

Warren Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

“Australia's Wool & Cotton Capital”



Warren 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 Warren Shire Council.

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

Council's Statutory Charter is 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 15 August 2014. Council has the power to amend and reissue these financial statements.

Warren 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.

Warren 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:

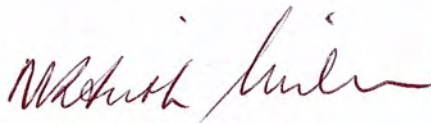
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

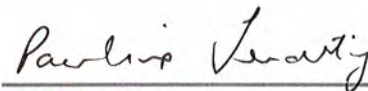
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 24 July 2014.



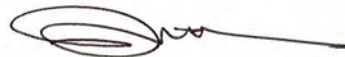
Clr NRF Wilson OAM
MAYOR



Clr P Serdity
COUNCILLOR



Mr AP Wielinga
GENERAL MANAGER



Mr DJ Arthur
RESPONSIBLE ACCOUNTING OFFICER

Warren Shire Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹			Actual	Actual
2014	\$ '000	Notes	2014	2013
Income from Continuing Operations				
Revenue:				
5,071	Rates & Annual Charges	3a	5,068	4,907
1,160	User Charges & Fees	3b	1,154	1,152
326	Interest & Investment Revenue	3c	409	583
530	Other Revenues	3d	510	537
4,769	Grants & Contributions provided for Operating Purposes	3e,f	3,796 ²	4,650
-	Grants & Contributions provided for Capital Purposes	3e,f	-	40
Other Income:				
-	Net gains from the disposal of assets	5	83	224
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	3
11,856	Total Income from Continuing Operations		11,020	12,096
Expenses from Continuing Operations				
4,615	Employee Benefits & On-Costs	4a	4,670	4,419
32	Borrowing Costs	4b	50	55
2,743	Materials & Contracts	4c	2,314	2,913
3,700	Depreciation & Amortisation	4d	3,612	3,492
-	Impairment	4d	-	-
1,050	Other Expenses	4e	1,040	1,016
-	Interest & Investment Losses	3c	-	-
-	Net Losses from the Disposal of Assets	5	-	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	4	-
12,140	Total Expenses from Continuing Operations		11,690	11,895
(284)	Operating Result from Continuing Operations		(670)	201
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(284)	Net Operating Result for the Year		(670)	201
(284)	Net Operating Result attributable to Council		(670)	201
-	Net Operating Result attributable to Non-controlling Interests		-	-
(284)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(670)	161

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)

Warren 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)		(670)	201
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	291	1,879
Total Items which will not be reclassified subsequently to the Operating Result		291	1,879
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		-	-
Total Other Comprehensive Income for the year		291	1,879
Total Comprehensive Income for the Year		(379)	2,080
Total Comprehensive Income attributable to Council		(379)	2,080
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Warren Shire Council

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	9,888	12,016
Investments	6b	-	-
Receivables	7	390	585
Inventories	8	662	651
Other	8	9	109
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		10,949	13,361
Non-Current Assets			
Investments	6b	-	-
Receivables	7	175	111
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	140,758	139,116
Investments accounted for using the equity method	19	66	70
Investment Property	14	-	-
Intangible Assets	25	-	-
Non-current assets classified as "held for sale"	22	-	-
Other	8	-	-
Total Non-Current Assets		140,999	139,297
TOTAL ASSETS		151,948	152,658
LIABILITIES			
Current Liabilities			
Payables	10	609	756
Borrowings	10	74	72
Provisions	10	1,517	1,653
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Current Liabilities		2,200	2,481
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	435	491
Provisions	10	34	28
Investments accounted for using the equity method	19	-	-
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Non-Current Liabilities		469	519
TOTAL LIABILITIES		2,669	3,000
Net Assets		149,279	149,658
EQUITY			
Retained Earnings	20	89,658	90,328
Revaluation Reserves	20	59,621	59,330
Council Equity Interest		149,279	149,658
Non-controlling Interests		-	-
Total Equity		149,279	149,658

