |
| Property, Plant & Equipment | | | |
| Land and Buildings | | 263 | - |
| Plant & Equipment | | 1,357 | 886 |
| Buildings - New Admin and Chambers | | - | 2,411 |
| Bridges - Timber Bridge Replacement Program | | 3,703 | 5,630 |
| Infrastructure | | 1,194 | - |
| Total Commitments | | 6,517 | 8,927 |
| These expenditures are payable as follows: | | | |
| Within the next year | | 5,597 | 8,927 |
| Later than one year and not later than 5 years | | 920 | - |
| Later than 5 years | | - | - |
| Total Payable | | 6,517 | 8,927 |
| Sources for Funding of Capital Commitments: | | | |
| Unrestricted General Funds | | 132 | 3,297 |
| Future Grants & Contributions | | 38 | - |
| Internally Restricted Reserves | | 3,247 | - |
| New Loans (to be raised) | | 3,100 | 5,630 |
| Total Sources of Funding | | 6,517 | 8,927 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure (continued)

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|---------|-------|----------------|----------------|
|---------|-------|----------------|----------------|

(b) Finance Lease Commitments

(i) Commitments under Finance Leases at the Reporting Date are payable as follows:

| | | |
|--|----------|-----------|
| Within the next year | 5 | 60 |
| Later than one year and not later than 5 years | - | 5 |
| Later than 5 years | - | - |
| Total Minimum Lease Payments | 5 | 65 |
| less: Future Finance Charges | - | - |
| Amount Recognised as a Liability | 5 | 65 |

(ii) Finance Lease Liability Recognised represent;

| | | |
|--|----------|-----------|
| Current Liabilities | 5 | 57 |
| Non-Current Liabilities | - | 5 |
| Total Finance Lease Liabilities Disclosed | 5 | 62 |

(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 | - | 22 |
| Other Equipment/Assets | 4 | Y/N | Y/N | 5 | 40 |
| Total Carrying Value at Year End | | | | 5 | 62 |

(c) Operating Lease Commitments (Non Cancellable)

a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

| | | |
|--|------------|------------|
| Within the next year | 225 | 150 |
| Later than one year and not later than 5 years | 146 | 194 |
| Later than 5 years | - | - |
| Total Non Cancellable Operating Lease Commitments | 371 | 344 |

b. Non Cancellable Operating Leases include the following assets:

IT Equipment
Quarry intangible asset

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure (continued)

| | | Actual | Actual |
|---------|-------|--------|--------|
| \$ '000 | Notes | 2013 | 2012 |

Conditions relating to Finance & Operating Leases:

- All Finance & Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment Property Commitments

Nil

(e) Investment in 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 2013

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

| \$ '000 | Amounts 2013 | Indicator 2013 | Prior Periods 20122011 | |
|--|-----------------|-------------------|---------------------------|--------|
| Local Government Industry Indicators - Consolidated | | | | |
| 1. Unrestricted Current Ratio | | | | |
| Current Assets less all External Restrictions ⁽¹⁾ | 12,470 | 4.04 : 1 | 4.58 | 7.62 |
| Current Liabilities less Specific Purpose Liabilities ^(2,3) | 3,089 | | | |
| 2. Debt Service Ratio | | | | |
| Debt Service Cost | 443 | 1.73% | 1.32% | 1.84% |
| Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions) | 25,552 | | | |
| 3. Rates & Annual Charges Coverage Ratio | | | | |
| Rates & Annual Charges | 10,420 | 29.02% | 29.26% | 28.63% |
| Income from Continuing Operations | 35,905 | | | |
| 4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | | | | |
| Rates, Annual & Extra Charges Outstanding | 1,633 | 13.30% | 13.62% | 15.13% |
| Rates, Annual & Extra Charges Collectible | 12,276 | | | |
| 5. Building & Infrastructure Renewals Ratio | | | | |
| Asset Renewals ⁽⁴⁾ | 4,620 | 66.25% | 44.38% | 41.41% |
| Depreciation, Amortisation & Impairment | 6,974 | | | |

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

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

| <p>1. Unrestricted Current Ratio</p> <table><tr><th>Year</th><th>Ratio : 1</th></tr><tr><td>2010</td><td>4.08</td></tr><tr><td>2011</td><td>7.62</td></tr><tr><td>2012</td><td>4.58</td></tr><tr><td>2013</td><td>4.04</td></tr></table> | Year | Ratio : 1 | 2010 | 4.08 | 2011 | 7.62 | 2012 | 4.58 | 2013 | 4.04 | <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 2012/13 Result</p> <p>2012/13 Ratio 4.04 : 1</p> <p>Decrease due to an increase in current borrowings and provisions, as well as an increase in restricted assets. Current assets increased only slightly over the same period.</p> |
|---|-----------|-----------|------|--------|------|--------|------|--------|------|--------|---|--|
| Year | Ratio : 1 | | | | | | | | | | | |
| 2010 | 4.08 | | | | | | | | | | | |
| 2011 | 7.62 | | | | | | | | | | | |
| 2012 | 4.58 | | | | | | | | | | | |
| 2013 | 4.04 | | | | | | | | | | | |
| <p>2. Debt Service Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2010</td><td>2.09%</td></tr><tr><td>2011</td><td>1.84%</td></tr><tr><td>2012</td><td>1.32%</td></tr><tr><td>2013</td><td>1.73%</td></tr></table> | Year | Ratio % | 2010 | 2.09% | 2011 | 1.84% | 2012 | 1.32% | 2013 | 1.73% | <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 2012/13 Result</p> <p>2012/13 Ratio 1.73%</p> <p>Ratio increased due to new loans under the LIRS program (\$2.3m) and the use of loan funding to fund the completion of the Administration Building (\$1.5m).</p> |
| Year | Ratio % | | | | | | | | | | | |
| 2010 | 2.09% | | | | | | | | | | | |
| 2011 | 1.84% | | | | | | | | | | | |
| 2012 | 1.32% | | | | | | | | | | | |
| 2013 | 1.73% | | | | | | | | | | | |
| <p>3. Rates & Annual Charges Coverage Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2010</td><td>29.24%</td></tr><tr><td>2011</td><td>28.63%</td></tr><tr><td>2012</td><td>29.26%</td></tr><tr><td>2013</td><td>29.02%</td></tr></table> | Year | Ratio % | 2010 | 29.24% | 2011 | 28.63% | 2012 | 29.26% | 2013 | 29.02% | <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 2012/13 Result</p> <p>2012/13 Ratio 29.02%</p> <p>Ratio per prior years. Council as with most other rural Councils is highly dependent on grant funding to fund its operations.</p> |
| Year | Ratio % | | | | | | | | | | | |
| 2010 | 29.24% | | | | | | | | | | | |
| 2011 | 28.63% | | | | | | | | | | | |
| 2012 | 29.26% | | | | | | | | | | | |
| 2013 | 29.02% | | | | | | | | | | | |
| <p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2010</td><td>11.09%</td></tr><tr><td>2011</td><td>15.13%</td></tr><tr><td>2012</td><td>13.62%</td></tr><tr><td>2013</td><td>13.30%</td></tr></table> | Year | Ratio % | 2010 | 11.09% | 2011 | 15.13% | 2012 | 13.62% | 2013 | 13.30% | <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 2012/13 Result</p> <p>2012/13 Ratio 13.30%</p> <p>Although Council's debt collection performance is still above the DLG 10% benchmark, there has been a slight improvement over the previous year.</p> |
| Year | Ratio % | | | | | | | | | | | |
| 2010 | 11.09% | | | | | | | | | | | |
| 2011 | 15.13% | | | | | | | | | | | |
| 2012 | 13.62% | | | | | | | | | | | |
| 2013 | 13.30% | | | | | | | | | | | |
| <p>5. Building & Infrastructure Renewals Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2010</td><td>18.11%</td></tr><tr><td>2011</td><td>41.41%</td></tr><tr><td>2012</td><td>44.38%</td></tr><tr><td>2013</td><td>66.25%</td></tr></table> | Year | Ratio % | 2010 | 18.11% | 2011 | 41.41% | 2012 | 44.38% | 2013 | 66.25% | <p>Purpose of Asset 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 2012/13 Result</p> <p>2012/13 Ratio 66.25%</p> <p>Increase due to Council's significant capital program in the 2012/13 financial year. It should be noted that despite capital expenditure being in excess of \$13.4m (excl restoration of impaired assets) the final ratio was only 62% due to most capital expenditure being "expansion" in nature.</p> |
| Year | Ratio % | | | | | | | | | | | |
| 2010 | 18.11% | | | | | | | | | | | |
| 2011 | 41.41% | | | | | | | | | | | |
| 2012 | 44.38% | | | | | | | | | | | |
| 2013 | 66.25% | | | | | | | | | | | |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

