

Warrumbungle Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

"excellence in local government"



Warrumbungle Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2014

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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 20 October 2014. 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 2014

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 2014.

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 Office of Local Government.

About the Councillor/Management Statement

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

Warrumbungle Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2014

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 21 August 2014.



Peter Shinton
MAYOR



Ron Sullivan
COUNCILLOR



Steve Loane
GENERAL MANAGER



Stefan Murru
RESPONSIBLE ACCOUNTING OFFICER

Warrumbungle Shire Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014 \$ '000		Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
11,122	Rates & Annual Charges	3a	11,002	10,420
6,278	User Charges & Fees	3b	7,413	5,994
1,139	Interest & Investment Revenue	3c	838	1,067
872	Other Revenues	3d	1,024	2,339
13,988	Grants & Contributions provided for Operating Purposes	3e,f	11,605 ²	15,069
1,185	Grants & Contributions provided for Capital Purposes	3e,f	1,210	1,006
Other Income:				
59	Net gains from the disposal of assets	5	93	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	26	10
34,643	Total Income from Continuing Operations		33,211	35,905
Expenses from Continuing Operations				
13,080	Employee Benefits & On-Costs	4a	13,662	12,994
504	Borrowing Costs	4b	371	255
8,631	Materials & Contracts	4c	7,878	7,906
10,275	Depreciation & Amortisation	4d	10,061	9,525
-	Impairment	4d	-	-
5,022	Other Expenses	4e	7,098	5,554
-	Interest & Investment Losses	3c	-	-
-	Net Losses from the Disposal of Assets	5	-	600
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
37,549	Total Expenses from Continuing Operations		39,070	36,834
(2,906)	Operating Result from Continuing Operations		(5,859)	(929)
Discontinued Operations				
	Net Profit/(Loss) from Discontinued Operations	24	-	-
(2,906)	Net Operating Result for the Year		(5,859)	(929)
(2,906)	Net Operating Result attributable to Council		(5,859)	(929)
	Net Operating Result attributable to Non-controlling Interests		-	-
(4,091)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(7,069)	(1,935)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

Warrumbungle Shire Council

Statement of Comprehensive Income for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		(5,859)	(929)
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)	13,919	(14,719)
Adjustment to correct prior period errors		-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(108)
Other Movements		-	-
Total Items which will not be reclassified subsequently to the Operating Result		13,919	(14,827)
<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)	-	-
Movement in share of JV net assets	20b (ii)	(31)	-
Revaluation of Non-Current Inventory	20b (ii)	25	-
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		(6)	-
Total Other Comprehensive Income for the year		13,913	(14,827)
Total Comprehensive Income for the Year		8,054	(15,756)
Total Comprehensive Income attributable to Council		8,054	(15,756)
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Warrumbungle Shire Council

Statement of Financial Position as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	8,017	14,171
Investments	6b	1,551	-
Receivables	7	3,530	4,013
Inventories	8	618	536
Total Current Assets		13,716	18,720
Non-Current Assets			
Investments	6b	1,444	2,760
Receivables	7	50	1
Inventories	8	344	319
Infrastructure, Property, Plant & Equipment	9	442,871	428,890
Investments accounted for using the equity method	19	291	296
Intangible Assets	25	283	-
Total Non-Current Assets		445,283	432,266
TOTAL ASSETS		458,999	450,986
LIABILITIES			
Current Liabilities			
Payables	10	2,160	2,395
Borrowings	10	440	397
Provisions	10	3,650	3,642
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Current Liabilities		6,250	6,434
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	4,464	4,901
Provisions	10	1,777	1,197
Investments accounted for using the equity method	19	-	-
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Non-Current Liabilities		6,241	6,098
TOTAL LIABILITIES		12,491	12,532
Net Assets		446,508	438,454
EQUITY			
Retained Earnings	20	351,799	357,689
Revaluation Reserves	20	94,709	80,765
Council Equity Interest		446,508	438,454
Non-controlling Interests		-	-
Total Equity		446,508	438,454

Warrumbungle Shire Council

Statement of Changes in Equity for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		357,689	80,765	438,454	-	438,454
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		357,689	80,765	438,454	-	438,454
c. Net Operating Result for the Year		(5,859)	-	(5,859)	-	(5,859)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	13,919	13,919	-	13,919
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Reserves Movements (reval of inventory)	20b (ii)		25	25	-	25
- Other Reserves Movements (share of JV)	20b (ii)	(31)	-	(31)	-	(31)
Other Comprehensive Income		(31)	13,944	13,913	-	13,913
Total Comprehensive Income (c&d)		(5,890)	13,944	8,054	-	8,054
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		351,799	94,709	446,508	-	446,508

\$ '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)
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(108)	(108)	-	(108)
- Other Reserves Movements (reval of inventory)	20b (ii)	-	-	-	-	-
- Other Reserves Movements (share of JV)	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

Warrumbungle Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
<u>Receipts:</u>				
11,122	Rates & Annual Charges		11,128	10,458
6,278	User Charges & Fees		8,264	6,229
876	Investment & Interest Revenue Received		661	609
15,173	Grants & Contributions		12,815	16,427
-	Bonds, Deposits & Retention amounts received		-	487
1,805	Other		2,670	3,730
<u>Payments:</u>				
(13,080)	Employee Benefits & On-Costs		(13,590)	(12,794)
(8,629)	Materials & Contracts		(8,458)	(9,401)
(504)	Borrowing Costs		(168)	(320)
-	Bonds, Deposits & Retention amounts refunded		(94)	-
(5,931)	Other		(9,067)	(6,458)
7,110	Net Cash provided (or used in) Operating Activities	11b	4,161	8,967
Cash Flows from Investing Activities				
<u>Receipts:</u>				
-	Sale of Investment Securities		-	3,500
859	Sale of Infrastructure, Property, Plant & Equipment		1,051	1,338
	Deferred Debtors Receipts		-	3
<u>Payments:</u>				
(10,204)	Purchase of Infrastructure, Property, Plant & Equipment		(10,928)	(13,993)
	Deferred Debtors & Advances Made		(44)	-
(9,345)	Net Cash provided (or used in) Investing Activities		(9,921)	(9,152)
Cash Flows from Financing Activities				
<u>Receipts:</u>				
	Nil			
3,100	Proceeds from Borrowings & Advances		-	3,800
<u>Payments:</u>				
	Nil			
(630)	Repayment of Borrowings & Advances		(389)	(183)
(5)	Repayment of Finance Lease Liabilities		(5)	(57)
2,465	Net Cash Flow provided (used in) Financing Activities		(394)	3,560
230	Net Increase/(Decrease) in Cash & Cash Equivalents		(6,154)	3,375
10,234	plus: Cash & Cash Equivalents - beginning of year	11a	14,171	10,796
10,464	Cash & Cash Equivalents - end of the year	11a	8,017	14,171
Additional Information:				
	plus: Investments on hand - end of year	6b	2,995	2,760
Total Cash, Cash Equivalents & Investments			11,012	16,931

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

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Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 Australian Accounting 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

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

(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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets 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 non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) 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)].

(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 Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying Council's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (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 it 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.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend Income

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

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(ii) all the related operating results (for the financial year ended the 30th June 2014).

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

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

(i) The Consolidated Fund

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

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

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

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

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

Any interests in Joint Venture Entities & 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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

(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.

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

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

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

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

(f) Investments and Other Financial Assets

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

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

Initial Recognition

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

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

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

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

Subsequent costs

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

Stormwater Assets

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

Transport Assets

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

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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 (if appropriate), at each reporting date.

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

(m) Intangible Assets

IT Development and Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(n) Crown Reserves

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(s) Impairment of assets

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

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

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

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

leave expected to be wholly 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.

All other short-term employee benefit obligations are presented as payables.

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 wholly 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"

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 30/06/2013.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 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 2014 was \$240,106.

The amount of additional contributions included in the total employer contribution advised above is \$138,852.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$555,412 as at 30 June 2014.

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.

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.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

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 and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

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.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

Applicable to Local Government but no implications for Council;

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities)

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 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 2015.

Not applicable to Local Government per se;

None

There are no other standards that are "not yet effective" and expected to have a material impact on

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Council 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 2014

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
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	2	2		342	333	351	(340)	(331)	(351)	-	-	-	-
Administration	194	656	786	4,992	5,202	4,548	(4,798)	(4,546)	(3,762)	130	65	27,313	30,237
Public Order & Safety	2,711	2,717	3,189	3,440	3,854	3,800	(729)	(1,137)	(611)	2,686	2,437	3,630	3,851
Health	78	82	613	217	215	715	(139)	(133)	(102)	20	2	1,976	1,582
Environment	1,915	2,034	1,679	2,550	2,567	2,178	(635)	(533)	(499)	51	58	5,965	-
Community Services & Education	3,059	3,038	3,063	3,185	3,198	3,064	(126)	(160)	(1)	1,876	2,027	6,661	4,958
Housing & Community Amenities	259	238	173	769	754	906	(510)	(516)	(733)	70	32	4,861	9,843
Water Supplies	2,969	3,193	2,975	2,859	2,923	2,769	110	270	206	368	292	33,096	31,875
Sewerage Services	1,447	1,362	1,339	1,419	1,449	1,262	28	(87)	77	12	41	25,029	25,660
Recreation & Culture	273	257	211	3,247	3,325	2,982	(2,974)	(3,068)	(2,771)	125	86	25,939	19,828
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	984	1,627	371	1,222	1,886	452	(238)	(259)	(81)	-	-	1,647	674
Transport & Communication	6,795	6,887	7,949	12,631	12,683	13,238	(5,836)	(5,796)	(5,289)	1,580	2,676	321,511	321,200
Economic Affairs	229	195	155	676	681	569	(447)	(486)	(414)	114	99	1,080	982
Total Functions & Activities	20,915	22,288	22,503	37,549	39,070	36,834	(16,634)	(16,782)	(14,331)	7,032	7,815	458,708	450,690
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	26	10	-	-	-	-	26	10	-	-	291	296
General Purpose Income ¹	13,728	10,897	13,392	-	-	-	13,728	10,897	13,392	3,204	5,722	-	-
Operating Result from Continuing Operations	34,643	33,211	35,905	37,549	39,070	36,834	(2,906)	(5,859)	(929)	10,236	13,537	458,999	450,986

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 2014

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,

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

AGRICULTURE

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 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		1,846	1,779
Farmland		4,570	4,437
Business		542	530
Total Ordinary Rates		6,958	6,746
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		1,418	1,117
Water Supply Services		1,231	1,212
Sewerage Services		1,104	1,007
Waste Management Services (non-domestic)		291	338
Total Annual Charges		4,044	3,674
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>11,002</u>	<u>10,420</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 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		1,382	1,337
Sewerage Services		91	128
Total User Charges		1,473	1,465
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Regulation		18	13
Planning Regulation		37	27
Private Works - Section 67		142	434
Registration Fees		29	26
Regulatory Fees		40	30
Section 149 Certificates (EPA Act)		32	35
Section 603 Certificates		16	17
Statutory Fees		4	3
Total Fees & Charges - Statutory/Regulatory		318	585
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aged Care		175	143
Cemeteries		65	65
Child Care		842	800
Lease Rentals		24	28
Leaseback Fees - Council Vehicles		81	83
Park Rents		5	8
Quarry Revenues		1,555	324
RMS (formerly RTA) Charges (State Roads not controlled by Council)		2,665	2,277
Sundry Sales		17	7
Swimming Centres		110	98
Tourism		46	47
Waste Disposal Tipping Fees		36	41
Other		1	23
Total Fees & Charges - Other		5,622	3,944
TOTAL USER CHARGES & FEES		7,413	5,994

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		143	155
- Interest earned on Investments (interest & coupon payment income)		345	453
- Interest & Dividend Income (Other)		-	-
Impairment Losses/Reversals			
- Impairment (Losses)/Reversals - Investments other than AFS		235	424
Other		115	35
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>838</u>	<u>1,067</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		83	92
General Council Cash & Investments		486	832
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		5	11
- Section 64		4	5
Water Fund Operations		114	65
Sewerage Fund Operations		146	62
Total Interest & Investment Revenue Recognised		<u>838</u>	<u>1,067</u>
(d) Other Revenues			
Rental Income - Other Council Properties		125	84
Legal Fees Recovery - Rates & Charges (Extra Charges)		218	70
Commissions & Agency Fees		116	124
Diesel Rebate		142	119
Insurance Claim Recoveries		121	388
Recycling Income (non domestic)		218	105
Sale of Land for Overdue Rates		-	-
Reimbursements for Wambelong Fire related costs		-	1,283
Other		84	166
<u>TOTAL OTHER REVENUE</u>		<u>1,024</u>	<u>2,339</u>

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,973	3,468	-	-
Financial Assistance - Local Roads Component	1,130	2,163	-	-
Pensioners' Rates Subsidies - General Component	101	91	-	-
Total General Purpose	3,204	5,722	-	-

¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.