Warren 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)		90,328	59,330	149,658	-	149,658
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)		90,328	59,330	149,658	-	149,658
c. Net Operating Result for the Year		(670)		(670)	-	(670)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	291	291	-	291
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Reserves Movements (enter details here)	20b (ii)	-	-	-	-	-
- Other Movements (enter details here)	20a	-	-	-	-	-
Other Comprehensive Income		-	291	291	-	291
Total Comprehensive Income (c&d)		(670)	291	(379)	-	(379)
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		89,658	59,621	149,279	-	149,279

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		90,041	57,537	147,578	-	147,578
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)		90,041	57,537	147,578	-	147,578
c. Net Operating Result for the Year		201	-	201	-	201
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	1,879	1,879	-	1,879
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Reserves Movements (enter details here)	20b (ii)	-	-	-	-	-
- Other Movements (enter details here)	20a	-	-	-	-	-
Other Comprehensive Income		-	1,879	1,879	-	1,879
Total Comprehensive Income (c&d)		201	1,879	2,080	-	2,080
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		86	(86)	-	-	-
Equity - Balance at end of the reporting period		90,328	59,330	149,658	-	149,658

Warren 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				
Receipts:				
5,071	Rates & Annual Charges		5,034	4,896
1,185	User Charges & Fees		1,214	1,476
326	Investment & Interest Revenue Received		424	637
4,950	Grants & Contributions		4,143	4,817
935	Other		1,091	1,311
Payments:				
(4,725)	Employee Benefits & On-Costs		(4,809)	(4,672)
(2,800)	Materials & Contracts		(2,697)	(3,019)
(32)	Borrowing Costs		(32)	(35)
(1,515)	Other		(1,486)	(1,485)
3,395	Net Cash provided (or used in) Operating Activities	11b	2,882	3,926
Cash Flows from Investing Activities				
Receipts:				
17	Sale of Real Estate Assets		-	64
350	Sale of Infrastructure, Property, Plant & Equipment		292	377
Payments:				
(5,019)	Purchase of Infrastructure, Property, Plant & Equipment		(5,172)	(6,164)
-	Deferred Debtors & Advances Made		(58)	-
(4,652)	Net Cash provided (or used in) Investing Activities		(4,938)	(5,723)
Cash Flows from Financing Activities				
Receipts:				
Nil				
Payments:				
(72)	Repayment of Borrowings & Advances		(72)	(69)
(72)	Net Cash Flow provided (used in) Financing Activities		(72)	(69)
(1,329)	Net Increase/(Decrease) in Cash & Cash Equivalents		(2,128)	(1,866)
10,353	plus: Cash & Cash Equivalents - beginning of year	11a	12,016	13,882
9,024	Cash & Cash Equivalents - end of the year	11a	9,888	12,016
Total Cash, Cash Equivalents & Investments			9,888	12,016

Please refer to Note 11 for information on the following:

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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Warren 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 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 (aa) relating to a summary of the effects of Standards with future operative dates.

Warren 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) 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 infrastructure, property, plant and equipment.

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.

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

Warren Shire Council

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

Note 1. Summary of Significant Accounting Policies

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.

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 **(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.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Water Supply
- Sewerage Service

(ii) The Trust Fund

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

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

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) County Councils

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

- **Castlereagh Macquarie County Council**
To control weeds on Council roads.
- There are five Constituent Councils being Warren, Coonamble, Gilgandra, Walgett & Warrumbungle.

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

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

(vi) Additional Information

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

(d) Leases

Council has no Finance or Operating Leases.

(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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and

- bank overdrafts.

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

(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.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

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

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

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.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the 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**
(Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**

(Internal Valuation)

- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Community Land** (External Valuation)
- **Other Structures**
(as approximated by depreciated historical cost)

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$3,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$5,000
Other Structures	> \$2,000

Water & Sewer Assets

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

Stormwater Assets

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

Transport Assets

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

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

Other Equipment

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

Buildings

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Stormwater Drainage	
- Drains	80 to 100 years
- Culverts	50 to 80 years
Transportation Assets	
- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	50 years
- Unsealed roads	60 years
- Bridge : Concrete	100 years
- Bridge : Other	50 years
- Road Pavements	60 years
- Kerb, Gutter & Paths	40 years
Water & Sewer Assets	
- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

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.

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 exclude the assets, their values and depreciation charges from 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.