| \$ '000 | Water 2013 | Sewer 2013 | General ¹ 2013 |
|--|---------------------|------------------|------------------------------|
| Local Government Industry Indicators - by Fund | | | |
| 1. Unrestricted Current Ratio | | | |
| Current Assets less all External Restrictions ⁽¹⁾ | 5.32 : 1 | 23.57 : 1 | 4.04 : 1 |
| Current Liabilities less Specific Purpose Liabilities ^(2,3) | | | |
| prior period: | 3.77:1 | 21.37:1 | 3.0:1 |
| 2. Debt Service Ratio | | | |
| Debt Service Cost | 3.01% | 0.00% | 1.67% |
| Income from Continuing Operations | | | |
| (excl. Capital Items & Specific Purpose Grants/Contributions) | prior period: 3.69% | 0.00% | 1.15% |
| 3. Rates & Annual Charges Coverage Ratio | | | |
| Rates & Annual Charges | 40.74% | 75.21% | 25.96% |
| Income from Continuing Operations | | | |
| prior period: | 53.52% | 82.45% | 25.39% |
| 4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | | | |
| Rates, Annual & Extra Charges Outstanding | 18.32% | 46.97% | 9.33% |
| Rates, Annual & Extra Charges Collectible | | | |
| prior period: | 18.02% | 39.70% | 10.37% |
| 5. Building & Infrastructure Renewals Ratio | | | |
| Asset Renewals (Building & Infrastructure assets) | 21.16% | 4.92% | 75.84% |
| Depreciation, Amortisation & Impairment | | | |
| prior period: | 10.96% | 0.78% | 51.27% |

Notes

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

Note 14. Investment Properties

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|---------|-------|----------------|----------------|
|---------|-------|----------------|----------------|

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

| | Carrying Value | | Fair Value | |
|---|----------------|---------------|---------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| Financial Assets | | | | |
| Cash and Cash Equivalents | 14,171 | 10,796 | 14,171 | 10,796 |
| Investments | | | | |
| - "Held for Trading" | - | - | - | - |
| - "Designated At Fair Value on Initial Recognition" | 2,760 | 5,837 | 2,760 | 5,837 |
| - "Held to Maturity" | - | - | - | - |
| - "Loans & Receivables" | - | - | - | - |
| - "Available for Sale" | - | - | - | - |
| Receivables | 4,014 | 3,685 | 4,014 | 3,685 |
| Other Financial Assets | - | - | - | - |
| Total Financial Assets | 20,945 | 20,318 | 20,945 | 20,318 |
| Financial Liabilities | | | | |
| Bank Overdraft | - | - | - | - |
| Payables | 2,395 | 2,137 | 2,395 | 2,137 |
| Loans / Advances | 5,293 | 1,676 | 4,345 | 1,350 |
| Lease Liabilities | 5 | 62 | 5 | 61 |
| Total Financial Liabilities | 7,693 | 3,875 | 6,745 | 3,548 |

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 2013

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

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

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets & liabilities can be broken up into 3 distinct measurement hierarchies:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

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

The following table presents the financial assets and financial liabilities that have been measured & recognised at fair values:

| 2013 | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|--------------|
| Financial Assets | | | | |
| Investments | | | | |
| - "Designated At Fair Value on Initial Recognition" | - | 2,760 | - | 2,760 |
| Total Financial Assets | - | 2,760 | - | 2,760 |
| 2012 | Level 1 | Level 2 | Level 3 | Total |
| Financial Assets | | | | |
| Investments | | | | |
| - "Designated At Fair Value on Initial Recognition" | - | 5,837 | - | 5,837 |
| Total Financial Assets | - | 5,837 | - | 5,837 |

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

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

The 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 these 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.

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

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

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

| | Increase of Values/Rates | | Decrease of Values/Rates | |
|--|--------------------------|--------|--------------------------|--------|
| | Profit | Equity | Profit | Equity |
| 2013 | | | | |
| Possible impact of a 10% movement in Market Values | 276 | 276 | 276 | 276 |
| Possible impact of a 1% movement in Interest Rates | 142 | 142 | 142 | 142 |
| 2012 | | | | |
| Possible impact of a 10% movement in Market Values | 583 | 583 | 583 | 583 |
| Possible impact of a 1% movement in Interest Rates | 113 | 113 | 113 | 113 |

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

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

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

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

| | 2013 | 2013 | 2012 | 2012 |
|-----------------------------------|------------------------------|----------------------|------------------------------|----------------------|
| | Rates & Annual Charges | Other Receivables | Rates & Annual Charges | Other Receivables |
| (i) Ageing of Receivables | | | | |
| Current (not yet overdue) | 359 | 1,905 | 440 | 1,617 |
| Past due by up to 30 days | 170 | 250 | 203 | 145 |
| Past due between 31 and 180 days | 130 | 109 | 157 | 215 |
| Past due between 181 and 365 days | 116 | 58 | 120 | 60 |
| Past due by more than 1 year | 680 | 349 | 544 | 270 |
| | 1,455 | 2,671 | 1,464 | 2,307 |

(ii) Movement in Provision for Impairment of Receivables

| | 2013 | 2012 |
|---|------------|-----------|
| Balance at the beginning of the year | 86 | 96 |
| + new provisions recognised during the year | 112 | 86 |
| - previous impairment losses reversed | (86) | (96) |
| Balance at the end of the year | 112 | 86 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(d) 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 Cash Outflows | Actual Carrying Values |
|-----------------------------|------------------------------|-------------|---------|---------|---------|---------|---------|---------------------------|------------------------------|
| | | ≤ 1 Year | 1-2 Yrs | 2-3 Yrs | 3-4 Yrs | 4-5 Yrs | > 5 Yrs | | |
| 2013 | | | | | | | | | |
| Bank Overdraft | - | - | - | - | - | - | - | - | - |
| Trade/Other Payables | 645 | 1,750 | - | - | - | - | - | 2,395 | 2,395 |
| Loans & Advances | - | 392 | 412 | 431 | 454 | 477 | 2,696 | 5,293 | 5,293 |
| Lease Liabilities | - | 5 | - | - | - | - | - | 5 | 5 |
| Total Financial Liabilities | 645 | 2,147 | 412 | 431 | 454 | 477 | 2,696 | 7,693 | 7,693 |
| 2012 | | | | | | | | | |
| Bank Overdraft | - | - | - | - | - | - | - | - | - |
| Trade/Other Payables | 158 | 1,979 | - | - | - | - | - | 2,137 | 2,137 |
| Loans & Advances | - | 209 | 201 | 197 | 192 | 188 | 1,627 | 2,614 | 1,676 |
| Lease Liabilities | - | 66 | 8 | - | - | - | - | 74 | 62 |
| Total Financial Liabilities | 158 | 2,254 | 209 | 197 | 192 | 188 | 1,627 | 4,825 | 3,875 |

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:

| | 2013 | | 2012 | |
|--|-------------------|--------------------------|-------------------|--------------------------|
| | Carrying Value | Average Interest Rate | Carrying Value | Average Interest Rate |
| Trade/Other Payables | 2,395 | 0.1% | 2,137 | 0.1% |
| Loans & Advances - Fixed Interest Rate | 5,293 | 6.0% | 1,676 | 6.6% |
| Lease Liabilities | 5 | 9.0% | 62 | 9.0% |
| | <u>7,693</u> | | <u>3,875</u> | |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 12/13 was adopted by the Council on 21 June 2012.