Specific Purpose

Pensioners' Rates Subsidies:

- Water	41	45	-	-
- Sewerage	12	41	-	-
- Domestic Waste Management	51	59	-	-
Water Supplies	-	-	325	247
Aged Care	702	723	-	-
Bushfire & Emergency Services	2,255	2,139	363	293
Child Care	1,174	1,253	-	-
Community Care	55	47	-	-
Economic Development	100	97	-	-
Employment & Training Programs	116	68	-	-
Heritage & Cultural	8	8	-	-
Library	55	57	-	-
Recreation & Culture	93	80	-	-
Transport (Roads to Recovery)	1,027	1,572	-	-
Transport (Other Roads & Bridges Funding)	33	651	485	430
Other	137	5	-	-
Total Specific Purpose	5,859	6,845	1,173	970
Total Grants	9,063	12,567	1,173	970

Grant Revenue is attributable to:

- Commonwealth Funding	5,302	8,238	-	-
- State Funding	3,626	4,329	1,173	970
- Other Funding	135	-	-	-
	9,063	12,567	1,173	970

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000		2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions					
Developer Contributions:					
(s93 & s94 - EP&A Act, s64 of the LGA):					
S 94A - Fixed Development Consent Levies		-	-	28	32
Total Developer Contributions	17	-	-	28	32
Other Contributions:					
Kerb & Gutter		-	-	9	4
RMS Contributions (Regional Roads, Block Grant)		2,542	2,502	-	-
Total Other Contributions		2,542	2,502	9	4
Total Contributions		2,542	2,502	37	36
<u>TOTAL GRANTS & CONTRIBUTIONS</u>		<u>11,605</u>	<u>15,069</u>	<u>1,210</u>	<u>1,006</u>

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

	Actual 2014	Actual 2013
\$ '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	2,009	1,903
add: Grants & contributions recognised in the current period but not yet spent:	975	769
less: Grants & contributions recognised in a previous reporting period now spent:	(1,975)	(663)
Net Increase (Decrease) in Restricted Assets during the Period	(1,000)	106
Unexpended and held as Restricted Assets	1,009	2,009
Comprising:		
- Specific Purpose Unexpended Grants	676	1,713
- Developer Contributions	333	296
	1,009	2,009

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		10,752	10,393
Employee Leave Entitlements (ELE)		1,879	2,004
Superannuation		1,222	1,141
Workers' Compensation Insurance		556	370
Fringe Benefit Tax (FBT)		34	24
Training Costs (other than Salaries & Wages)		237	215
Protective Clothing		46	43
Total Employee Costs		14,726	14,190
less: Capitalised Costs		(1,064)	(1,196)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>13,662</u>	<u>12,994</u>
Number of "Equivalent Full Time" Employees at year end		185	196
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		208	211
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		302	200
Charges relating to Finance Leases		-	3
Total Interest Bearing Liability Costs		302	203
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		302	203
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)		-	-
- Remediation Liabilities	26	69	52
Total Other Borrowing Costs		69	52
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>371</u>	<u>255</u>

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts			
Raw Materials & Consumables		3,432	2,772
Contractor & Consultancy Costs		3,912	4,793
Auditors Remuneration ⁽¹⁾		58	63
Legal Expenses:			
- Legal Expenses: Planning & Development		75	13
- Legal Expenses: Debt Recovery		251	115
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		150	150
Total Materials & Contracts		7,878	7,906
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		7,878	7,906
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		31	34
- Audit & review of financial statements: Other Consolidated Entity Auditors		-	-
- Audit of regulatory returns		-	6
- Internal Audit		27	23
Remuneration for audit and other assurance services		58	63
(ii) Taxation Services			
- Tax compliance services		-	-
Remuneration for taxation services		-	-
(iii) Other Services			
- Remuneration advice		-	-
- Benchmarking advice		-	-
Remuneration for other services		-	-
Total Auditor Remuneration		58	63
2. Operating Lease Payments are attributable to:			
Computers		150	150
Other		-	-
		150	150

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	2,286	2,031
Office Equipment		-	-	88	42
Furniture & Fittings		-	-	20	21
Property, Plant & Equipment - Leased		-	-	-	42
Land Improvements (depreciable)		-	-	47	42
Buildings - Non Specialised		-	-	241	174
Buildings - Specialised		-	-	476	348
Other Structures		-	-	333	327
Infrastructure:					
- Roads		-	-	4,957	5,202
- Bridges		-	-	185	-
- Footpaths		-	-	108	-
- Stormwater Drainage		-	-	141	141
- Water Supply Network		-	-	756	723
- Sewerage Network		-	-	378	386
Asset Reinstatement Costs	9 & 26	-	-	45	46
Intangible Assets	25	-	-	-	-
Total Depreciation & Impairment Costs		-	-	10,061	9,525
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	10,061	9,525

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		84	70
Bad & Doubtful Debts		157	115
Bank Charges		49	37
Conferences		32	29
Contributions/Levies to Other Levels of Government			
- NSW Fire Brigade Levy		42	41
- NSW Rural Fire Service Levy		2,524	2,185
- Noxious Weeds		95	93
- Orana Arts		10	9
Councillor Expenses - Mayoral Fee		23	22
Councillor Expenses - Councillors' Fees		95	91
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		119	81
Donations, Contributions & Assistance to other organisations (Section 356)		227	204
- Community Development Co-ordinators		80	64
- Regional Library Contributions		447	467
Election Expenses		-	71
Electricity & Heating		629	590
Insurance		505	230
Postage		22	29
Printing & Stationery		43	64
Registration & Licences		184	352
Street Lighting		88	103
Subscriptions & Publications		31	73
Telephone & Communications		254	240
Tourism Expenses (excluding employee costs)		128	129
Valuation Fees		50	47
Quarry product cost of goods sold		1,118	60
Other		62	58
Total Other Expenses		7,098	5,554
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>7,098</u>	<u>5,554</u>

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
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		1,051	1,338
less: Carrying Amount of P&E Assets Sold / Written Off		(755)	(1,501)
Net Gain/(Loss) on Disposal		296	(163)
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(203)	(376)
Net Gain/(Loss) on Disposal		(203)	(376)
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
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		-	(3,500)
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		93	(600)
* 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 2014

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

\$ '000	Notes	2014	2014	2013	2013
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		896	-	1,267	-
Cash-Equivalent Assets ¹					
- Deposits at Call		4,103	-	8,404	-
- Short Term Deposits		3,018	-	4,500	-
Total Cash & Cash Equivalents		8,017	-	14,171	-
Investments (Note 6b)					
- NCD's, FRN's (with Maturities > 3 months)		1,551	1,444	-	2,760
Total Investments		1,551	1,444	-	2,760
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		9,568	1,444	14,171	2,760

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		8,017	-	14,171	-
--	--	--------------	----------	---------------	----------

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)	1,551	1,444	-	2,760
b. "Held to Maturity"	6(b-ii)	-	-	-	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-

Investments		1,551	1,444	-	2,760
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Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 6b. Investments (continued)

	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
\$ '000				
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	-	2,760	3,317	2,520
Revaluations (through the Income Statement)	126	109	183	240
Additions	-	-	-	-
Disposals (sales & redemptions)	-	-	(3,500)	-
Transfers between Current/Non Current	1,425	(1,425)	-	-
Balance at End of Year	1,551	1,444	-	2,760
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	1,551	1,144	-	2,760
Total	1,551	1,444	-	2,760

Warrumbungle Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investments	9,568	1,444	14,171	2,760
attributable to:				
External Restrictions (refer below)	4,733	1,444	4,596	1,454
Internal Restrictions (refer below)	2,936	-	5,222	-
Unrestricted	1,899	-	4,353	1,306
	9,568	1,444	14,171	2,760

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Trust	645	-	(94)	551
External Restrictions - Included in Liabilities	645	-	(94)	551

External Restrictions - Other

Developer Contributions - General (D)	182	35	-	217
Developer Contributions - Water Fund (D)	87	2	-	89
Developer Contributions - Sewer Fund (D)	27	-	-	27
Specific Purpose Unexpended Grants (F)	1,713	-	(1,037)	676
Water Supplies (G)	1,271	766	-	2,037
Sewerage Services (G)	2,125	383	-	2,508
Domestic Waste Management (G)	-	72	-	72
External Restrictions - Other	5,405	1,258	(1,037)	5,626
Total External Restrictions	6,050	1,258	(1,131)	6,177

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement (Fleet Fund)	1,632	5,616	(6,131)	1,117
Employees Leave Entitlement	1,096	25	-	1,121
Carry Over Works (excl Fleet carry overs)	2,155	-	(1,749)	406
Bio Solid Provision Coolah	100	-	-	100
Bio Solid Provision Dunedoo	100	-	-	100
L.E.P.	20	-	-	20
Town Improvement	-	-	-	-
Quarry Remediation Fund	119	-	(47)	72
Total Internal Restrictions	5,222	5,641	(7,927)	2,936
TOTAL RESTRICTIONS	11,272	6,899	(9,058)	9,113

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by Roads and Maritime Services for (RMS) 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** RMS 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 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,346	-	1,455	-
Interest & Extra Charges		245	-	269	-
User Charges & Fees		1,241	-	2,102	-
Private Works		-	-	41	-
Accrued Revenues					
- Interest on Investments		-	-	34	-
- Other Income Accruals		776	-	47	-
Government Grants & Subsidies		-	-	-	-
Deferred Debtors		1	50	6	1
Net GST Receivable		38	-	152	-
Other Debtors		9	-	19	-
Total		3,656	50	4,125	1
less: Provision for Impairment					
Rates & Annual Charges		(108)	-	(91)	-
User Charges & Fees		(18)	-	(21)	-
Total Provision for Impairment - Receivables		(126)	-	(112)	-
<u>TOTAL NET RECEIVABLES</u>		<u>3,530</u>	<u>50</u>	<u>4,013</u>	<u>1</u>
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		761	-	222	-
- Other		7	-	656	-
Sewerage Services					
- Rates & Availability Charges		587	-	473	-
- Other		-	-	88	1
Domestic Waste Management		-	-	174	-
Total External Restrictions		1,355	-	1,613	1
Internally Restricted Receivables					
Nil					
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		2,175	50	2,400	-
TOTAL NET RECEIVABLES		3,530	50	4,013	1

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013 10.00%).
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 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		-	344	-	319
Stores & Materials		479	-	414	-
Loose Tools		22	-	122	-
Other (Quarry Product)		117	-	-	-
Total Inventories		618	344	536	319
Other Assets					
Nil					
TOTAL INVENTORIES / OTHER ASSETS		618	344	536	319
Externally Restricted Assets					
Water					
Stores & Materials		6	-	37	-
Total Water		6	-	37	-
Sewerage					
Stores & Materials		-	-	4	-
Total Sewerage		-	-	4	-
Total Externally Restricted Assets		6	-	41	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		612	344	495	319
TOTAL INVENTORIES & OTHER ASSETS		618	344	536	319

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 8. Inventories & Other Assets (continued)

\$ '000	2014		2013	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	-	119	-	94
Industrial/Commercial	-	225	-	225
Total Real Estate for Resale	-	344	-	319
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	-	344	-	319
Total Costs	-	344	-	319
less: Provision for Under Recovery	-	-	-	-
Total Real Estate for Resale	-	344	-	319
Movements:				
Real Estate assets at beginning of the year	-	319	-	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	-	25	-	-
Total Real Estate for Resale	-	344	-	319
(c) Inventories recognised as an expense for the year included:				
- Real Estate for Resale			-	61
- Stores & Materials			1,808	8
- Trading Stock			699	-

(d) Inventory Write Downs

\$1,489.32 was recognised as an expense relating to the write down of Inventory balances held during the year.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other assets held.