Warren Shire Council has no Investment Properties.

(q) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinue 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.

(r) Impairment of assets

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

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

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

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

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

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

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

(s) 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.

(t) Borrowings

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

(u) Borrowing costs

Borrowing costs are expensed.

(v) 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.

(w) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 Richard Boyfield of Mercer Consulting (Australia) Pty Ltd during 2013/14 and covers the period ended 30/06/2014.

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 \$172,451.

The amount of additional contributions included in the total employer contribution advised above is \$107,121.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$428,484 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.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

(x) Self insurance

Council does not self insure.

(y) 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.

(z) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(aa) 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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 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.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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;

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

(ab) Rounding of amounts

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

(ac) 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.

(ad) Disclaimer

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 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 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Governance	-	-	-	465	462	460	(465)	(462)	(460)	-	-	17	25
Administration	216	211	133	2,232	1,497	2,121	(2,016)	(1,286)	(1,988)	7	6	10,496	12,419
Public Order & Safety	74	74	64	280	280	253	(206)	(206)	(189)	-	-	402	407
Health	3	14	1	221	243	242	(218)	(229)	(241)	11	-	21	27
Community Services & Education	3	6	8	22	9	11	(19)	(3)	(3)	7	6	204	208
Housing & Community Amenities	363	355	782	741	730	1,139	(378)	(375)	(357)	12	447	9,724	10,137
Water Supplies	556	621	597	707	738	696	(151)	(117)	(99)	9	10	7,226	7,132
Sewerage Services	525	544	566	663	660	610	(138)	(116)	(44)	9	9	6,991	6,967
Recreation & Culture	207	214	260	1,211	1,408	1,284	(1,004)	(1,194)	(1,024)	20	76	5,074	5,117
Mining, Manufacturing & Construction	27	47	108	36	17	51	(9)	30	57	-	-	791	767
Transport & Communication	3,100	3,094	2,630	5,130	5,300	4,693	(2,030)	(2,206)	(2,063)	581	386	108,716	107,144
Economic Affairs	176	116	255	337	247	242	(161)	(131)	13	17	29	2,220	2,238
Total Functions & Activities	5,250	5,296	5,404	12,140	11,686	11,895	(6,890)	(6,390)	(6,491)	673	969	151,882	152,588
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	3	-	4	-	-	(4)	3	-	-	66	70
General Purpose Income ¹	6,606	5,724	6,689	-	-	-	6,606	5,724	6,689	1,230	2,197	-	-
Operating Result from Continuing Operations	11,856	11,020	12,096	12,140	11,690	11,895	(284)	(670)	201	1,903	3,166	151,948	152,658

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 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 on Council roadsides.

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

MINING, MANUFACTURING & CONSTRUCTION

Building control, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		519	496
Farmland		3,511	3,392
Business		166	161
Total Ordinary Rates		4,196	4,049
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		195	195
Water Supply Services		288	276
Sewerage Services		389	387
Total Annual Charges		872	858
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>5,068</u>	<u>4,907</u>

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 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)			
Domestic Waste Management Services		8	10
Water Supply Services		293	287
Sewerage Services		49	50
Waste Management Services (non-domestic)		-	23
Total User Charges		350	370
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		31	36
Private Works - Section 67		47	68
Regulatory/ Statutory Fees		8	10
Other		-	1
Total Fees & Charges - Statutory/Regulatory		86	115
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		8	7
Caravan Park		4	5
Cemeteries		59	32
Quarry Revenues		45	75
RMS (formerly RTA) Charges (State Roads not controlled by Council)		556	510
Swimming Centres		27	29
Other		19	9
Total Fees & Charges - Other		718	667
TOTAL USER CHARGES & FEES		1,154	1,152