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

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

Note that for Variations* of Budget to Actual :

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

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

| \$ '000 | 2013 Budget | 2013 Actual | 2013 Variance* | |
|--|----------------|----------------|-------------------|---------------|
| REVENUES | | | | |
| Rates & Annual Charges | 10,533 | 10,420 | (113) | (1%) U |
| Sewer access charges (\$134k). Use of discharge factors in sewer forecast means that the forecasting of sewer access is inherently difficult; | | | | |
| User Charges & Fees | 5,115 | 5,994 | 879 | 17% F |
| * Higher than budgeted water consumption revenue as a result of a hotter than average summer (\$286k) | | | | |
| * Higher than budgeted private works revenue mostly due to works for Cobbora coal not budgeted for (\$242k) | | | | |
| * Higher than budgeted quarry revenue from the new Warrumbungle Quarry (\$316k) | | | | |
| * Higher than budgeted pools revenue due to hotter than average summer (\$31k) | | | | |
| Interest & Investment Revenue | 998 | 1,067 | 69 | 7% F |
| * \$202k higher than budget reversal of prior year impairment (non-cash item) as investments come due; offset by | | | | |
| * \$142k lower than budget interest revenue as a result of falling interest rates. | | | | |
| Other Revenues | 667 | 2,339 | 1,672 | 251% F |
| * Reimbursements for Wambelong Fire related costs (\$1.283m) not included in the original budget; | | | | |
| * Higher than budgeted insurance claim recoveries (\$338k). | | | | |
| Operating Grants & Contributions | 15,184 | 15,069 | (115) | (1%) U |
| * Non-receipt of water grant of \$300k. Grant reliant on completion of best practice work which is still ongoing; | | | | |
| * Lower than budget Local Road Flood Damage (\$50k) and R2R grants (\$88k) due to a small portion of works required for these grants to be paid still being completed; offset by Higher than budgeted grants for Community Transport (\$60k), MSO (\$60k), youth activities (\$30k), long daycare (\$50k), and regional roads block grants (\$76k) | | | | |

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

| \$ '000 | 2013 Budget | 2013 Actual | 2013 ----- Variance* ----- | |
|---|----------------|----------------|-------------------------------|-----------------|
| Capital Grants & Contributions | 1,417 | 1,006 | (411) | (29%) U |
| * Non-receipt of building extension grant \$870k, offset by receipt of \$247k fluoridation capital grant not budgeted for and higher than predicted RFS capital grant allocation. | | | | |
| Net Gains from Disposal of Assets | 262 | - | (262) | (100%) U |
| * Write off of roads resealed and re-sheeted (\$330k) not included in the original budget | | | | |
| * Lower than budgeted trade in value, due to two trade ins being treated as insurance claim recoveries (\$284k); | | | | |
| * Write off of inventory items (\$60k) due to devaluation increment through P&L and the write off of a road parcel previously captured as inventory, and w/o of two land parcels incorrectly valued (\$46k) | | | | |
| Share of Net Profits - Joint Ventures & Associates | - | 10 | 10 | 0% F |
| * Net share of Joint Ventures \$47k under budget due to Council receiving a net share of profit (\$10k) as opposed to the originally forecast loss of \$34k. | | | | |

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

| \$ '000 | 2013 Budget | 2013 Actual | 2013 ----- Variance* ----- | |
|---|----------------|----------------|-------------------------------|----------------|
| EXPENSES | | | | |
| Employee Benefits & On-Costs | 13,923 | 12,994 | 929 | 7% F |
| * Workers comp \$306k under budget due to lower than budgeted premium of \$495k and the receipt in the 2012/13 financial year of a premium reimbursement of \$127k from prior years; * Salaries relating to impairment restoration works on local roads capitalised (\$198k) treated as recurrent in budget; * \$364k worth of RFS contributions captured as employee related expenditure in the budget, but treated as a contribution (in other expenses) in the actuals; * Higher than budgeted capitalised employee related expenditure due to the large capital revote from 11/12. | | | | |
| Borrowing Costs | 203 | 255 | (52) | (26%) U |
| * Higher than budget asset remediation provisions (non-cash item) for Council quarries (\$27k). * Increased borrowing costs due to Council's admin building loan (\$1.5m) not included in the original budget (\$22k) | | | | |
| Materials & Contracts | 7,225 | 7,906 | (681) | (9%) U |
| * Materials and contracts (including plant) related expenditure for S44 items (minimum \$600k); * Higher than budget contractors expenditure due to some vacant positions being filled by contractors. * Offset by materials and contracts expenditure relating to impairment restoration works on local roads capitalised (\$346k). | | | | |
| Depreciation & Amortisation | 10,024 | 9,525 | 499 | 5% F |
| * Overly conservative budget estimate | | | | |
| Impairment Expenses | - | - | - | 0% F |
| N/A | | | | |
| Other Expenses | 5,078 | 5,554 | (476) | (9%) U |
| * \$364k worth of RFS contributions captured as employee related expenditure in the budget, but treated as a contribution (in other expenses) in the actuals; * Overspend on telecommunications (\$53k) and w/o of bad and doubtful debts not captured in the original budget. | | | | |
| Net Losses from Disposal of Assets | - | 600 | (600) | 0% U |
| * See net gains from disposal of assets above. | | | | |
| Share of Net Losses - Joint Ventures & Associates | - | - | - | 0% F |
| N/A | | | | |
| Operating Result from Discontinued Operations | - | - | - | 0% F |
| N/A | | | | |

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

| | 2013 | 2013 | 2013 | |
|---------|--------|--------|-----------|--|
| \$ '000 | Budget | Actual | Variance* | |

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

| | | | | | |
|---|--------------|--------------|--------------|---------------|----------|
| Cash Flows from Operating Activities | 9,441 | 8,967 | (474) | (5.0%) | U |
|---|--------------|--------------|--------------|---------------|----------|

Council's operating result on an accrual basis was a \$1.348m favourable variance against budget (revenue \$1.129m over budget, expenditure \$219k under budget) see P&L variance analysis above for details.

However, on a cash basis Council's operating result was \$618k worse than budgeted due to significantly higher than budget receivables (\$2.232m).

| | | | | | |
|---|----------------|----------------|----------------|--------------|----------|
| Cash Flows from Investing Activities | (6,739) | (9,152) | (2,413) | 35.8% | U |
|---|----------------|----------------|----------------|--------------|----------|

Original budget assumed a \$11.49m capital program. Significant revotes meant that the final capital spend was \$2.48m higher than the original budget (which did not include the revoted amount).

| | | | | | |
|---|------------|--------------|--------------|---------------|----------|
| Cash Flows from Financing Activities | 911 | 3,560 | 2,649 | 290.8% | F |
|---|------------|--------------|--------------|---------------|----------|

Original budget assumed that Council would only borrow \$1.15m in the 12/13 financial year under the LIRS program. During the financial year the LIRS program was fast tracked and Council borrowed the full \$2.3m within the financial year. Council subsequently borrowed an additional \$1.5m to fund the construction of the administration building in Coonabarabran.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 | 226 | 6 | - | 4 | (236) | - | - | - | - | - | - |
| Traffic Facilities | - | - | - | - | - | - | - | - | - | - | - |
| Parking | - | - | - | - | - | - | - | - | - | - | - |
| Open Space | 6 | - | - | - | - | - | 6 | - | (6) | - | - |
| Community Facilities | 4 | - | - | - | - | - | 4 | - | (4) | - | - |
| Bushfire | 10 | 1 | - | - | - | - | 11 | - | (11) | - | - |
| Other | 2 | - | - | - | - | - | 2 | - | (2) | - | - |
| S94 Contributions - under a Plan | 248 | 7 | - | 4 | (236) | - | 23 | - | (23) | - | - |
| S94A Levies - under a Plan | 126 | 26 | - | 7 | - | - | 159 | | | | - |
| Total S94 Revenue Under Plans | 374 | 33 | - | 11 | (236) | - | 182 | | | | - |
| S94 not under Plans | - | - | - | - | - | - | - | - | - | - | - |
| S93F Planning Agreements | - | - | - | - | - | - | - | | | | |
| S64 Contributions | 109 | - | - | 5 | - | - | 114 | | | | |
| Total Contributions | 483 | 33 | - | 16 | (236) | - | 296 | - | (23) | - | - |

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 | 226 | 6 | - | 4 | (236) | - | - | | | - | |
| Traffic Facilities | - | - | - | - | - | - | - | | | - | |
| Parking | - | - | - | - | - | - | - | | | - | |
| Open Space | 6 | - | - | - | - | - | 6 | | (6) | - | |
| Community Facilities | 4 | - | - | - | - | - | 4 | | (4) | - | |
| Bushfire | 10 | 1 | - | - | - | - | 11 | | (11) | - | |
| Other | 2 | - | - | - | - | - | 2 | | (2) | - | |
| Total | 248 | 7 | - | 4 | (236) | - | 23 | - | (23) | - | - |

S94A LEVIES - UNDER A PLAN

CONTRIBUTION PLAN - WARRUMBUNGLE SHIRE COUNCIL SECTION 94A LEVY PLAN 2009

| 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 | 126 | 26 | - | 7 | - | - | 159 | | | | |
| Total | 126 | 26 | - | 7 | - | - | 159 | | | | - |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

Council's share of this deficit has been broadly estimated to be \$645,577 as at 30 June 2013.