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period							as at 30/6/2014				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	Reinstatement Costs for Impaired Assets	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment											Dep'n	Impairment	
Capital Work in Progress	3,697	-	-	-	3,697	3,749	-	-	-	(3,571)	-	-	3,875	-	-	-	3,875
Plant & Equipment	-	23,092	13,566	-	9,526	3,854	-	(755)	(2,286)	-	21	-	-	24,190	13,830	-	10,360
Office Equipment	-	1,943	1,591	-	352	83	-	-	(88)	-	(283)	-	-	1,644	1,581	-	63
Furniture & Fittings	-	546	465	-	81	35	-	-	(20)	121	-	-	-	701	484	-	217
Plant & Equipment (under Finance Lease)	-	76	55	-	21	-	-	-	-	-	(21)	-	-	-	-	-	-
Land:																	
- Operational Land	-	5,382	-	-	5,382	-	-	-	-	-	-	-	-	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	-	953	184	-	769	9	-	-	(47)	-	-	-	-	962	231	-	731
Buildings - Non Specialised	-	20,253	9,006	-	11,247	96	-	-	(241)	32	-	3,746	-	20,383	5,501	-	14,882
Buildings - Specialised	-	39,219	20,940	-	18,279	-	-	-	(476)	-	-	8,849	-	39,219	12,567	-	26,652
Other Structures	-	11,479	3,708	-	7,771	136	-	-	(333)	155	-	-	-	11,769	4,041	-	7,728
Infrastructure:																	
- Roads	-	201,232	29,312	-	171,920	2,613	122	(203)	(4,957)	-	-	-	-	202,526	33,032	-	169,494
- Bridges	-	43,961	6,358	-	37,603	-	-	-	(185)	2,689	-	-	-	46,649	6,542	-	40,107
- Footpaths	-	4,488	1,224	-	3,264	183	-	-	(108)	260	-	-	-	4,932	1,332	-	3,600
- Bulk Earthworks (non-depreciable)	-	103,239	-	-	103,239	-	-	-	-	-	-	-	-	103,239	-	-	103,239
- Stormwater Drainage	-	8,203	2,829	-	5,374	-	-	-	(141)	153	-	-	-	8,356	2,971	-	5,385
- Water Supply Network	-	58,403	30,855	-	27,548	19	-	-	(756)	161	-	750	-	60,219	32,497	-	27,722
- Sewerage Network	-	34,522	13,654	-	20,868	30	-	-	(378)	-	-	574	-	35,519	14,425	-	21,094
- Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets:																	
- Other	-	91	91	-	-	-	-	-	-	-	-	-	-	91	91	-	-
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																	
- Tip Assets	-	-	-	-	-	-	-	-	(11)	-	301	-	-	301	11	-	290
- Quarry Assets	-	911	257	-	654	-	-	-	(34)	-	135	-	-	1,046	291	-	755
- Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	3,697	559,288	134,095	-	428,890	10,807	122	(958)	(10,061)	-	153	13,919	3,875	568,423	129,427	-	442,871

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$4.526m) and New Assets (\$2.327m).
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).
Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000 Class of Asset	Actual 2014				Actual 2013			
	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	378	-	-	378	197	-	-	197
Plant & Equipment	-	391	167	224	-	366	122	244
Office Equipment	-	33	33	-	-	33	33	-
Furniture & Fittings	-	-	-	-	-	-	-	-
Land								
- Operational Land	-	364	-	364	-	296	-	296
- Community Land	-	-	-	-	-	-	-	-
- Improvements non-depreciable	-	-	-	-	-	-	-	-
- Improvements - depreciable	-	5	5	-	-	5	5	-
Buildings	-	1,415	332	1,083	-	1,415	528	887
Other Structures	-	537	117	420	-	537	107	430
Infrastructure	-	60,217	32,497	27,720	-	58,403	30,855	27,548
Other Assets	-	-	-	-	-	-	-	-
Total Water Supply	378	62,962	33,151	30,189	197	61,055	31,650	29,602
Sewerage Services								
WIP	3	-	-	3	-	-	-	-
Plant & Equipment	-	245	188	57	-	184	183	1
Office Equipment	-	7	-	7	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-
Land								
- Operational Land	-	428	-	428	406	-	-	406
- Community Land	-	-	-	-	-	-	-	-
- Improvements non-depreciable	-	-	-	-	-	-	-	-
- Improvements - depreciable	-	-	-	-	-	-	-	-
Buildings	-	179	65	114	-	179	110	69
Other Structures	-	367	166	201	-	367	155	212
Infrastructure	-	35,519	14,425	21,094	-	34,522	13,654	20,868
Other Assets	-	-	-	-	-	-	-	-
Total Sewerage Services	3	36,745	14,844	21,904	406	35,252	14,102	21,556
TOTAL RESTRICTED I,PP&E	381	99,707	47,995	52,093	603	96,307	45,752	51,158

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(i) Impairment Losses recognised in the Income Statement:			
- N/A		-	-
Total Impairment Losses		-	-
(ii) Reversal of Impairment Losses previously recognised in the Income Statement:			
- N/A		-	-
Total Impairment Reversals		-	-
<u>IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L</u>	4(d)	-	-
(iii) Impairment Losses recognised direct to Equity (ARR):			
- 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):			
- N/A		-	-
Total Impairment Reversals		-	-
<u>IMPAIRMENT of ASSETS - DIRECT to EQUITY (ARR)</u>	20 (ii)	-	(108)

Refer to Note 9(a) for Impairment Restoration Works totalling \$122K 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 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,181	-	1,243	-
Accrued Expenses:					
- Borrowings		43	-	47	-
- Salaries & Wages		355	-	310	-
- Other Expenditure Accruals		19	-	136	-
Security Bonds, Deposits & Retentions		551	-	645	-
Other		11	-	14	-
Total Payables		2,160	-	2,395	-
Borrowings					
Loans - Secured ¹		440	4,464	392	4,901
Finance Lease Liabilities		-	-	5	-
Total Borrowings		440	4,464	397	4,901
Provisions					
Employee Benefits;					
Annual Leave		1,264	-	1,237	-
Long Service Leave		1,874	78	1,817	79
Other Leave		110	-	125	-
ELE On-Costs		402	8	386	9
Sub Total - Aggregate Employee Benefits		3,650	86	3,565	88
Asset Remediation/Restoration (Future Works)	26	-	1,691	77	1,109
Total Provisions		3,650	1,777	3,642	1,197
Total Payables, Borrowings & Provisions		6,250	6,241	6,434	6,098
(i) Liabilities relating to Restricted Assets					
		2014		2013	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		235	760	338	827
Sewer		79	1	74	1
Domestic Waste Management		-	-	-	-
Other		551	-	645	-
Liabilities relating to externally restricted assets		865	761	1,057	828
Internally Restricted Assets					
Nil		-	-	-	-
Liabilities relating to internally restricted assets		-	-	-	-
Total Liabilities relating to restricted assets		865	761	1,057	828
Total Liabilities relating to Unrestricted Assets		5,385	5,480	5,377	5,270
TOTAL PAYABLES, BORROWINGS & PROVISIONS		6,250	6,241	6,434	6,098

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 2014

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

	Actual 2014	Actual 2013
\$ '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	2,401	2,164
	2,401	2,164

Note 10b. Description of and movements in Provisions

Class of Provision	2013	2014				Closing Balance as at 30/6/14
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,237	807	(788)	8	-	1,264
Long Service Leave	1,896	180	(149)	25	-	1,952
Other Leave	125	18	(33)	-	-	110
ELE On-Costs	395	-	-	15	-	410
Asset Remediation	1,186	316	-	189	-	1,691
TOTAL	4,839	1,321	(970)	237	-	5,427

- 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.
- 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 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	8,017	14,171
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		8,017	14,171
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(5,859)	(929)
Adjust for non cash items:			
Depreciation & Amortisation		10,061	9,525
Net Losses/(Gains) on Disposal of Assets		(93)	600
Non Cash Capital Grants and Contributions		-	-
Impairment Losses / (Prior Period Reversals) - Financial Investments		(235)	(424)
Unwinding of Discount Rates on Reinstatement Provisions		207	(94)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(26)	(10)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		464	(358)
Increase/(Decrease) in Provision for Doubtful Debts		14	26
Decrease/(Increase) in Inventories		(82)	178
Decrease/(Increase) in Other Assets		-	-
Increase/(Decrease) in Payables		(62)	(173)
Increase/(Decrease) in accrued Interest Payable		(4)	29
Increase/(Decrease) in other accrued Expenses Payable		(72)	59
Increase/(Decrease) in Other Liabilities		(97)	343
Increase/(Decrease) in Employee Leave Entitlements		83	195
Increase/(Decrease) in Other Provisions		(138)	-
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		4,161	8,967

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(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.

(f) 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 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(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 & Buildings		379	263
Plant & Equipment		133	1,357
Buildings - New Admin and Chambers		-	-
Bridges - Timber Bridge Replacement Program		3,009	3,703
Infrastructure		486	1,194
Total Commitments		4,007	6,517
These expenditures are payable as follows:			
Within the next year		3,087	5,597
Later than one year and not later than 5 years		920	920
Later than 5 years		-	-
Total Payable		4,007	6,517
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		-	132
Externally Restricted Reserves		240	-
Internally Restricted Reserves		667	3,247
New Loans (to be raised)		3,100	3,100
Total Sources of Funding		4,007	6,517

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) Finance Lease Commitments			
(i) Commitments under Finance Leases at the Reporting Date are payable as follows:			
Within the next year		-	5
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Minimum Lease Payments		-	5
less: Future Finance Charges		-	-
Amount Recognised as a Liability		-	5
(ii) Finance Lease Liability Recognised represent;			
Current Liabilities		-	5
Non-Current Liabilities		-	-
Total Finance Lease Liabilities Disclosed		-	5
(iii) General Details			
Council Leases the following Property, Plant & Equipment under Finance Leases:			
	Term (Years)	Option to Purchase	Contingent Rent Clauses
Other Equipment/Assets	4	n	n
Total Carrying Value at Year End		-	5
(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		125	225
Later than one year and not later than 5 years		21	146
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		146	371
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 2014

Note 12. Commitments for Expenditure (continued)

		Actual	Actual
\$ '000	Notes	2014	2013

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 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013
Local Government Industry Indicators - Consolidated			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions) - Operating Expenses	<u>(7,188)</u>	-22.55%	-3.86%
Total continuing operating revenue ⁽¹⁾	<u>31,882</u>		
(excl. Capital Grants & Contributions)			
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
(less ALL Grants & Contributions)	<u>20,277</u>	61.27%	55.22%
Total continuing operating revenue ⁽¹⁾	<u>33,092</u>		
3. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽²⁾	<u>7,622</u>	2.55 : 1	3.88
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>2,984</u>		
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>3,244</u>	4.24	17.04
Principal Repayments (from the Statement of Cash Flows)	<u>765</u>		
+ Borrowing Interest Costs (from the Income Statement)			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual and Extra Charges Outstanding	<u>1,483</u>	11.41%	13.30%
Rates, Annual and Extra Charges Collectible	<u>12,996</u>		
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>8,017</u>	3.03	5.82
Payments from cash flow of operating and financing activities	<u>2,648</u>		

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

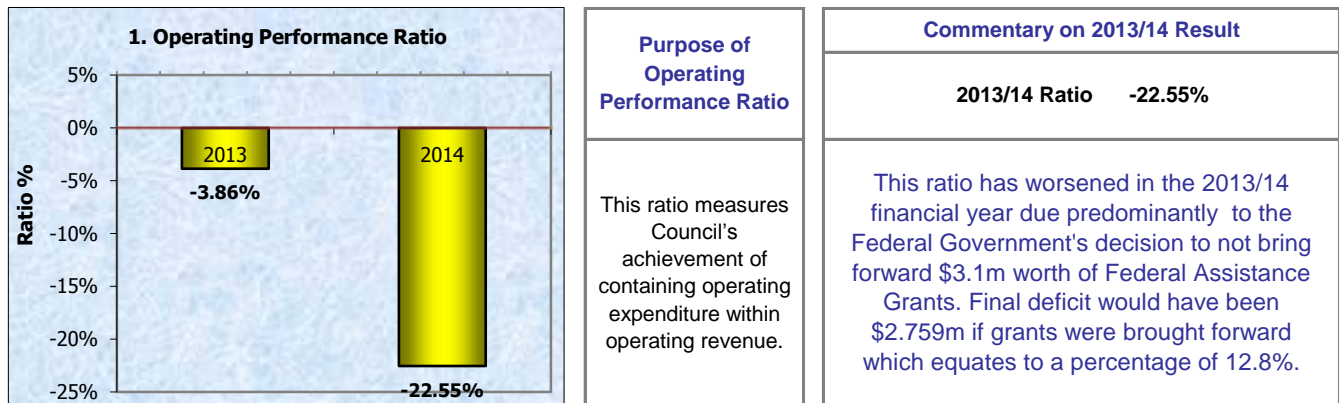
⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