(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 2013

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 30/6/08.

(ii) Infringement Notices/Fines

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

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 Statement of Financial Position.

(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 Statement of Financial Position.

| | Council's Share of Net Income | | Council's Share of Net Assets | |
|------------------------|-------------------------------|----------------|-------------------------------|----------------|
| | Actual 2013 | Actual 2012 | Actual 2013 | Actual 2012 |
| Associated Entities | - | - | - | - |
| Joint Venture Entities | 10 | (24) | 296 | 286 |
| Total | 10 | (24) | 296 | 286 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000

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

Council has no interest in any Subsidiaries.

(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 | 2013 | 2012 |
|--|----------------------------|------------|------------|
| Macquarie Regional Library | Community Library Services | 296 | 286 |
| Total Carrying Amounts - Joint Venture Entities | | 296 | 286 |

(b) Relevant Interests

| Name of Entity | Interest in Outputs | | Interest in Ownership | | Proportion of Voting Power | |
|----------------------------|------------------------|------|--------------------------|------|-------------------------------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Macquarie Regional Library | 19% | 19% | 19% | 19% | 25% | 25% |

(c) Movement in Carrying Amounts

| | | Macquarie Regional Library | |
|---|--|----------------------------|------------|
| | | 2013 | 2012 |
| Opening Balance | | 286 | 310 |
| Share in Operating Result | | 4 | (7) |
| New Capital Contributions | | - | - |
| Distributions Received | | - | - |
| Adjustments to Equity | | 6 | (17) |
| Council's Equity Share in the Joint Venture Entity | | 296 | 286 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000

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

(d) Share of Joint Ventures Assets & Liabilities

| | Assets | | Liabilities | | Net Assets |
|----------------------------|------------|-------------|-------------|-------------|------------|
| | Current | Non Current | Current | Non Current | |
| 2013 | | | | | |
| Macquarie Regional Library | 270 | 168 | 138 | 4 | 296 |
| Totals | 270 | 168 | 138 | 4 | 296 |
| 2012 | | | | | |
| Macquarie Regional Library | 258 | 183 | 146 | 9 | 286 |
| Totals | 258 | 183 | 146 | 9 | 286 |

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

| | 2013 | | | 2012 | | |
|----------------------------|------------|------------|----------|------------|------------|------------|
| | Revenues | Expenses | Result | Revenues | Expenses | Result |
| Macquarie Regional Library | 459 | 455 | 4 | 451 | 458 | (7) |
| Totals | 459 | 455 | 4 | 451 | 458 | (7) |

(f) Share of Joint Venture Entities Expenditure Commitments

| | 2013 | 2012 |
|-------------------------------|------|------|
| Capital Commitments | - | - |
| Other Expenditure Commitments | - | - |
| Lease Commitments | - | - |

(g) Contingent Liabilities of Joint Venture Entities

| | 2013 | 2012 |
|--|------|------|
| Share of Contingent Liabilities incurred jointly with other Participants | - | - |
| Share of Contingent Liabilities for which Council is severally liable | - | - |

No material losses are anticipated in respect of any of the above contingent liabilities

(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

(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 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|--|----------|----------------|----------------|
| (a) Retained Earnings | | | |
| Movements in Retained Earnings were as follows: | | | |
| Balance at beginning of Year (from previous years audited accounts) | | 358,618 | 339,166 |
| a. Correction of Prior Period Errors | 20 (c) | - | 21,809 |
| 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 | | (929) | (2,357) |
| e. Distributions to/(Contributions from) Non-controlling Interests | | - | - |
| f. Transfers between Equity | | - | - |
| Balance at End of the Reporting Period | | 357,689 | 358,618 |
| (b) Reserves | | | |
| (i) Reserves are represented by: | | | |
| - Infrastructure, Property, Plant & Equipment Revaluation Reserve | | 80,765 | 95,592 |
| - "Available for Sale" Financial Investments Revaluation Reserve | | - | - |
| - Other Reserves (Specify) | | - | - |
| Total | | 80,765 | 95,592 |
| (ii) Reconciliation of movements in Reserves: | | | |
| Infrastructure, Property, Plant & Equipment Revaluation Reserve | | | |
| - Opening Balance | | 95,592 | 51,797 |
| - Revaluations for the year | 9(a) | (14,719) | 43,795 |
| - Impairment of revalued assets (incl. impairment reversals) | 9(a),(c) | (108) | - |
| - Balance at End of Year | | 80,765 | 95,592 |
| TOTAL VALUE OF RESERVES | | 80,765 | 95,592 |

(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 2013

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

| \$ '000 | Notes | Actual 2013 | Actual 2012 |
|--|-------|----------------|----------------|
| (c) Correction of Error/s relating to a Previous Reporting Period | | | |
| Council made no correction of errors during the current reporting period. | | | |
| Correction of errors as disclosed in last year's financial statements: | | | |
| During the process of completing Council's Asset Management Plan, Council identified 48 Bridge Size Culverts, and 36.4km of roads that were previously not recognised in Council's asset register. | | | |
| These assets have now been recognised in this year's financial statements as a prior period error, and the 2010/11 opening roads and retained earnings balances have been restated to capture the value of these assets. | | | |
| The total value of this adjustment is as follows: | | | |
| - Roads asset value | | - | 22,486 |
| - Depreciation for the year ended 30/6/2011 | | - | (217) |
| The completion of Council's asset management plan also resulted in the identification of several parcels of land that were incorrectly double counted in Council's asset register. These assets have now been derecognised, and the derecognition treated as a prior period error. Council has restated the 2010/11 opening land and retained earnings balances as a result. | | | |
| The total value of this adjustment is as follows: | | | |
| - Land | | - | (460) |
| In the 2010/11 financial year Council incorrectly classified a portion of its annual charges for water and sewerage services as special rates. These items have been correctly classified as annual charges this financial year and the prior year balance has also been adjusted to reflect the correct classification of these items. | | | |
| | | - | - |
| | | - | - |
| | | - | - |
| 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 - 1/7/11 | | - | 21,809 |
| (relating to adjustments for the 30/6/11 reporting year end and prior periods) | | | |
| - Adjustments to Closing Equity - 30/6/12 | | - | - |
| (relating to adjustments for the 30/6/12 year end) | | | |
| Total Prior Period Adjustments - Prior Period Errors | | - | 21,809 |

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

| | | Actual | Actual |
|---------|-------|--------|--------|
| \$ '000 | Notes | 2013 | 2012 |

(d) Voluntary Changes in Accounting Policies

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 21. Financial Result & Financial Position by Fund

| Income Statement by Fund \$ '000 | Actual 2013 | Actual 2013 | Actual 2013 | Actual 2013 |
|--|----------------|----------------|----------------|----------------------------|
| Continuing Operations | | Water | Sewer | General¹ |
| Income from Continuing Operations | | | | |
| Rates & Annual Charges | | 1,212 | 1,007 | 8,201 |
| User Charges & Fees | | 1,398 | 128 | 4,468 |
| Interest & Investment Revenue | | 65 | 147 | 940 |
| Other Revenues | | 8 | 16 | 2,315 |
| Grants & Contributions provided for Operating Purposes | | 45 | 41 | 14,983 |
| Grants & Contributions provided for Capital Purposes | | 247 | - | 759 |
| Other Income | | | | |
| Net Gains from Disposal of Assets | | - | - | - |
| Share of interests in Joint Ventures & Associates using the Equity Method | | | | 10 |
| Total Income from Continuing Operations | | 2,975 | 1,339 | 31,676 |
| Expenses from Continuing Operations | | | | |
| Employee Benefits & on-costs | | 779 | 396 | 11,819 |
| Borrowing Costs | | 46 | - | 294 |
| Materials & Contracts | | 925 | 374 | 6,607 |
| Depreciation & Amortisation | | 778 | 402 | 8,345 |
| Impairment | | | | - |
| Other Expenses | | 241 | 90 | 5,223 |
| Interest & Investment Losses | | | | - |
| Net Losses from the Disposal of Assets | | - | - | 600 |
| Share of interests in Joint Ventures & Associates using the Equity Method | | | | - |
| Total Expenses from Continuing Operations | | 2,769 | 1,262 | 32,888 |
| Operating Result from Continuing Operations | | 206 | 77 | (1,212) |
| Discontinued Operations | | | | |
| Net Profit/(Loss) from Discontinued Operations | | - | - | - |
| Net Operating Result for the Year | | 206 | 77 | (1,212) |
| Net Operating Result attributable to each Council Fund | | 206 | 77 | (1,212) |
| Net Operating Result attributable to Non-controlling Interests | | - | - | - |
| Net Operating Result for the year before Grants and Contributions provided for Capital Purposes | - | (41) | 77 | (1,971) |

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 2013

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

| Statement of Financial Position by Fund \$ '000 | Actual 2013 | Actual 2013 | Actual 2013 |
|--|----------------|----------------|----------------------------|
| ASSETS | Water | Sewer | General¹ |
| Current Assets | | | |
| Cash & Cash Equivalents | 970 | 1,085 | 12,116 |
| Investments | - | - | - |
| Receivables | 878 | 682 | 2,574 |
| Inventories | 37 | 4 | 495 |
| Total Current Assets | 1,885 | 1,771 | 15,185 |
| Non-Current Assets | | | |
| Investments | 388 | 1,067 | 1,305 |
| Receivables | - | 1,266 | - |
| Inventories | - | - | 319 |
| Infrastructure, Property, Plant & Equipment | 29,602 | 21,556 | 377,732 |
| Investments Accounted for using the equity method | - | - | 296 |
| Total Non-Current Assets | 29,990 | 23,889 | 379,652 |
| TOTAL ASSETS | 31,875 | 25,660 | 394,837 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 111 | 25 | 2,259 |
| Borrowings | 38 | - | 480 |
| Provisions | 189 | 49 | 3,404 |
| Liabilities associated with assets classified as 'held for sale' | - | - | - |
| Total Current Liabilities | 338 | 74 | 6,143 |
| Non-Current Liabilities | | | |
| Payables | - | - | - |
| Borrowings | 823 | - | 5,343 |
| Provisions | 4 | 1 | 1,192 |
| Total Non-Current Liabilities | 827 | 1 | 6,535 |
| TOTAL LIABILITIES | 1,165 | 75 | 12,678 |
| Net Assets | 30,710 | 25,585 | 382,159 |
| EQUITY | | | |
| Retained Earnings | 20,568 | 12,237 | 324,884 |
| Revaluation Reserves | 10,142 | 13,348 | 57,275 |
| Council Equity Interest | 30,710 | 25,585 | 382,159 |
| Non-controlling Interests | - | - | - |
| Total Equity | 30,710 | 25,585 | 382,159 |

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 2013

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

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

Note 23. Events occurring after the Reporting Period

Events that occur between the end of the reporting period (ending 30 June 2013) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 24/09/13.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2013.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2013 and which are only indicative of conditions that arose after 30 June 2013.

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 2013

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 | |
|------------------|-------------------------------------|------------------|------|
| | | 2013 | 2012 |
| Allandale | 2014 | 1 | 1 |
| Beamsfield | 2014 | 38 | 35 |
| Caradoc Park | 2014 | 3 | 3 |
| Cooks | 2014 | 4 | 4 |
| Dromore | 2014 | - | - |
| Glenmore | 2014 | 9 | 8 |
| Lemonwood | 2014 | 5 | 5 |
| Naparoo | 2014 | 7 | 6 |
| Wanloch | 2014 | 9 | 9 |
| Avis 2 | 2018 | 6 | 6 |
| Box Hill | 2018 | 7 | 7 |
| Carlyons | 2018 | 17 | 16 |
| Coolah Tsr | 2018 | 2 | 2 |
| Kirban | 2018 | 6 | 6 |
| Lumeah | 2018 | - | - |
| Pidgee | 2018 | 15 | 15 |
| Barrier Gates | 2023 | 16 | 17 |
| Rhodes | 2023 | 5 | 6 |
| Cloven Hills | 2028 | 10 | 10 |
| Connemarra | 2028 | 15 | 15 |
| Coolah Crk | 2028 | 3 | 3 |
| Edenmore | 2028 | 18 | 19 |
| Lochneil | 2028 | 9 | 9 |
| Pipers | 2028 | 5 | 5 |
| Quondory | 2028 | 33 | 35 |
| Wyoming | 2028 | 21 | 22 |
| A Becketts | 2038 | 2 | 2 |
| Arkabah | 2038 | 2 | 2 |
| Avas 1 | 2038 | 2 | 3 |
| Baradine Aerodro | 2038 | 9 | 10 |
| Barwidgee South | 2038 | 16 | 18 |
| Barwon | 2038 | 2 | 2 |
| Bellerive | 2038 | 2 | 2 |
| Beni | 2038 | 13 | 14 |
| Bobella | 2038 | - | 1 |
| Boomely | 2038 | 2 | 2 |
| Borambitty | 2038 | 6 | 7 |
| Brains | 2038 | 1 | 1 |

| | | | |
|------------------|------|----|----|
| Bretni Rd | 2038 | 9 | 10 |
| Burrawong Park | 2038 | 3 | 4 |
| Burton | 2038 | 5 | 5 |
| Caledonia | 2038 | 6 | 7 |
| Cheriton | 2038 | 2 | 2 |
| Cobbora | 2038 | 8 | 9 |
| Coleraine | 2038 | 5 | 5 |
| Coolie Camp | 2038 | 6 | 7 |
| Coonabarabran | 2038 | 3 | 3 |
| Cossington | 2038 | 6 | 7 |
| Cromarty Park | 2038 | - | - |
| Curteis | 2038 | 4 | 5 |
| Danabar | 2038 | 8 | 9 |
| Danlo | 2038 | 44 | 48 |
| Dowd Rd | 2038 | 4 | 4 |
| Duces | 2038 | 29 | 32 |
| Dunedoo | 2038 | 4 | 5 |
| Ewendale | 2038 | 3 | 4 |
| Forans Lane | 2038 | 25 | 28 |
| Foster | 2038 | 23 | 25 |
| Frost | 2038 | 11 | 12 |
| Galashields | 2038 | 11 | 12 |
| Gamble Crk | 2038 | 1 | 1 |
| Glendale | 2038 | 9 | 10 |
| Glenrowan | 2038 | 32 | 35 |
| Goally | 2038 | 37 | 41 |
| Gunnedah | 2038 | 29 | 32 |
| Hawthorne | 2038 | 23 | 26 |
| Haynes | 2038 | 3 | 3 |
| Hazelmere | 2038 | 3 | 3 |
| Hereford Park | 2038 | 1 | 2 |
| Hillgrove | 2038 | 4 | 4 |
| Hollymount | 2038 | 3 | 3 |
| Inchmoor | 2038 | 10 | 11 |
| Johnsons | 2038 | 15 | 17 |
| Kallara | 2038 | 3 | 3 |
| Kentuckey | 2038 | 3 | 3 |
| Kiah | 2038 | 3 | 3 |
| Kindalyn | 2038 | 19 | 21 |
| Kinross | 2038 | - | - |
| Koroa | 2038 | 11 | 12 |
| Kroobit Cadell | 2038 | 28 | 29 |
| Kurrajong Park 1 | 2038 | - | - |
| Kurrajong Park 2 | 2038 | 6 | 7 |
| Kurravale | 2038 | 4 | 4 |
| Kybeyan | 2038 | 3 | 3 |
| Lanbre | 2038 | 11 | 12 |
| Liamena | 2038 | 9 | 10 |
| Lockerbie | 2038 | 3 | 3 |
| Loloma | 2038 | 10 | 11 |
| Lynwood | 2038 | 4 | 4 |
| Maduba | 2038 | 1 | 2 |
| Maldannia | 2038 | - | - |
| Marombi Rd 1 | 2038 | - | - |
| Marombi Rd 2 | 2038 | 1 | 1 |
| Maronga | 2038 | 4 | 4 |