Warrumbungle Shire Council

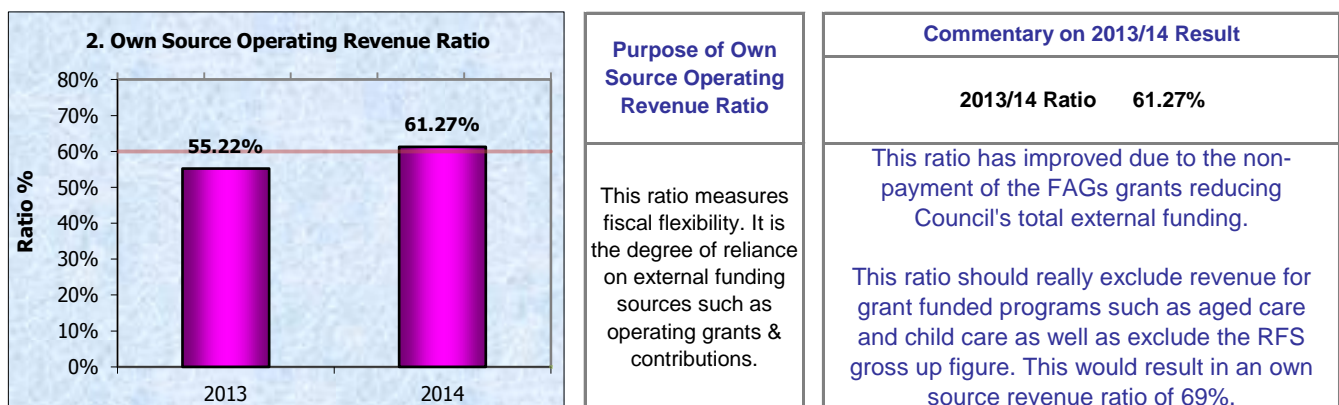
Notes to the Financial Statements for the financial year ended 30 June 2014

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



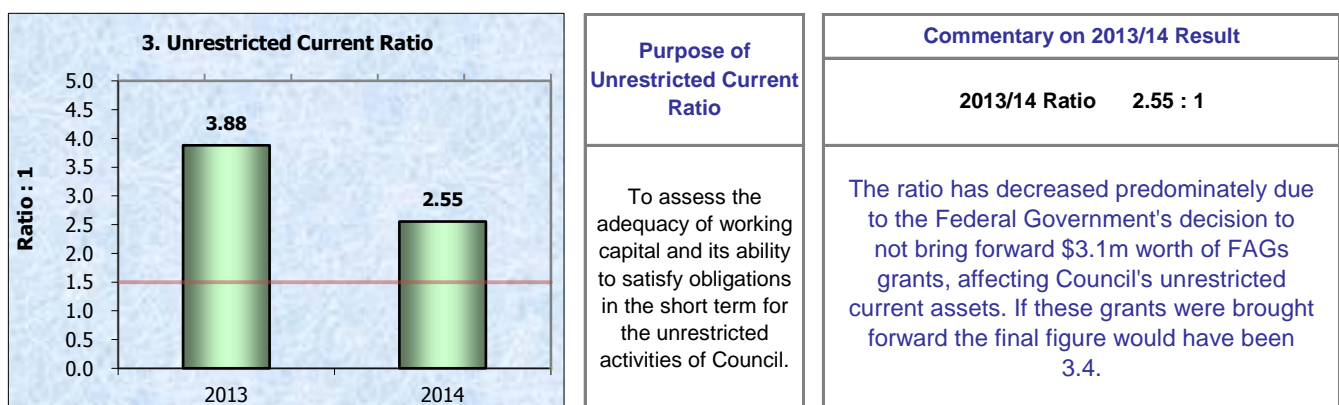
— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



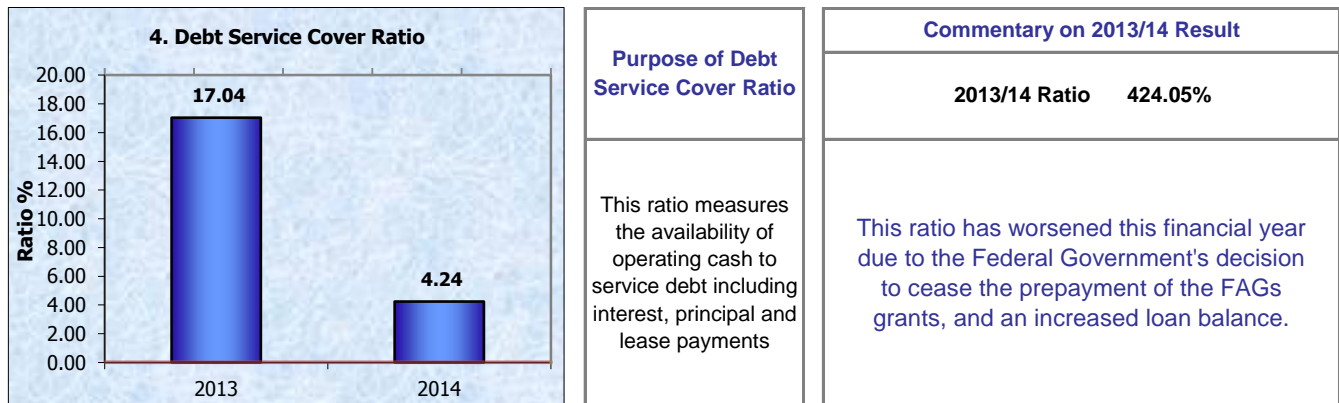
— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Warrumbungle Shire Council

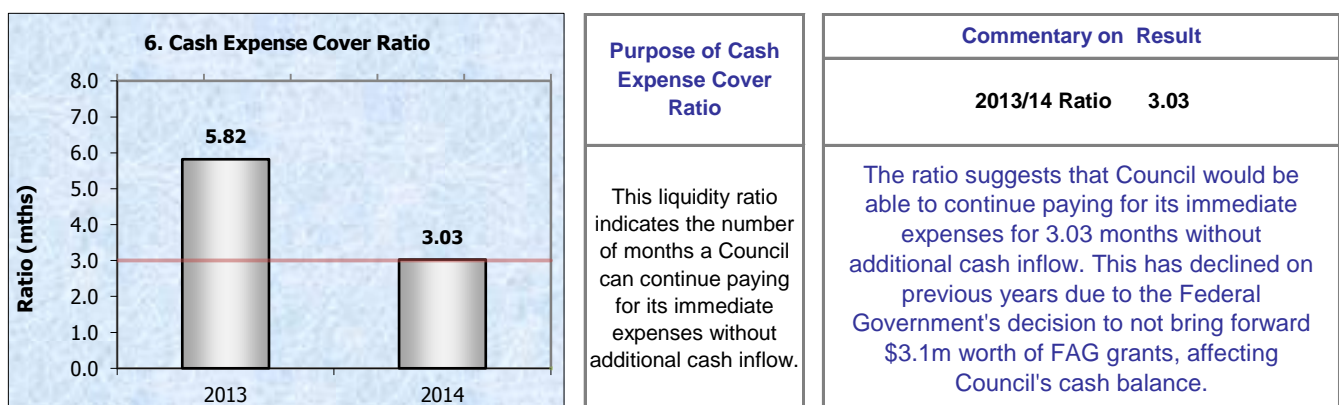
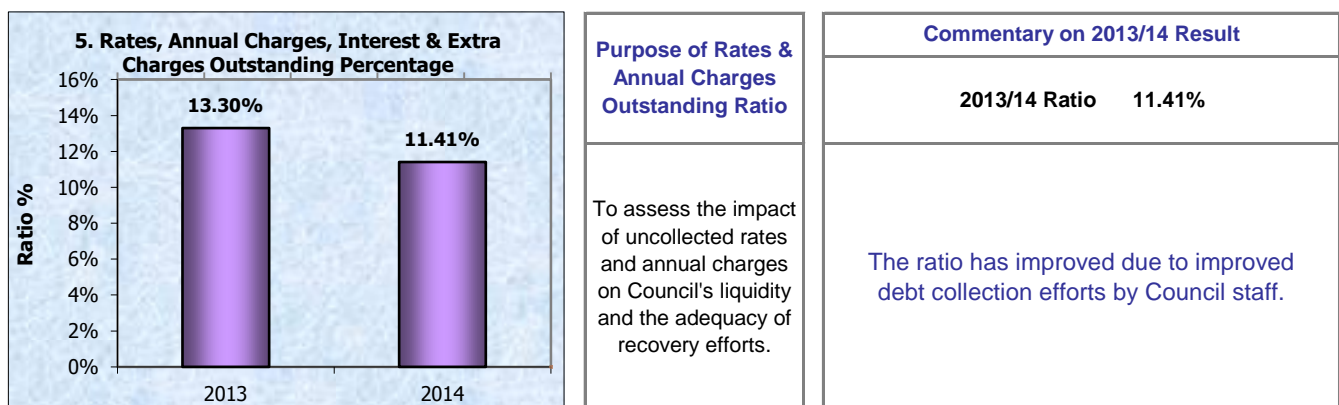
Notes to the Financial Statements for the financial year ended 30 June 2014

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



— Minimum 2.00%

Source for Benchmark: NSW Treasury Corporation



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Water 2014	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions) - Operating Expenses	-2.16%	-0.63%	-25.81%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: -1.80%	5.75%	-4.45%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾	88.44%	99.17%	56.31%
(less ALL Grants & Contributions)			
Total continuing operating revenue ⁽¹⁾	prior period: 89.92%	96.86%	50.18%
3. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽²⁾	11.13 : 1	33.77 : 1	2.55 : 1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 5.58	23.93	3.88
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	10.49	-	2.98
Principal Repayments (from the Statement of Cash Flows)			
+ Borrowing Interest Costs (from the Income Statement)	prior period: 9.46	-	17.38
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual and Extra Charges Outstanding	13.49%	35.07%	7.37%
Rates, Annual and Extra Charges Collectible			
	prior period: 15.56%	33.55%	11.76%
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents including All Term Deposits	9.61	15.69	2.07
Payments from cash flow of operating and financing activities	prior period: 5.74	15.14	5.52

Notes

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

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 14. Investment Properties

		Actual	Actual
\$ '000	Notes	2014	2013

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 2014

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	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	8,017	14,171	8,017	14,171
Investments				
- "Held for Trading"	-	-	-	-
- "Designated At Fair Value on Initial Recognition"	2,995	2,760	2,995	2,760
- "Held to Maturity"	-	-	-	-
- "Loans & Receivables"	-	-	-	-
- "Available for Sale"	-	-	-	-
Receivables	3,580	4,014	3,580	4,014
Other Financial Assets	-	-	-	-
Total Financial Assets	14,592	20,945	14,592	20,945
Financial Liabilities				
Bank Overdraft	-	-	-	-
Payables	2,160	2,395	2,160	2,395
Loans / Advances	4,904	5,293	4,223	4,345
Lease Liabilities	-	5	-	5
Total Financial Liabilities	7,064	7,693	6,383	6,745

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.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio 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 risks associated with the investments held are:

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

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

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & 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
2014				
Possible impact of a 10% movement in Market Values	300	300	300	300
Possible impact of a 1% movement in Interest Rates	80	80	80	80
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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

There are no 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:

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	27%	54%	100%	100%
Overdue	73%	46%		
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)	362	1,274	359	1,905
Past due by up to 30 days	446	325	170	250
Past due between 31 and 60 days	113	20	130	109
Past due between 61 and 90 days	159	247	116	58
Past due by more than 90 days	266	494	680	349
	1,346	2,360	1,455	2,671
(iii) Movement in Provision for Impairment of Receivables			2014	2013
Balance at the beginning of the year			112	86
+ new provisions recognised during the year			126	112
- previous impairment losses reversed			(112)	(86)
Balance at the end of the year			126	112

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	551	1,609	-	-	-	-	-	2,160	2,160
Loans & Advances	-	890	871	851	831	810	3,069	7,322	4,904
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	551	2,499	871	851	831	810	3,069	9,482	7,064
2013									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	645	1,750	-	-	-	-	-	2,395	2,395
Loans & Advances	-	392	412	431	454	477	3,127	5,293	5,293
Lease Liabilities	-	5	-	-	-	-	-	5	5
Total Financial Liabilities	645	2,147	412	431	454	477	3,127	7,693	7,693

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:

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	2,160	0.1%	2,395	0.1%
Loans & Advances - Fixed Interest Rate	4,904	6.0%	5,293	6.0%
Lease Liabilities	-	0.0%	5	9.0%
	<u>7,064</u>		<u>7,693</u>	

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 20 June 2013.

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	2014 Budget	2014 Actual	2014 ----- Variance* -----	
REVENUES				
Rates & Annual Charges	11,122	11,002	(120)	(1%) U
No Budget Variation Details Are Required - Variance is < 10%				
User Charges & Fees	6,278	7,413	1,135	18% F
User charges are 18% over budget due predominately to higher than forecast quarry sales, RMS works and higher than budgeted water sales due to the relatively dry and hot summer.				
Interest & Investment Revenue	1,139	838	(301)	(26%) U
Interest and investment revenue was 26% below budget at year end due to lower than budgeted interest revenue as a result of Council's declining cash balance from the non-receipt of \$3.1m Federal Assistance Grants and the Reserve Bank's record low cash rate. Also contributing to this, is the lower than budgeted interest on outstanding rates as Council has improved processes in the collection of rates and user charges.				
Other Revenues	872	1,024	152	17% F
Other revenue was 17% over budget at year end due to higher than budgeted recycling income.				
Operating Grants & Contributions	13,988	11,605	(2,383)	(17%) U
Operating grants are 17% under budget at year end due predominantly to the Federal Government's decision to cease the prepayment of the Federal Assistance Grants (\$3.1m). This was offset by several grant items that came in over budget such as block grants, aged care grants and employee and training grants.				
Capital Grants & Contributions	1,185	1,210	25	2% F
No Budget Variation Details Are Required - Variance is < 10%				
Net Gains from Disposal of Assets	59	93	34	58% F
Net Gains from disposal of assets is 58% over budget due to higher than estimated fleet trade in revenue from higher than budgeted vehicle trade ins as a result of Council catching up on \$1.066m of delayed purchases from prior years.				