| | | | |
|---|-------|--------------|--------------|
| Maroo | 2038 | 14 | 16 |
| Mendooran 1 | 2038 | 13 | 14 |
| Mendooran 2 | 2038 | 5 | 6 |
| Merrygoen | 2038 | 3 | 3 |
| Millings | 2038 | 3 | 4 |
| Morton Bay | 2038 | 2 | 3 |
| Mt Hope | 2038 | 2 | 3 |
| Mt Marlow | 2038 | 7 | 8 |
| Murrumbong | 2038 | 7 | 7 |
| Narangarie | 2038 | 9 | 10 |
| Neible | 2038 | 4 | 4 |
| North Pine | 2038 | 9 | 10 |
| Nullen | 2038 | - | - |
| O Neills | 2038 | 1 | 1 |
| Oban | 2038 | 13 | 15 |
| Old Castle | 2038 | 16 | 18 |
| Orana | 2038 | 9 | 10 |
| Pandora | 2038 | - | 1 |
| Peridot | 2038 | 2 | 2 |
| Pine Ridge | 2038 | 29 | 31 |
| Pound | 2038 | 4 | 5 |
| Rawlinsons Old | 2038 | 5 | 5 |
| Rawlinsons Pit | 2038 | 5 | 6 |
| Round Mountain | 2038 | 5 | 5 |
| Saltwater | 2038 | 4 | 5 |
| Sandy Crk Rd | 2038 | 1 | 1 |
| Scotts | 2038 | 4 | 4 |
| Silentdale | 2038 | 3 | 4 |
| Skidders | 2038 | 1 | 1 |
| Sleightholmes | 2038 | 24 | 27 |
| Spring Ridge Rd | 2038 | 4 | 4 |
| The Pinnacles | 2038 | 24 | 26 |
| Thompsons | 2038 | 3 | 3 |
| Timbali | 2038 | 14 | 16 |
| Todds | 2038 | 6 | 7 |
| Tonniges Rd | 2038 | 1 | 1 |
| Turee | 2038 | 12 | 13 |
| Tv Tower | 2038 | 18 | 18 |
| Warrawonga | 2038 | 1 | 1 |
| Watsons | 2038 | 21 | 22 |
| Wattlegrove | 2038 | 8 | 9 |
| Weetaliba | 2038 | 2 | 2 |
| Witta Coola | 2038 | 10 | 11 |
| Woodlands | 2038 | 3 | 3 |
| Yellow Cutting | 2038 | 22 | 24 |
| Balance at End of the Reporting Period | 10(a) | 1,186 | 1,280 |

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 | 1,280 | 1,050 |
| Effect of a change in discount rates used in PV calculations | (146) | 169 |
| Effect of a change in other calculation estimates used | - | - |
| Amortisation of discount (expensed to borrowing costs) | 52 | 61 |
| Total - Reinstatement, rehabilitation and restoration provision | 1,186 | 1,280 |

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.

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

To Warrumbungle Shire Council

SCOPE

The financial statements comprises the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Warrumbungle Shire Council (the Council), for the year ended 30th June 2013.

Councils' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion:

- (a) The accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
- (b) the general purpose financial statements:
 - (i) have been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
 - (ii) are consistent with the Council's accounting records; and
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30th June 2013 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

24th September 2013

92 Rusden Street Armidale

24 September 2013

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 2013

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2013 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 comply with Accounting Standards in Australia, in accordance with the *Local Government Act 1993*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit Objectives

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 Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 to the financial statements and accordingly, we express no opinion on them.

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

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Warrumbungle Shire Council for the year ended 30 June 2013 included on Warrumbungle Shire Council's web site. Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Additional Reporting Requirements

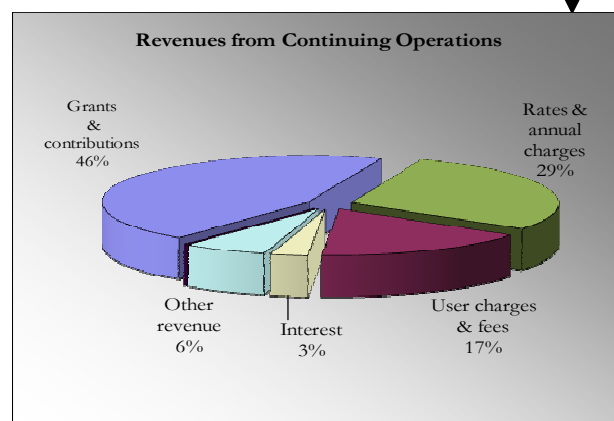
In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

| INCOME STATEMENT | Budget | Actual | Actual | Variance | |
|---|---------|---------|---------|----------|--------|
| | 2013 | 2013 | 2012 | Actual | Budget |
| | \$'000 | \$'000 | \$'000 | % | % |
| INCOME FROM CONTINUING OPERATIONS | | | | | |
| Rates & annual charges | 10,533 | 10,420 | 10,040 | 3.8% | -1.1% |
| User charges & fees | 5,115 | 5,994 | 5,715 | 4.9% | 17.2% |
| Interest | 998 | 1,067 | 780 | 36.8% | 6.9% |
| Other revenues from ordinary activities | 667 | 2,339 | 774 | 202.2% | 250.7% |
| Grants & contributions for operating purposes | 15,184 | 15,069 | 15,835 | -4.8% | -0.8% |
| Grants & contributions for capital purposes | 1,417 | 1,006 | 1,166 | -13.7% | -29.0% |
| Gain from interests in joint ventures & associates | 0 | 10 | 0 | 0.0% | 0.0% |
| Total income from continuing operations | 34,176 | 35,905 | 34,310 | 4.6% | 5.1% |
| EXPENSES FROM CONTINUING OPERATIONS | | | | | |
| Employee benefits & oncosts | 13,923 | 12,994 | 12,561 | 3.4% | -6.7% |
| Borrowing costs | 203 | 255 | 200 | 27.5% | 25.6% |
| Materials and contracts | 7,225 | 7,906 | 8,154 | -3.0% | 9.4% |
| Depreciation & amortisation | 10,024 | 9,525 | 9,478 | -6.9% | -5.0% |
| Other expenses from ordinary activities | 5,078 | 5,554 | 5,965 | 0.5% | 9.4% |
| Loss from sale of assets | 0 | 600 | 285 | 0.0% | 0.0% |
| Loss from interests in joint ventures & associates | 0 | 0 | 24 | 0.0% | 0.0% |
| Total Expenses from continuing operations | 36,453 | 36,834 | 36,667 | 0.5% | 1.0% |
| OPERATING RESULT FROM CONTINUING OPERATIONS | (2,277) | (929) | (2,357) | -60.6% | -59.2% |
| NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS | (3,694) | (1,935) | (3,523) | -45.1% | -47.6% |

The financial statements report an operating deficit of \$0.9m for the year compared with a deficit of \$2.4m in the previous year. This result includes grants for capital purposes of \$1.0m. The expenditure of these grants is not recorded in the income statement but capitalised in the Statement of Financial Position. When these capital grants are excluded, Council achieved a deficit of \$1.9m (2012: deficit \$3.5m).

Income overall increased by 4.6% compared to 2012 due mainly to increases in rates and annual charges (rate pegging allowances), user charges & fees, interest income and other income being partially offset by lower operating and capital grants.

User charges and fees increased due to higher water consumption as a result of hotter weather, increases overall in fees charged, higher private works (especially for Cobbora Coal infrastructure) and new quarry sales revenues being partially offset by a decreased Roads and Maritime Services (RMS) revenues for state road maintenance.



Interest income increased due to the recovery in the market value for Council's investments in the 2013 year.

Other income increased due to reimbursements of Wambelong fire related costs incurred by Council due to the major fire event in the 2013 year.

Grants and contributions (operating and capital) decreased by \$0.9m due mainly to the early receipt the first quarter financial assistance grant for the 2013 financial year in the 2012 financial year results.

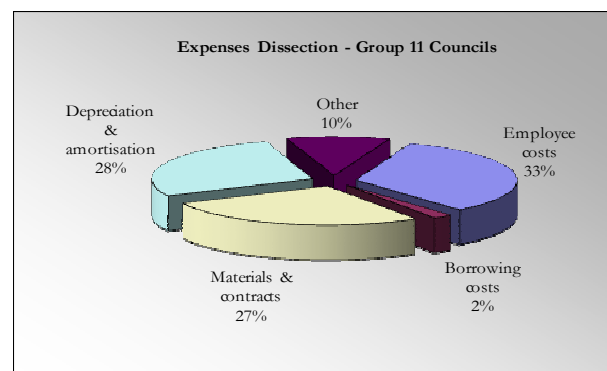
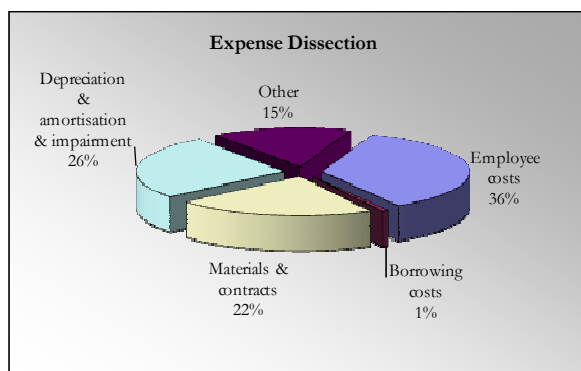
Expenditure increased marginally on the previous year as the following movements offset each other:

- Higher employment costs (\$0.4m unfavourable) – increase in employee numbers, higher overtime levels required due to the fire natural emergency works being partially offset by lower workers compensation premiums; and
- Lower other costs (\$0.4m favourable) – Reduction in Rural Fire Service levies.

The actual operating deficit for the year of \$0.9m compares with the original budget deficit of \$2.3m. The variation of \$1.4m between the actual results and the original budget (excluding revotes) is primarily due to the following:

- User charges and fees (favourable \$0.9m) – increased water consumption due to hotter weather, higher private works (Cobbora Coal) and new quarry sales revenues not included in the budget;
- Other revenues (favourable \$1.7m) – due to reimbursements for Wambelong fire related costs incurred by Council due to the major fire event that occurred in the region;
- Operating and capital grants and contributions (net unfavourable \$0.5m) – Council was unsuccessful in obtaining certain grants that it had included in its original budget;
- Employee costs (favourable \$0.9m) – Council was able to reduce its workers compensation premiums and received a reimbursement for prior year workers compensation costs. There was also some reallocation of actual costs that were not included in the original budget;
- Materials and Contracts (unfavourable \$0.7m) – There was an increase in costs associated with the fire emergency;
- Loss from sale of assets (unfavourable \$0.6m) – There was a write of resealed and re-sheeted gravel roads not included in the budget and other asset write offs identified during the land and building revaluation process.

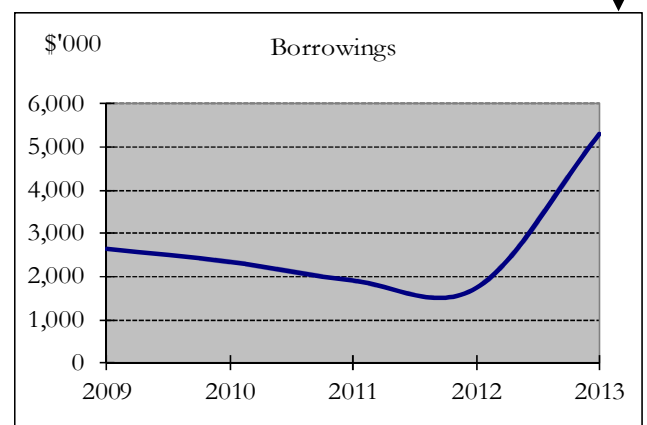
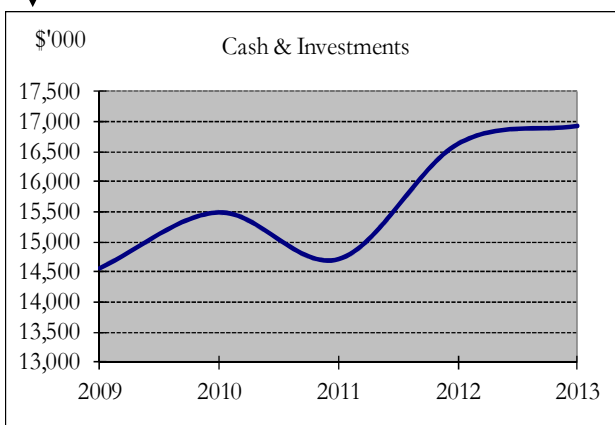
Below is a comparison of expense dissections for the Council for 2013 compared to the average of Group 11 Councils for 2011.



The major variation in Council expenditure mix compared to the benchmark relates to materials and contracts compared to employee and other costs. Council incurs significant Rural Fire Service levies that are included in other costs compared to other Group 11 councils. Further, Council's mix of employees to contract staff has been impacted by staff shortages which has caused the variance between materials and contract costs and employee costs compared Group 11 councils.

The following schedule of assets and liabilities has been extracted from the Balance Sheet as at 30 June 2013. This schedule discloses the consolidated assets and liabilities of all functions.

| SCHEDULE OF ASSETS & LIABILITIES | | 2013 \$'000 | 2012 \$'000 | Variance % |
|---|--|----------------|----------------|---------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | | 14,171 | 10,796 | 31.3% |
| Investments | | - | 3,317 | 0.0% |
| Receivables | | 4,013 | 3,685 | 8.9% |
| Inventories | | 536 | 573 | -6.5% |
| TOTAL CURRENT ASSETS | | 18,720 | 18,371 | 1.9% |
| CURRENT LIABILITIES | | | | |
| Payables | | 2,395 | 2,137 | 12.1% |
| Borrowings | | 397 | 153 | 159.5% |
| Provisions | | 3,642 | 3,446 | 5.7% |
| TOTAL CURRENT LIABILITIES | | 6,434 | 5,736 | 12.2% |
| NET CURRENT ASSETS | | 12,286 | 12,635 | -2.8% |
| NON-CURRENT ASSETS | | | | |
| Investments | | 2,760 | 2,520 | 9.5% |
| Inventories | | 319 | 451 | -29.3% |
| Receivables | | 1 | - | 0.0% |
| Investments accounted for using equity method | | 296 | 286 | 3.5% |
| Infrastructure, Property Plant & Equipment | | 428,890 | 441,195 | -2.8% |
| TOTAL NON-CURRENT ASSETS | | 432,266 | 444,452 | -2.7% |
| NON-CURRENT LIABILITIES | | | | |
| Provisions | | 1,197 | 1,292 | -7.4% |
| Borrowings | | 4,901 | 1,585 | 209.2% |
| TOTAL NON-CURRENT LIABILITIES | | 6,098 | 2,877 | 112.0% |
| NET ASSETS | | 438,454 | 454,210 | -3.5% |



Higher cash and investment levels (current and non-current) are a reflection of positive cash flows from operations and an increase in funding portion of infrastructure works being funded by borrowings. Council has also liquidated a significant portion of its investments that were held as current assets in the 2012 statement of financial position.

Total borrowings increased by \$3.5m due to borrowing to fund infrastructure expenditure. The borrowings are on a reduced interest expenditure basis as Council was successful in obtaining subsidised borrowings under the Local Infrastructure Renewal Scheme (LIRS).

The decrease in infrastructure, property, plant and equipment of \$12.3m is mainly due to the rotational revaluation of land and building assets as required by the Code of Accounting Practice issued by the DLG. The building revaluation decrease during the year was due to the identification of valuation errors in the previous revaluation in 2008 that have now been corrected.