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----	
EXPENSES				
Employee Benefits & On-Costs	13,080	13,662	(582)	(4%) U
No Budget Variation Details Are Required - Variance is < 10%				
Borrowing Costs	504	371	133	26% F
Borrowing costs are 26% under budget due to Council delaying the draw down of the LIRS 2 Loan. However, this underspend is offset by higher than budgeted remediation expenses due partially to the recognition of tip assets for the first time, and post a review of quarry/pits remediation calculations.				
Materials & Contracts	8,631	7,878	753	9% F
No Budget Variation Details Are Required - Variance is < 10%				
Depreciation & Amortisation	10,275	10,061	214	2% F
No Budget Variation Details Are Required - Variance is < 10%				
Other Expenses	5,022	7,098	(2,076)	(41%) U
Other Expenses are 41% over budget predominately due to the higher than budgeted cost of quarry product and royalties as a majority of costs were budgeted as a part of materials and contracts as well as considerably better than forecast quarry product sales volumes.				
Share of Net Losses - JV & Associates	37	-	37	100% F
Net share of joint ventures are \$63k over budget due to Council receiving a net share of profit (\$26k) as opposed to the original conservative forecast loss of \$37k based on the 2011/12 performance.				

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 Variance* -----	
Budget Variations relating to Council's Cash Flow Statement include:				
Cash Flows from Operating Activities	7,110	4,161	(2,949)	(41.5%) U
Council's operating result was \$2.513m worse than originally budgeted predominately due to the Federal Government's decision to cease the prepayment of the first two quarters of the Federal Assistance Grants (\$3.1m). If Council had received the prepayment, the net operating cash flows would have been \$7.697m which is \$587k better than budget.				
Cash Flows from Investing Activities	(9,345)	(9,921)	(576)	6.2% U
Cash Flows from Investing Activities are higher than budget due to Council catching up on a portion of its capital works program from prior years. Notes: Original budget does not include revoted works.				
Cash Flows from Financing Activities	2,465	(394)	(2,859)	(116.0%) U
Cash Flows from Financing Activities are over budget by \$2.9m as Council decided to delay the draw down of \$3.1m of LIRS 2 funding to take advantage of recently announced grant funding under recent State and Federal Government budget announcements.				

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	-	4	-	-	-	-	4	-	(4)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	6	-	-	-	-	-	6	-	(6)	-	-
Community Facilities	4	-	-	-	-	-	4	-	(4)	-	-
Bushfire	11	-	-	1	-	-	12	-	(12)	-	-
Other	2	-	-	-	-	-	2	-	(2)	-	-
S94 Contributions - under a Plan	23	4	-	1	-	-	28	-	(28)	-	-
S94A Levies - under a Plan	159	24	-	5	-	-	188				-
Total S94 Revenue Under Plans	182	28	-	6	-	-	216				-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	-						-				
S64 Contributions	114			3			117				
Total Contributions	296	28	-	9	-	-	333	-	(28)	-	-

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	-	4					4		(4)	-	
Traffic Facilities	-						-			-	
Parking	-						-			-	
Open Space	6						6		(6)	-	
Community Facilities	4						4		(4)	-	
Bushfire	11			1			12		(12)	-	
Other	2						2		(2)	-	
Total	23	4	-	1	-	-	28	-	(28)	-	-

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

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	159	24		5			188				
Total	159	24	-	5	-	-	188				-

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 it's Defined Benefit Scheme obligations in accordance with AASB 119.

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

Council's share of this deficit has been broadly estimated to be \$555,412 as at 30 June 2014.

(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 Councils 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 2014

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 2014

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	Actual	Actual	Actual
	2014	2013	2014	2013
Associated Entities	-	-	-	-
Joint Venture Entities	26	10	291	296
Total	26	10	291	296

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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	2014	2013
Macquarie Regional Library	Community Library Services	291	296
Total Carrying Amounts - Joint Venture Entities		291	296

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Macquarie Regional Library	19%	19%	19%	19%	25%	25%

(c) Movement in Carrying Amounts

		Macquarie Regional Library	
		2014	2013
Opening Balance		296	286
Share in Operating Result		26	4
New Capital Contributions		-	-
Distributions Received		-	-
Adjustments to Equity		(31)	6
Council's Equity Share in the Joint Venture Entity		291	296

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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	
2014					
Macquarie Regional Library	262	159	124	6	291
Totals	262	159	124	6	291
2013					
Macquarie Regional Library	270	168	138	4	296
Totals	270	168	138	4	296

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

	2014			2013		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Macquarie Regional Library	516	490	26	459	455	4
Totals	516	490	26	459	455	4

(f) Share of Joint Venture Entities Expenditure Commitments

	2014	2013
Capital Commitments	-	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-

(g) Contingent Liabilities of Joint Venture Entities

	2014	2013
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 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		357,689	358,618
a. Correction of Prior Period Errors	20 (c)	-	-
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		(31)	-
d. Net Operating Result for the Year		(5,859)	(929)
e. Distributions to/(Contributions from) Non-controlling Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes		-	-
Balance at End of the Reporting Period		351,799	357,689
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		94,709	80,765
- "Available for Sale" Financial Investments Revaluation Reserve		-	-
- Other Reserves (Specify)		-	-
Total		94,709	80,765
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		80,765	95,592
- Revaluations for the year	9(a)	13,919	(14,719)
- (Impairment of revalued assets) / Impairment reversals	9(a),(c)	-	(108)
- Other movements (revaluation of Non-Current Inventory)		25	-
- Balance at End of Year		94,709	80,765
TOTAL VALUE OF RESERVES		94,709	80,765

(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 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
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(c) Correction of Error/s relating to a Previous Reporting Period

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

(d) Voluntary Changes in Accounting Policies

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
	Water	Sewer	General¹
Continuing Operations			
Income from Continuing Operations			
Rates & Annual Charges	1,231	1,104	8,667
User Charges & Fees	1,432	91	5,890
Interest & Investment Revenue	114	223	501
Other Revenues	47	10	967
Grants & Contributions provided for Operating Purposes	44	12	11,549
Grants & Contributions provided for Capital Purposes	325	-	885
Other Income			
Net Gains from Disposal of Assets	-	-	93
Share of interests in Joint Ventures & Associates using the Equity Method			26
Total Income from Continuing Operations	3,193	1,440	28,578
Expenses from Continuing Operations			
Employee Benefits & on-costs	878	525	12,259
Borrowing Costs	42	-	329
Materials & Contracts	860	433	6,585
Depreciation & Amortisation	829	396	8,836
Impairment			-
Other Expenses	314	95	6,689
Interest & Investment Losses			-
Net Losses from the Disposal of Assets	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method			-
Total Expenses from Continuing Operations	2,923	1,449	34,698
Operating Result from Continuing Operations	270	(9)	(6,120)
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	270	(9)	(6,120)
Net Operating Result attributable to each Council Fund	270	(9)	(6,120)
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(55)	(9)	(7,005)

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 2014

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

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	1,705	1,377	4,935
Investments	218	600	733
Receivables	768	718	2,172
Inventories	6	-	612
Total Current Assets	2,697	2,695	8,452
Non-Current Assets			
Investments	203	558	683
Receivables	-	1,137	50
Inventories	-	-	344
Infrastructure, Property, Plant & Equipment	30,189	21,904	390,778
Investments Accounted for using the equity method	-	-	291
Intangible Assets			283
Total Non-Current Assets	30,392	23,599	392,429
TOTAL ASSETS	33,089	26,294	400,881
LIABILITIES			
Current Liabilities			
Payables	17	24	2,247
Borrowings	68	-	372
Provisions	150	55	3,445
Total Current Liabilities	235	79	6,064
Non-Current Liabilities			
Payables	-	-	1,137
Borrowings	758	-	3,706
Provisions	2	1	1,774
Total Non-Current Liabilities	760	1	6,617
TOTAL LIABILITIES	995	80	12,681
Net Assets	32,094	26,214	388,200
EQUITY			
Retained Earnings	20,989	12,245	318,565
Revaluation Reserves	11,105	13,969	69,635
Council Equity Interest	32,094	26,214	388,200
Non-controlling Interests	-	-	-
Total Equity	32,094	26,214	388,200

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 2014

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

\$ '000

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

Note 23. Events occurring after the Reporting Date

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2014) 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 20/10/14.

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 2014.

(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 2014 and which are only indicative of conditions that arose after 30 June 2014.

Council is aware of the following "non-adjusting events" that merit disclosure;

Council was recently successful in obtaining significant grant funding under the Cobbora Transition Fund announced by the State Government in August 2014. The fund aims to boost the region's economy and create jobs as a way to alleviate the negative impact associated with the discontinuing of the Cobbora Coal Mine. Total grant funding to be received as part of the fund is just under \$7.8m

Note 24. Discontinued Operations

\$ '000

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 25. Intangible Assets

\$ '000	Actual 2014	Actual 2013
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	-	-
Accumulated Amortisation (1/7)	-	-
Accumulated Impairment (1/7)	-	-
Net Book Value - Opening Balance	-	-
Movements for the year		
- Purchases	-	-
- Development Costs	-	-
- Other Capitalised Costs (transfers from PP&E)	283	-
- Amortisation charges	-	-
- Impairment charges	-	-
- Gross Book Value written off	-	-
- Accumulated Amortisation charges written off	-	-
- Accumulated Impairment charges written off	-	-
Closing Values:		
Gross Book Value (30/6)	381	-
Accumulated Amortisation (30/6)	(98)	-
Accumulated Impairment (30/6)	-	-
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹</u>	<u>283</u>	<u>-</u>

¹. The Net Book Value of Intangible Assets represent:

- Software	283	-
	283	-

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	
		2014	2013
Allandale	2018	1	1
Beamsfield West	2018	27	38
Caradoc Park	2018	3	3
Cooks	2018	4	4
Glenmore	2018	8	9
Lemonwood	2018	5	5
Naparoo	2018	7	7
Wanloch	2018	9	9
Avis 2	2018	7	6
Box Hill	2018	8	7
Carlyons	2018	18	17
Coolah Tsr	2018	2	2
Kirban	2018	7	6
Pidgee	2018	16	15
Barrier Gates	2023	18	16
Rhodes	2023	6	5
Cloven Hills	2028	11	10
Connemarra	2028	16	15
Coolah Crk	2028	4	3
Edenmore	2028	20	18
Lochneil	2028	10	9
Pipers	2028	6	5
Quondory	2028	37	33
Wyoming	2028	24	21
A Becketts	2038	2	2
Arkabah	2038	2	2
Avas 1	2038	3	2
Baradine Aerodro	2038	11	9
Barwidgee South	2038	19	16
Barwon	2038	2	2
Bellerive	2038	2	2
Beni	2038	14	13
Bobella	2038	-	-
Boomely	2038	2	2
Borambitty	2038	7	6
Brains	2038	1	1
Bretni Rd	2038	10	9
Burrawong Park	2038	4	3
Burton	2038	6	5

Caledonia	2038	7	6
Cheriton	2038	2	2
Cobbora	2038	9	8
Coleraine	2038	5	5
Coolie Camp	2038	7	6
Coonabarabran	2038	3	3
Cossington	2038	7	6
Cromarty Park	2038	-	-
Curteis	2038	5	4
Danabar	2038	9	8
Danlo	2038	51	44
Dowd Rd	2038	4	4
Duces	2038	33	29
Dunedoo	2038	5	4
Ewendale	2038	4	3
Forans Lane	2038	29	25
Foster	2038	27	23
Frost	2038	13	11
Galashields	2038	12	11
Gamble Crk	2038	1	1
Glendale	2038	11	9
Glenrowan	2038	37	32
Goally	2038	43	37
Gunnedah	2038	34	29
Hawthorne	2038	27	23
Haynes	2038	3	3
Hazelmere	2038	3	3
Hereford Park	2038	2	1
Hillgrove	2038	5	4
Hollymount	2038	4	3
Inchmoor	2038	12	10
Johnsons	2038	18	15
Kallara	2038	3	3
Kentuckey	2038	3	3
Kiah	2038	3	3
Kindalyn	2038	22	19
Koroa	2038	13	11
Kroobit Cadell	2038	31	28
Kurrajong Park 2	2038	7	6
Kurravale	2038	4	4
Kybeyan	2038	3	3
Lanbre	2038	13	11
Liamena	2038	10	9
Lockerbie	2038	3	3
Loloma	2038	11	10
Lynwood	2038	4	4
Maduba	2038	2	1
Marombi Rd 2	2038	1	1
Maronga	2038	4	4
Maroo	2038	16	14
Mendooran 1	2038	15	13
Mendooran 2	2038	6	5
Merrygoen	2038	3	3
Millings	2038	4	3
Morton Bay	2038	3	2
Mt Hope	2038	3	2

Mt Marlow	2038	8	7
Murrumbong	2038	8	7
Narangarie	2038	11	9
Neible	2038	4	4
North Pine	2038	10	9
O Neills	2038	1	1
Oban	2038	15	13
Old Castle	2038	19	16
Orana	2038	11	9
Pandora	2038	1	-
Peridot	2038	2	2
Pine Ridge	2038	33	29
Pound	2038	5	4
Rawlinsons Old	2038	6	5
Rawlinsons Pit	2038	6	5
Round Mountain	2038	5	5
Saltwater	2038	5	4
Sandy Crk Rd	2038	1	1
Scotts	2038	5	4
Silentdale	2038	4	3
Skidders	2038	1	1
Sleightholmes	2038	28	24
Spring Ridge Rd	2038	4	4
The Pinnacles	2038	27	24
Thompsons	2038	3	3
Timbali	2038	16	14
Todds	2038	7	6
Tonniges Rd	2038	1	1
Turee	2038	13	12
Tv Tower	2038	19	18
Warrawonga	2038	1	1
Watsons	2038	23	21
Wattlegrove	2038	10	8
Weetaliba	2038	2	2
Witta Coola	2038	11	10
Woodlands	2038	3	3
Yellow Cutting	2038	25	22
Beamsfield North	2038	13	-
Deep Creek	2038	2	-
Hathway	2038	5	-
Leaders	2038	4	-
Phyllisdale	2038	4	-
Quilpie	2038	2	-
Rodgers	2038	3	-
Three Miles	2038	6	-
Yarrandale	2038	6	-
Lumeah	2038	-	-
Maldannia	2038	-	-
Ulamambri Tip	2038	14	-
Binnaway Tip	2038	31	-
Baradine Tip	2038	23	-
Dunedoo Tip	2038	29	-
Mendooran Tip	2038	34	-
Coolah Tip	2038	24	-
Coonabarabran Tip	2038	159	-
Balance at End of the Reporting Period	10(a)	<u>1,691</u>	<u>1,186</u>

Reconciliation of movement in Provision for year:

Balance at beginning of year	1,186	1,280
Amounts capitalised to new or existing assets:		
- Tips	272	-
- Quarries	44	-
Effect of a change in discount rates used in PV calculations	138	(146)
Effect of a change in other calculation estimates used	(18)	-
Amortisation of discount (expensed to borrowing costs)	69	52
Total - Reinstatement, rehabilitation and restoration provision	1,691	1,186

Amount of Expected Reimbursements

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

Warrumbungle Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Financial Assets & Liabilities

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

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

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

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

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

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

Fair Value Measurements		Fair Value Measurement Hierarchy			Total
2014	Date of latest Valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Designated At Fair Value on Initial Recognition"	30/06/14	-	-	2,995	2,995
Total Financial Assets		-	-	2,995	2,995
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	N/A	-	-	10,360	10,360
Office Equipment	N/A	-	-	63	63
Furniture & Fittings	N/A	-	-	217	217
Land	30/06/13	-	-	6,677	6,677
Land Improvements - Depreciable	30/06/11	-	-	731	731
Buildings	30/06/13	-	-	41,534	41,534
Other Structures	30/06/11	-	-	7,728	7,728
Roads	30/06/09	-	-	169,494	169,494
Bridges	30/06/09	-	-	40,107	40,107
Footpaths	30/06/09	-	-	3,600	3,600
Bulk Earthworks	30/06/09	-	-	103,239	103,239
Stormwater Drainage	30/06/09	-	-	5,385	5,385
Water Supply Network	30/06/13	-	-	27,722	27,722
Sewerage Network	30/06/13	-	-	21,094	21,094
Tip Assets	30/06/14	-	-	290	290
Quarry Assets	30/06/14	-	-	755	755
Total Infrastructure, Property, Plant & Equipme		-	-	438,996	438,996

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Financial Assets

Council obtains valuations from its Investment Advisor on a yearly basis to ensure the financial statements reflect the most up-to-date valuation. The fair value of such assets is based on the market approach, with significant unobservable inputs due to the highly illiquid nature of the financial instruments Council has invested in. The valuation is based on off market bids, estimation of the quality of underlying assets securing the investment as well as changes in interest rates and market discounting factors.

Infrastructure, Property, Plant & Equipment

Plant And Equipment, Office Equipment and Furniture, Fixtures And Fittings

Plant And Equipment, Office Equipment and Furniture, and Fixtures And Fittings are all valued at depreciated cost (original purchase price) as this assessment is considered to approximate fair value.

Roads, Bulk Earthworks, Bridges, Footpaths And Stormwater Drainage

The current replacement cost for these asset classes has been derived from Australian Institute of Quantity Surveyors, NSW References Rates Manual, Rawlinson's (Australian Construction Handbook) and recently completed projects in the region at the time of the valuation and APV internal database costings (valued by APV Valuers in 2008/09). Roads are componentised into road pavement and road seal assets, with pavements split into sealed and unsealed road pavements. A distinction is also made between road pavements on various soil types. Bridges are componentised into bridges and major culverts, and culverts and drainage assets include both pits and pipes. All asset components are assigned residual values and useful lives and are condition rated at the time of valuation. Council has increased significantly the amount of available information on its road network, but still lacks some historical information such as rehabilitation dates for components such as road seals and pavements, and is still in the process of segmenting its local road network. Other information that is currently being sourced includes traffic volumes, more accurate dimensions and topography information, and better information on soil types.

Quarry And Tip Remediation Liabilities

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

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Infrastructure, Property, Plant & Equipment

Operational And Community Land

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

Other Structures And Land Improvements (Depreciable)

The value of structures and depreciable land improvements have been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for preliminaries and professional fees. These values have been derived from reference to costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinsons, and Council's valuers internal market research and costing (Valued by APV Valuers in 2010/11). This asset class includes pools, landscaping, gardens, sport change rooms, grand stands etc. Major components include pool structures, walls, roofs, pumps, fences, sheds, garden beds etc. Each component is assigned a useful life and residual value, based on engineering estimates and are condition rated at the time of valuation. In some cases Council has limited data for this asset class in relation to original construction date, age, and past maintenance and renewals history.

Water And Sewer Network

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

Buildings

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Plant & Equipment	Office Equipment	Furniture & Fittings	Land	Land Imp Depreciable	Buildings	Other Structures	Roads	Total
Opening Balance - 1/7/12	10,081	95	102	6,060	674	42,962	8,083	171,757	239,814
Adoption of AASB 13	-	-	-	-	-	-	-	-	-
Transfers from/(to) another asset class	-	97	-	71	95	3,459	(46)	2,708	6,384
Purchases (GBV)	3,040	202	-	-	43	98	61	2,257	5,701
Disposals (WDV)	(1,501)	-	-	(46)	-	-	-	(330)	(1,877)
Depreciation & Impairment	(2,073)	(42)	(21)	-	(43)	(523)	(327)	(4,911)	(7,940)
FV Gains - Other Comprehensive Income	-	-	-	592	-	(16,470)	-	-	(15,878)
FV Gains - Income Statement 1	-	-	-	-	-	-	-	-	-
Other movement (details here)	-	-	-	-	-	-	-	436	436
Closing Balance - 30/6/13	9,547	352	81	6,677	769	29,526	7,771	171,917	226,640
Adoption of AASB 13	-	-	-	-	-	-	-	-	-
Transfers from/(to) another asset class	-	(250)	121	-	-	32	155	-	58
Purchases (GBV)	3,854	50	35	-	9	96	136	2,613	6,793
Disposals (WDV)	(755)	-	-	-	-	-	-	(203)	(958)
Depreciation & Impairment	(2,286)	(89)	(20)	-	(47)	(717)	(334)	(4,833)	(8,326)
FV Gains - Other Comprehensive Income	-	-	-	-	-	12,597	-	-	12,597
FV Gains - Income Statement ¹	-	-	-	-	-	-	-	-	-
Other movement (details here)	-	-	-	-	-	-	-	-	-
Closing Balance - 30/6/14	10,360	63	217	6,677	731	41,534	7,728	169,494	236,804

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

	Bridges	Footpaths	Bulk Earthworks	Stormwater Drainage	Water Supply Network	Sewerage Network	Tip Asset	Quarry Asset	Total
Opening Balance - 1/7/12	37,788	3,323	103,239	5,477	26,758	20,726	-	845	198,156
Adoption of AASB 13	-	-	-	-	-	-	-	-	-
Transfers from/(to) another asset class	-	-	-	14	726	-	-	(145)	595
Purchases (GBV)	-	48	-	24	134	19	-	-	225
Disposals (WDV)	-	-	-	-	-	-	-	-	-
Depreciation & Impairment	(185)	(107)	-	(141)	(720)	(386)	-	(46)	(1,585)
FV Gains - Other Comprehensive Income	-	-	-	-	650	509	-	-	1,159
FV Gains - Income Statement 1	-	-	-	-	-	-	-	-	-
Other movement (details here)	-	-	-	-	-	-	-	-	-
Closing Balance - 30/6/13	37,603	3,264	103,239	5,374	27,548	20,868	-	654	198,550
Adoption of AASB 13	-	-	-	-	-	-	-	-	-
Transfers from/(to) another asset class	2,689	260	-	153	161	-	-	-	3,263
Purchases (GBV)	-	183	-	-	19	30	272	44	548
Disposals (WDV)	-	-	-	-	-	-	-	-	-
Depreciation & Impairment	(185)	(107)	-	(142)	(756)	(378)	(11)	(34)	(1,613)
FV Gains - Other Comprehensive Income	-	-	-	-	750	574	-	-	1,324
FV Gains - Income Statement ¹	-	-	-	-	-	-	-	-	-
Other movement (details here)	-	-	-	-	-	-	29	91	120
Closing Balance - 30/6/14	40,107	3,600	103,239	5,385	27,722	21,094	290	755	202,192

Warrumbungle Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Financial Assets					
Investments	2,995	Market approach	<ul style="list-style-type: none"> * Risk rating * Value of underlying assets * Change in interest rates and yields * Off market bids 	Unit rate \$0.50 - \$1	Movements in the value of the underlying assets of the structured products, as well as increased risks associated with the two investments held by Council can significantly affect their value.

I,PP&E

Plant & Equipment	10,360	Cost approach	<ul style="list-style-type: none"> * Gross Replacement Cost (purchase price) * Remaining Useful Life * Residual Value 	<ul style="list-style-type: none"> * Varies * 4 to 50 years * 0% 	Changes in the remaining useful life or residual value would result in changes to fair value measurement.
Office Equipment	63	Cost approach	<ul style="list-style-type: none"> * Gross Replacement Cost (purchase price) * Remaining Useful Life * Residual Value 	<ul style="list-style-type: none"> * Varies * 4 to 50 years * 0% 	Changes in the remaining useful life or residual value would result in changes to fair value measurement.

Warrumbungle Shire Council

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Furniture & Fittings	217	Cost approach	* Gross Replacement Cost (purchase price) * Remaining Useful Life * Residual Value	* Varies * 4 to 50 years * 0%	Changes in the remaining useful life or residual value would result in changes to fair value measurement.
Operational Land	2,382	Market approach	* Similar local property prices * Alternative use	Varies Considerably	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Community Land	1,295	Market approach	* Unimproved capital value from Valuer General	Varies Considerably	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Land Imp (Depreciable)	731	Cost approach (Depreciated Replacement Cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life * Residual Value	* Varies * Poor to Excellent * 5 to 50 years * 0%	Significant changes in replacement cost or useful life/residual value assumptions will affect the value of this asset class.
Buildings	41,534	Cost approach (Depreciated Replacement Cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life * Residual Value	* Varies * Poor to Excellent * 15 to 90 years * 20 to 50%	Significant changes in replacement cost or useful life/residual value assumptions will affect the value of this asset class.
Other Structures	7,728	Cost approach (Depreciated Replacement Cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life * Residual Value	* Varies * Poor to Excellent * 10 to 70 years * 0 to 50%	Significant changes in replacement cost or useful life/residual value assumptions will affect the value of this asset class.

Warrumbungle Shire Council

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Roads	169,494	Cost approach (Depreciated Replacement Cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life * Residual Value	* Varies significantly * Poor to excellent * 10 to 60 years * 0 to 40%	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Bridges	40,107	Cost approach (Depreciated Replacement Cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life * Residual Value	* Varies significantly * Poor to excellent * 100 years * 40%	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Footpaths	3,600	Cost approach (Depreciated Replacement Cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life * Residual Value	* Varies significantly * Poor to excellent * 20 to 30 years * 0 %	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Bulk Earthworks	103,239	Cost approach (Replacement Cost)	* Gross Replacement Cost	* Varies significantly from Asset to Asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Stormwater Drainage	5,385	Cost approach (Depreciated Replacement Cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life * Residual Value	* Varies significantly * Poor to excellent * 50 to 60 years * 0 %	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.