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 | 1,885 | 1,771 | 174 | 14,890 | 18,720 |
| Current Liabilities | 338 | 74 | - | 6,022 | 6,434 |
| Net Current Assets | 1,547 | 1,697 | 174 | 8,868 | 12,286 |
| Plus: Net Liabilities Payable >12mths | - | - | - | 2,288 | 2,288 |
| Total Funds before Restrictions | 1,547 | 1,697 | 174 | 11,156 | 14,574 |
| LESS: Restricted Cash & Investments (Included in Revenue) | | | | | |
| Trust funds | - | - | - | 645 | 645 |
| Developer Contributions | 87 | 27 | - | 182 | 296 |
| Specific Purpose Grants & Contributions | - | - | - | 2,363 | 2,363 |
| | 87 | 27 | - | 2,545 | 2,659 |
| NET FUNDS AVAILABLE | 1,460 | 1,670 | 174 | 8,611 | 11,915 |
| LESS Internal Restrictions | - | - | - | 5,222 | 5,222 |
| Net Funds After All Restrictions | 1,460 | 1,670 | 174 | 3,389 | 6,693 |

| INTERNAL RESTRICTIONS | Opening \$'000 | Transfer to \$'000 | Transfer from \$'000 | Closing \$'000 |
|-----------------------------|-------------------|-----------------------|-------------------------|-------------------|
| Employee leave entitlements | 709 | 642 | 255 | 1,096 |
| Carry over works | - | 2,155 | - | 2,155 |
| Bio Solid provision | 200 | - | - | 200 |
| Town improvement | 17 | - | 17 | - |
| Plant replacement fund | - | 7,071 | 5,439 | 1,632 |
| Quarry restoration | - | 119 | - | 119 |
| Other | 20 | - | - | 20 |
| | 946 | 9,987 | 5,711 | 5,222 |

The above table demonstrates that the general function has available funds of \$11.4m before setting aside funds in reserves (internal restrictions). After funding \$5.2m in internal restrictions, Council has \$3.4m to fund day to day working capital requirements.

Internal restrictions are funds Council has earmarked for particular projects or to fund specific operating needs. Council has internally restricted \$1.1m to fund employee leave entitlements. This restriction represents 30% of all leave entitlements. This reserve is considered satisfactory given leave payments expected in the 2014 financial year are included in Council's current year budgets.

Council has revisited the level of internal restrictions in order to convey to users of the financial statements how the working capital reserves are to be utilised. This has resulted in prudent reserves being created for plant replacement and carry over works.

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 | 2013 | 2012 | 2011 | 2010 | 2009 |
|----------------------|--|-------|-------|-------|-------|-------|
| UNRESTRICTED RATIO | To assess the adequacy of working capital after excluding all restricted assets and liabilities. | 3.79 | 4.58 | 7.62 | 4.08 | 1.36 |
| DEBT SERVICE RATIO | To assess the degree to which revenues are committed to the repayment of debt. | 1.7% | 1.3% | 1.8% | 2.1% | 1.3% |
| RATE COVERAGE RATIO | To assess the degree of dependence upon revenues from rates and annual charges. | 29.0% | 29.3% | 28.6% | 29.2% | 26.8% |
| OUTSTANDING RATES % | To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts. | 13.3% | 13.6% | 15.1% | 11.1% | 9.0% |
| ASSET RENEWALS RATIO | To assess the rate at which assets are being renewed against the rate they are being depreciated | 0.66 | 0.44 | 0.41 | 0.18 | 1.56 |

Unrestricted Ratio

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants & contributions. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 3.79 as at 30 June 2013 indicates that there is \$3.79 of unrestricted current assets for every \$1.00 of current liabilities. Council's ratio of 3.79 compares to the average of 4.07 (2011 data) for category 11 Councils and is higher than the State average of 2.89 (2011 data). The reduction in the ratio for 2013 is due to Council using unrestricted cash reserves to fund infrastructure asset replacements including the construction of extensions to the Coonabarabran Council administration building.

Debt Service Ratio

The debt service ratio of 1.7% indicates the percentage of Council's operating revenues being utilised to fund debt servicing costs. This ratio is lower than the average of 4.1% for category 11 Councils and the State average of 5.4% (both ratios are 2011 data). Council has the ability to source additional bank loan funding in the short to medium term if required to meet capital needs.

Rate Coverage Ratio

The rate coverage ratio shows that 29.0% of the councils revenue is derived from rates and annual charges. This compares to the category 11 Council average of 34.4% (2011 data). The ratio shows councils dependence on non-rate income.

Outstanding Rates

The outstanding rates and charges ratio of 13.3% has improved marginally compared to the previous year. Council's outstanding rates ratio is significantly higher than the Group 11 councils of 7.7%. The benchmark for Council's is to have a outstanding rates ratio of less than 5%. We encourage Council to focus on collecting debts which will improve cash flows and working capital.

Asset Renewal Ratio

The asset renewals ratio outlines Council's performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2013 Council spent \$0.66 for every \$1 in estimated asset deterioration. The Group 11 average for the asset renewal ratio was \$0.71 and the state average of \$0.57 (2011 figures).

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 acceptable in the short to medium term. However, infrastructure management will need to be a continued focus for Council in the long term especially given the current low renewal ratio trends and high levels of works reported in Special Schedule 7 attached to the financial statements.

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

| CASH MOVEMENTS | Actual 2013 | Actual 2012 | Variance |
|---|----------------|----------------|--------------|
| | \$'000 | \$'000 | % |
| CASH INFLOWS | | | |
| Operating Receipts | 37,940 | 36,763 | 3.2% |
| Proceeds from Assets Sales | 1,338 | 981 | 36.4% |
| Proceeds from sale of investments | 3,500 | 500 | 600.0% |
| Repayment from Deferred Debtors | 3 | 4 | -25.0% |
| Proceeds from Borrowings | 3,800 | 0 | 0.0% |
| TOTAL RECEIPTS | 46,581 | 38,248 | 21.8% |
| CASH OUTFLOWS | | | |
| Operating Payments | 28,973 | 27,378 | 5.8% |
| Purchase of Assets | 13,993 | 8,372 | 67.1% |
| Repayment of Loans | 240 | 170 | 41.2% |
| TOTAL PAYMENTS | 43,206 | 35,920 | 20.3% |
| TOTAL CASH MOVEMENT | 3,375 | 2,328 | 45.0% |
| Cash assets | 14,171 | 10,796 | |
| Investments (current and non-current) | 2,760 | 5,837 | |
| Total Cash & Investments on Hand | 16,931 | 16,633 | 1.8% |

Cash Outflows for “Purchase of Assets” of \$14.0m included road and bridge construction totalling \$5.0m. This compares with the \$5.2m 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 \$21.5m.

The other major asset purchases related to plant and equipment of \$3.0m and buildings of \$3.1m, including construction of the Coonabarabran Council administration office extensions.

FINANCIAL SUSTAINABILITY

All councils have had an external assessment by NSW Treasury Corporation (“TCorp”) during the 2013 financial year regarding the sector’s financial sustainability. TCorp has defined financial sustainability as follows:

“A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community”

Based on TCorps assessment of Council’s financial results from 2009 to 2011, the unaudited Special Schedules 7 and 8, ten year financial forecasts and other factors (e.g. Population growth, workforce demographics and skills, environmental and natural disaster factors) it has assessed Councils financial sustainability as Weak and it’s outlook as Negative.

It should be noted that the audit of the financial statements is an audit of Council at a point in time whereas the TCorp report evaluation is for the future sustainability of Council and:

- Did not take into account the financial results from 2012 and 2013 have not been considered;
- It includes unaudited data from Special Schedules 7 and 8 as well as the ten year financial forecast; and
- Is based upon future data, which includes assumptions and judgements regarding the future operations of Council, including what revenue and expenses will be incurred in the future, as well as significant judgement with regard to other non-financial information.

For Council to improve its financial sustainability position it will need to consider the following:

- Seek variations in rating and user charge revenue increases in order to match or exceed future increases in operational expenditure;
- Continue to improve its asset management plans and processes in order to understand future infrastructure replacement and maintenance needs;
- Prudent use of borrowings to support long term infrastructure improvements;
- Continue to review its long term financial forecast modelling and assumptions in order to provide an accurate picture of long term financial issues; and
- Further community consultation to identify acceptable service levels including acceptable condition of its infrastructure assets.

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 \$41,000 after allowing for depreciation of \$778,000.

The Net Current Asset position records a positive balance of \$1,547,000. The net current asset position provides a satisfactory 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 \$9.0m.

Sewerage services

The Sewerage function recorded an operating surplus (before capital funding) of \$77,000 after allowing for depreciation of \$402,000.

The current level of Net Current Assets of \$1,697,000 is satisfactory in the short to medium term. Working capital decreased from \$2,429,000 at the end of 2012 due to an internal loan from the sewer fund to the general fund, which was approved by the Division of Local Government.

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 \$1.5m.

GENERAL

Reporting obligations under the Local Government Act

Council's systems and records have been well maintained during the year and that Council's audited accounts will be submitted to the Department of Local Government well within the prescribed time provide for in Division 2 of the *Local Government Act 1993*.

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

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

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

Yours faithfully

FORSYTHS BUSINESS SERVICES PTY LTD



Paul Cornall
Principal