Warrumbungle Shire Council

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Water Supply Ntwrk	27,722	Cost approach (Depreciated Replacement Cost)	<ul style="list-style-type: none"> * Gross Replacement Cost * Asset Condition * Remaining Useful Life * Residual Value 	<ul style="list-style-type: none"> * Varies significantly * Poor to excellent * 10 to 150 years * Varies by component and asset 	<p>A change in the assessment of observable inputs would impact the fair value. This includes changes in residual values and depreciation rates.</p> <p>Condition ratings may change due to continued inspections, outcomes from complaints, data arising from replacements and changes in service level impacting condition ranking. If condition rating changes then fair value will be impacted.</p>
Sewer Supply Ntwrk	21,094	Cost approach (Depreciated Replacement Cost)	<ul style="list-style-type: none"> * Gross Replacement Cost * Asset Condition * Remaining Useful Life * Residual Value 	<ul style="list-style-type: none"> * Varies significantly * Poor to excellent * 10 to 102 years * Varies by component and asset 	<p>A change in the assessment of observable inputs would impact the fair value. This includes changes in residual values and depreciation rates.</p> <p>Condition ratings may change due to continued inspections, outcomes from complaints, data arising from replacements and changes in service level impacting condition ranking. If condition rating changes then fair value will be impacted.</p>
Other	-	Cost approach	N/A Assets fully depreciated	N/A Assets fully	N/A Assets fully depreciated
Tip Assets	290	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes	-	Significant changes in discount rates, cost escalation or timing of work could affect the value of this asset class.
Quarry Assets	755	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes	-	Significant changes in discount rates, cost escalation or timing of work could affect the value of this asset class.

(5). Highest and best use

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

20 October 2014

The Mayor
Warrumbungle Shire Council
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Dear Mayor

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

We are pleased to report that we have completed the audit of Council's financial statements and records for the year ended 30 June 2014 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 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

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 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

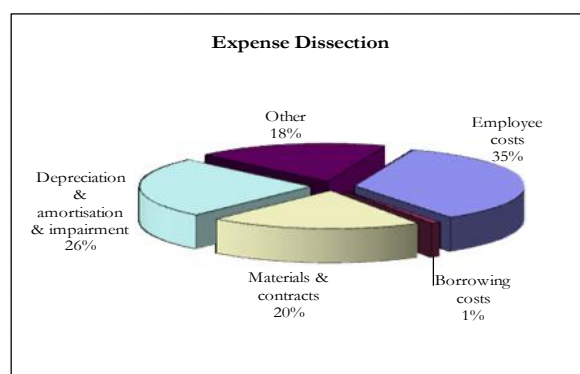
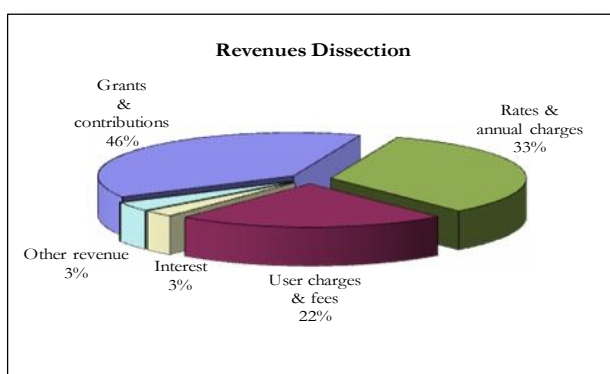
This auditor's report relates to the financial statements of Warrumbungle Shire Council for the year ended 30 June 2014 included on Warrumbungle Shire Council's web site. Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web 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.

The Income Statement for the year ended 30 June 2014 discloses the following result:

INCOME STATEMENT	Budget 2014 \$'000	Actual 2014 \$'000	Actual 2013 \$'000	Variance	
				Actual %	Budget %
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	11,122	11,002	10,420	5.6%	-1.1%
User charges & fees	6,278	7,413	5,994	23.7%	18.1%
Interest	1,139	838	1,067	-21.5%	-26.4%
Other revenues from ordinary activities	872	1,024	2,339	-56.2%	17.4%
Grants & contributions for operating purposes	13,988	11,605	15,069	-23.0%	-17.0%
Grants & contributions for capital purposes	1,185	1,210	1,006	20.3%	2.1%
Gain from sale of assets	59	93	0	0.0%	57.6%
Gain from interests in joint ventures & associates	0	26	10	160.0%	0.0%
Total income from continuing operations	34,643	33,211	35,905	-7.5%	-4.1%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	13,080	13,662	12,994	5.1%	4.4%
Borrowing costs	504	371	255	45.5%	-26.4%
Materials and contracts	8,631	7,878	7,906	-0.4%	-8.7%
Depreciation & amortisation	10,275	10,061	9,525	27.8%	-2.1%
Other expenses from ordinary activities	5,022	7,098	5,554	5.6%	41.3%
Loss from sale of assets	0	0	600	0.0%	0.0%
Loss from interests in joint ventures & associates	37	0	0	0.0%	0.0%
Total Expenses from continuing operations	37,549	39,070	36,834	6.1%	4.1%
OPERATING RESULT FROM CONTINUING OPERATIONS	(2,906)	(5,859)	(929)	530.7%	101.6%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(4,091)	(7,069)	(1,935)	265.3%	72.8%



The financial statements report an operating deficit of \$5.9m for the year compared with a deficit of \$0.9m in the previous year. This result includes grants for capital purposes of \$1.2m. 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 \$7.1m (2013: deficit \$1.9m).

Income overall decreased by \$2.7m or 7.5% compared to 2013 due mainly to lower grants and contributions for operating purposes of \$3.4m and a reduction in other revenues of \$1.3m being partially offset by higher rates and annual charges of \$0.6m and higher user charges and fees of \$1.4m.

Grants and contributions for operating purposes decreased due to lower financial assistance grants (\$3.1m reduction) as prepaid instalments ceased to occur during the 2014 year and lower road funding compared to 2013.

Other income decreased due to the one-off reimbursements of Wambelong fire related costs in 2013 incurred by Council due to the major fire event in that year.

Rates and annual charges increased due to increases in rates levied due to rate pegging allowances and introduction of new waste management fees during 2014.

User charges and fees increased due to full year quarried gravel sales revenues generated from the former Boral quarry acquired in the last quarter of the 2013 year.

Expenditure increased by \$2.2m on the previous year due mainly to:

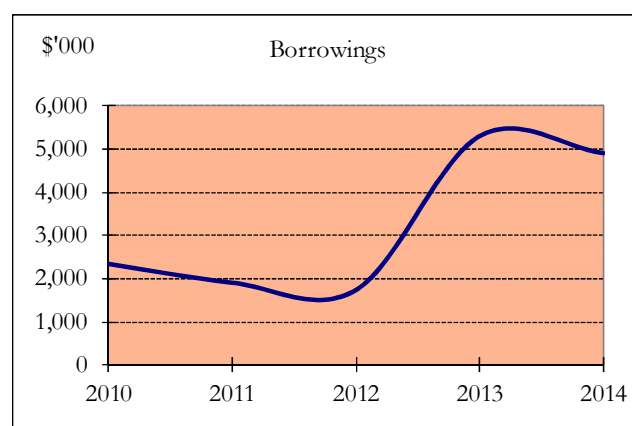
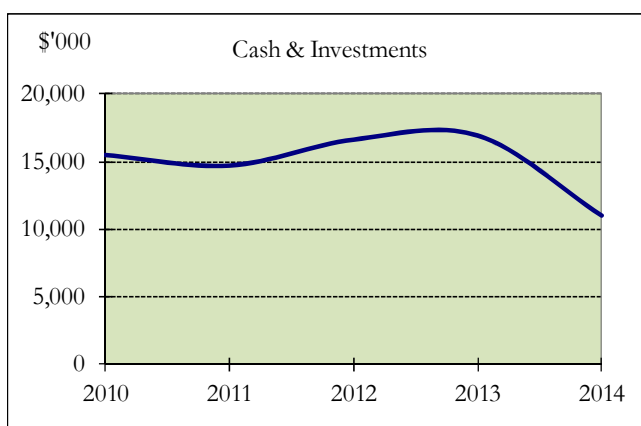
- Higher employment costs of \$0.6m as a result of award wage rate increases and higher workers compensation insurance premiums;
- Increased depreciation expense of \$0.5m due to the revaluation of infrastructure assets and changes in depreciation modelling; and
- Higher other expenses of \$1.5m due to full year quarried gravel production costs and increases in rural fire service levies.

The actual operating deficit for the year of \$5.9m compares with the original budget deficit of \$2.9m. The variation of \$3m between the actual results and the original budget (excluding revotes) is primarily due to the following:

- User charges and fees (favourable \$1.1m) – higher than anticipated quarry operation sales, road works for the Roads and Maritime Service (RMS) and higher water usage charges due to hot dry conditions during the 2014 year;
- Operating and capital grants and contributions (unfavourable \$2.4m) – grants were below budget as the financial assistance grant instalment prepayments ceased during the 2014 year ;
- Employee costs (unfavourable \$0.6m) – workers compensation premiums were higher than anticipated along with variations in overtime activities;
- Materials and Contracts (favourable \$0.7m) – actual costs were lower than budgeted due to quarry production costs being coded to other expenses rather than material and contract costs; and
- Other expenses (unfavourable \$2.1m) - higher than expected quarry production and royalty costs due to higher gravel sales and that some of the quarry costs were allocated to materials and contract costs in the budget.

The following schedule of assets and liabilities has been extracted from the Statement of Financial Position as at 30 June 2014. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2014 \$'000	2013 \$'000	Variance %
CURRENT ASSETS			
Cash and cash equivalents	8,017	14,171	-43.4%
Investments	1,551	-	0.0%
Receivables	3,530	4,013	-12.0%
Inventories	618	536	15.3%
TOTAL CURRENT ASSETS	13,716	18,720	-26.7%
CURRENT LIABILITIES			
Payables	2,160	2,395	-9.8%
Borrowings	440	397	10.8%
Provisions	3,650	3,642	0.2%
TOTAL CURRENT LIABILITIES	6,250	6,434	-2.9%
NET CURRENT ASSETS	7,466	12,286	-39.2%
NON-CURRENT ASSETS			
Investments	1,444	2,760	-47.7%
Inventories	344	319	7.8%
Receivables	50	1	4900.0%
Intangible assets	283	-	0.0%
Investments accounted for using equity method	291	296	-1.7%
Infrastructure, Property Plant & Equipment	442,871	428,890	3.3%
TOTAL NON-CURRENT ASSETS	445,283	432,266	3.0%
NON-CURRENT LIABILITIES			
Provisions	1,777	1,197	48.5%
Borrowings	4,464	4,901	-8.9%
TOTAL NON-CURRENT LIABILITIES	6,241	6,098	2.3%
NET ASSETS	446,508	438,454	1.8%



The lower cash and investment levels (current and non-current) of \$5.9m are a reflection of lower cash flows from operations (due predominately to the \$3.1m reduction in financial assistance grants for the year) and infrastructure works being funded by carried forward cash reserves.

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

The increase in infrastructure, property, plant and equipment of \$14m is mainly due to the revaluation adjustment of building assets that occurred in the 2014 year. The building revaluation increased due to adjustments in building residual values impacting on remaining useful life, asset condition and therefore net written down value of these assets.

WORKING CAPITAL

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

	Water \$'000	Sewerage \$'000	DWM \$'000	General \$'000	Total \$'000
Current Assets	2,697	2,695	72	8,252	13,716
Current Liabilities	235	79	-	5,936	6,250
Net Current Assets	2,462	2,616	72	2,316	7,466
Plus: Net Liabilities Payable >12mths	-	-	-	2,401	2,401
Total Funds before Restrictions	2,462	2,616	72	4,717	9,867
LESS: Restricted Cash & Investments (Included in Revenue)					
Trust funds	-	-	-	551	551
Developer Contributions	89	27	-	217	333
Specific Purpose Grants & Contributions	-	-	-	676	676
	89	27	-	893	1,009
NET FUNDS AVAILABLE	2,373	2,589	72	3,824	8,858
LESS Internal Restrictions	-	-	-	2,936	2,936
Net Funds After All Restrictions	2,373	2,589	72	888	5,922

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	1,096	25	-	1,121
Carry over works	2,155	-	1,749	406
Bio Solid provision	200	-	-	200
Town improvement	-	-	-	-
Plant replacement fund	1,632	5,616	6,131	1,117
Quarry restoration	119	-	47	72
Other	20	-	-	20
	5,222	5,641	7,927	2,936

The above table demonstrates that the general function has available funds of \$3.8m before setting aside funds in reserves (internal restrictions). After funding \$2.9m of internal restrictions, Council has \$0.9m 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.

The internal restrictions for plant replacement and carry over works reduced due to these reserves being utilised during the 2014 year.

LOCAL GOVERNMENT INDUSTRY 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	2014	2013	2012	Tcorp Benchmark
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	-22.6%	-3.9%	-9.7%	>-4%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	61.3%	55.2%	50.4%	>60%
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.55	3.88	4.58	>1.5
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	4.24	17.04	20.62	>2
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	11.4%	13.3%	13.6%	<10%
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	3.03	5.82	4.43	>3

Operating performance

An operating performance deficit of 22.6% compares to a deficit in 2013 of 3.9% and means that Councils operating revenue, excluding capital grants and contributions are insufficient to cover operating expenditure, especially depreciation of infrastructure assets. This compares to the State average deficit of 5% and Group 11 average deficit of 6.8% for 2013. The significant decline in this ratio for 2014 is due to lower revenues (loss of prepaid financial assistance grants and one off bush fire compensation payments in 2013) and higher expenses for depreciation and employee costs. The Fit for Future benchmark is that councils should average breakeven or better over a three year period.

The ratio shows that Council is only able to fund approximately 78% of its infrastructure needs (as represented by Depreciation expense) and that in the long term Council needs to continue to improve its financial performance.

Owned source operating revenue

A ratio of 61% (2013: 55%) for the 2014 year highlights that Council has a dependence on grants and contributions and compares to a Group 11 average of 49.0% for 2013 and a State average of 58.6% for 2013. The TCorp benchmark for sustainability is to have a ratio of greater than 60% and the Fit for Future benchmark is to average greater than 60% over a three year period.

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 and adjusting for employee entitlements not expected to be settled within 12 months. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 2.55 as at 30 June 2014 indicates that there is \$2.55 of unrestricted current assets for every \$1.00 of current liabilities. Council's ratio of 2.55 compares to the average of 5.10 for category 11 Councils and the State average of 4.0 for 2013. The ratio is above the TCorp benchmark of greater than 1.5.

The reduction in the ratio for 2014 is due to Council using unrestricted cash reserves to fund infrastructure asset renewals and the reduction in financial assistance grant funding during the 2014 year.

Debt service cover ratio

The debt service cover ratio of 4.24 times indicates that council has \$4.24 before interest and depreciation to pay interest and principal repayments on current borrowings. This compares to the Group 11 average of 26.5 and the State average of 29.2 for 2013. The TCorp benchmark for sustainability is to have a ratio of greater than 2.0. The significant reduction in this ratio for 2014 is due to the impacts of the lower financial assistance grant revenues and payments in relation to the low interest subsidy loan acquired in the 2013 financial year to fund infrastructure replacements.

Outstanding rate ratio

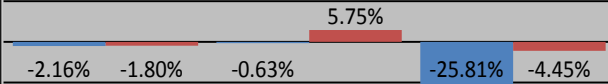
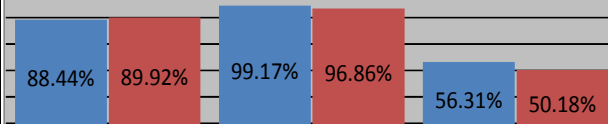
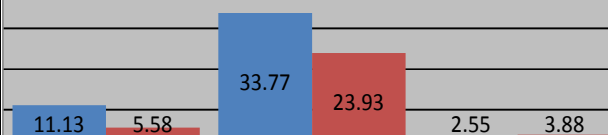

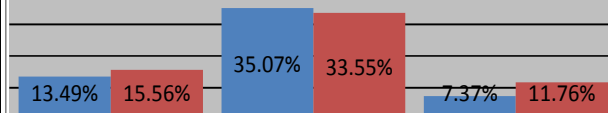
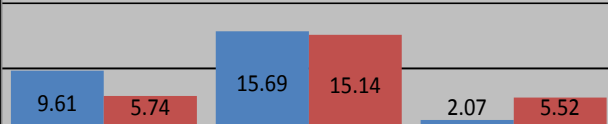
The outstanding rates and charges ratio of 11.4% has improved compared to the previous year. Council's outstanding rates ratio is higher than the Group 11 average of 9.2%. The TCorp benchmark for rural Council's is to have an outstanding rates ratio of less than 10%. We encourage Council to continued its good work in collecting debts.

Cash expense ratio

The ratio indicates that Council can pay 3.03 months of its expenses without additional cash inflows. This compares to the Group 11 average of 6.3 and the State average of 5.4 for 2013. The TCorp benchmark is to have reserves to meet at least 3 months of operating expenditure

Key performance indicators by fund

The key financial indicators by fund disclosed in the Financial Statements are:

RATIO	PURPOSE	Water	Sewer	General	
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.				<div>■ 2014</div> <div>■ 2013</div>
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.				<div>■ 2014</div> <div>■ 2013</div>
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.				<div>■ 2014</div> <div>■ 2013</div>
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.				<div>■ 2014</div> <div>■ 2013</div>
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.				<div>■ 2014</div> <div>■ 2013</div>
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.				<div>■ 2014</div> <div>■ 2013</div>

Operating performance

An operating performance ratio by fund shows that the Water and Sewer funds have generally sufficient operating revenue, excluding capital grants and contributions to cover operating expenditure. However, the general fund has been unable to cover all of its operating expenses, especially depreciation expense. The ratio deteriorated in 2014 due to the reduction in the financial assistance grants for 2014.

Owned source operating revenue

The ratios show the Councils reliance on grant and contribution funding within the general fund.

Unrestricted Ratio

The unrestricted ratios show that all funds have sufficient working capital.

Debt service cover ratio

The debt service cover ratio by fund shows that Council may have potential to increase borrowings within the Water and Sewer fund. However, the General fund presently has low borrowing capacity.

Outstanding rate ratio

The outstanding rate ratio by fund shows that the outstanding rates are very high for the sewer fund and above benchmarks for the Water fund. We encourage Council to target sewer charges, fees and charge debt collection in order to improve its overall outstanding rates ratio performance.

Cash expense ratio

The ratio indicates that the general fund has low cash reserves and Council needs to improve this position within the 2015 year. The ratio has fallen due to the loss of two financial assistance grant instalments during the 2014 year.

Infrastructure Asset Performance Indicators

With the emphasis on “Fit for the Future” we have included comments on unaudited infrastructure asset performance measures disclosed in the Special Schedule 7 are as follows:

RATIO	PURPOSE	2014	2013	2012
BUILDING AND INFRASTRUCTURE RENEWALS RATIO	To assess the proportion spent on infrastructure renewals vs infrastructure deterioration.	59.75%	63.28%	44.38%
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	0.06	0.20	0.27
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	1.08	1.00	1.00
CAPITAL EXPENDITURE RATIO	To assess the extent to which council is forecasting to expand its asset base with capital expenditure.	0.99	1.21	0.75

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 2014 Council spent \$0.60 for every \$1 in estimated asset deterioration (2013: \$0.63). The Group 11 2013 ratio was \$0.79 and the state average for the asset renewal ratio was \$0.81 for the 2013 year. The Fit for Future benchmark is to have a three year average of greater than \$1.00.

The current trend in the ratio highlights that Council expended less on asset renewals compared to the estimated reduction in asset condition over the past five years. It should also be noted that Special Schedule 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring infrastructure assets to a satisfactory standard is \$19.6m.

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

Infrastructure backlog ratio

An infrastructure backlog ratio 6% indicates that the infrastructure backlog represents 6.0% of the value of Councils infrastructure and compares to a Group 11 average of 16.6% and State average of 10.0% for 2013. The TCorp benchmark is a ratio less than 20%. The ratio has continued to improve over the past 3 years due to improvements in asset modelling regarding estimating the value of assets below satisfactory condition.

Asset maintenance ratio

The Asset Maintenance ratio of 1.08 indicates that Council has undertaken sufficient maintenance to keep pace with required maintenance requirements as determine by Council's engineers and maintenance staff. This compares positively to the Group 11 average of 0.9 and the State average of 0.7 for 2013. A ratio of greater than 1.0 is considered acceptable by TCorp.

Capital expenditure ratio

The capital expenditure ratio of 0.99 indicates that Council has expended \$0.99 on capital expenditure for every dollar of depreciation. The TCorp benchmark is for a Council to have a capital expenditure ratio of greater than 1.1.

Overall the infrastructure asset performance indicators show that Council's performance 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 decrease in current cash and investments is evident in the following table extracted from the Statement of Cash Flows.

CASH MOVEMENTS	Actual 2014 \$'000	Actual 2013 \$'000	Variance %
CASH INFLOWS			
Operating Receipts	35,538	37,940	-6.3%
Proceeds from Assets Sales	1,051	1,338	-21.4%
Proceeds from sale of investments	0	3,500	0.0%
Repayment from Deferred Debtors	0	3	0.0%
Proceeds from Borrowings	0	3,800	0.0%
TOTAL RECEIPTS	36,589	46,581	-21.5%
CASH OUTFLOWS			
Operating Payments	31,377	28,973	8.3%
Purchase of Assets	10,928	13,993	-21.9%
Repayment of Loans	394	240	64.2%
Other payments	44	0	0.0%
TOTAL PAYMENTS	42,743	43,206	-1.1%
TOTAL CASH MOVEMENT	-6,154	3,375	-282.3%
Cash assets	8,017	14,171	
Investments (current and non-current)	2,995	2,760	
Total Cash & Investments on Hand	11,012	16,931	-35.0%

Council's cash and investments have decreased by \$5.9m after expending \$10.9m on infrastructure and assets and \$0.4m on scheduled repayments of borrowings. This has been funded by proceeds from asset sales and cash flows from operations.

Cash Outflows for "Purchase of Assets" of \$10.9m included road and bridge construction totalling \$7.0m. This compares with the \$5.0m annual rate of depreciation of these assets. The other major asset purchases related to plant and equipment of \$3.8m.

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, Sewerage and Quarry operations 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 \$62,000 after allowing for depreciation of \$878,000.

The Net Current Asset position records a positive balance of \$2,462,000. 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 \$4.7m.

Sewerage services

The Sewerage function recorded an operating deficit (before capital funding) of \$9,000 after allowing for depreciation of \$396,000.

The Net Current Assets of \$2,616,000 is satisfactory in the short to medium term. 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.

Quarry operations

Council has had its first full year of quarry operations during the 2014 year and recorded an operating surplus of \$84,000. The net current assets of \$276,000 is satisfactory for the size of operations.

FINANCIAL SUSTAINABILITY

The recent assessments by TCorp, Office of Local Government and the local government reform panel for all NSW councils provides insight into the NSW Government expectations of councils and how they are assessing the structure of local government in the future.

During the 2013 year all councils had an external assessment by NSW Treasury Corporation (“TCorp”) of their 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, 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 to 2014 have not been considered;

- It includes unaudited data from Special Schedules 7 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:

- Monitor 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
- Continued community consultation to identify acceptable service levels including acceptable condition of its infrastructure assets.

During 2013 an audit of Local Government infrastructure across all councils, excluding county councils, in NSW was conducted using a survey of councils' infrastructure management processes and practices, historical financial information and through a number of visits to councils. As a result of the audit councils asset management practices were graded as either Very Strong, Strong, Moderate, Weak, Very Weak or Distressed. Council was assess as Moderate from this review.

The audit identified the following focus areas for all councils to achieve sustainable infrastructure service levels:

- Skilled People – develop asset management skills and capacity within councils;
- Appropriate Processes – implement appropriate asset management practices focusing on community service level negotiations, risk management and infrastructure vulnerability assessments, and identification of critical infrastructure;
- Reliable data – development of specific asset management measurement parameters, improved reporting of asset management and progress on achieving the delivery program; and
- Adequate resources – adequately fund asset management through the use of debt, local Government Renewal Scheme funding, special rate variations and grant funds.

Subsequently after the release of the report from the local government review panel and local government Acts taskforce, the NSW Government response is outlined in its “fit for the future” blueprint. This will require councils to assess their current financial position and submit a fit for the future proposal by 30 June 2015. Presently there has been no guidelines issued on the form of the response but indicators are they will use the above reports (ICorp and OLG infrastructure management report) along with the local government review panel recommendations.

Should councils be deem “unfit” then the NSW Government will strongly encouraged councils to consider the following options:

- Seek voluntary merger with other councils in order to meet a sustainable “threshold”;
- Develop regional joint organisations with separate governance structures to manage critical elements for a number of councils (e.g. finance and IT, economic development, engineering, etc.);
- Accepting the offer for cheaper finance to build and maintain facilities; and
- Utilising the innovation fund to help smaller councils explore new ways to working with other councils.

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 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