Warren 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)		11	10
- Interest earned on Investments (interest & coupon payment income)		398	573
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>409</u>	<u>583</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		9	10
General Council Cash & Investments		289	433
Restricted Investments/Funds - External:			
Water Fund Operations		19	25
Sewerage Fund Operations		92	115
<u>Total Interest & Investment Revenue Recognised</u>		<u>409</u>	<u>583</u>
(d) Other Revenues			
Rental Income - Other Council Properties		142	150
Commissions & Agency Fees		75	71
Diesel Rebate		74	80
Insurance Claim Recoveries		98	106
Recycling Income (non domestic)		19	4
Sales - General		6	11
Swimming Pool Canteen Sales		20	20
WHS Incentive Payment		14	7
Statewide Property Rebate		6	16
NSW RFS M&R Reimbursement		30	15
Motor Vehicle Insurance Rebate		4	7
SES M&R Reimbursement		4	4
Risk Management Incentive		5	3
Youth Services Income		4	6
150 Year Pavers Income		-	26
Other		9	11
<u>TOTAL OTHER REVENUE</u>		<u>510</u>	<u>537</u>

Warren 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	1,210	2,177	-	-
Pensioners' Rates Subsidies - General Component	20	20	-	-
Total General Purpose	1,230	2,197	-	-
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	9	10	-	-
- Sewerage	9	9	-	-
- Domestic Waste Management	8	8	-	-
Economic Development	7	18	-	-
Employment & Training Programs	7	6	-	-
Environmental Protection	5	-	-	-
Flood Restoration	-	420	-	-
Library	20	36	-	-
Recreation & Culture	-	-	-	40
Street Lighting	26	26	-	-
Transport (Roads to Recovery)	554	360	-	-
Youth Services	7	6	-	-
Parental Leave Scheme	21	11	-	-
Boat Ramp Upgrade	-	19	-	-
Total Specific Purpose	673	929	-	40
Total Grants	1,903	3,126	-	40
Grant Revenue is attributable to:				
- Commonwealth Funding	1,831	2,537	-	-
- State Funding	72	589	-	-
- Other Funding	-	-	-	40
	1,903	3,126	-	40

Warren 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):				
Nil				
Other Contributions:				
Bushfire Services	35	35	-	-
RMS Contributions (Regional Roads, Block Grant)	1,777	1,427	-	-
Tourism	3	1	-	-
Water Supplies (excl. Section 64 contributions)	8	-	-	-
Library	70	58	-	-
Other	-	3	-	-
Total Other Contributions	1,893	1,524	-	-
Total Contributions	1,893	1,524	-	-
<u>TOTAL GRANTS & CONTRIBUTIONS</u>	<u>3,796</u>	<u>4,650</u>	<u>-</u>	<u>40</u>

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2014	Actual 2013
(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	411	689
add: Grants & contributions recognised in the current period but not yet spent:	22	411
less: Grants & contributions recognised in a previous reporting period now spent:	(401)	(689)
Net Increase (Decrease) in Restricted Assets during the Period	(379)	(278)
Unexpended and held as Restricted Assets	<u>32</u>	<u>411</u>
Comprising:		
- Specific Purpose Unexpended Grants	13	230
- Other Contributions	19	181
	<u>32</u>	<u>411</u>

Warren 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		3,837	3,562
Travelling		10	8
Employee Leave Entitlements (ELE)		408	417
Superannuation - Defined Contribution Plans		172	193
Superannuation - Defined Benefit Plans		285	244
Workers' Compensation Insurance		333	319
Fringe Benefit Tax (FBT)		33	30
Training Costs (other than Salaries & Wages)		106	74
Other		3	-
Total Employee Costs		5,187	4,847
less: Capitalised Costs		(517)	(428)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>4,670</u>	<u>4,419</u>
Number of "Equivalent Full Time" Employees at year end		71	72
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		32	35
Total Interest Bearing Liability Costs Expensed		32	35
(ii) Other Borrowing Costs			
Interest applicable on Interest Free (& favourable) Loans to Council		18	20
Total Other Borrowing Costs		18	20
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>50</u>	<u>55</u>

Warren 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		2,258	2,730
Contractor & Consultancy Costs		2	118
Auditors Remuneration ⁽¹⁾		54	59
Legal Expenses:			
- Legal Expenses: Debt Recovery		-	1
- Legal Expenses: Other		-	5
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>2,314</u>	<u>2,913</u>
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's External & Internal Auditors:			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		28	29
- Internal Audit Services		26	30
Remuneration for audit and other assurance services		<u>54</u>	<u>59</u>

Warren 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
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	940	845
Office Equipment		-	-	34	34
Furniture & Fittings		-	-	3	3
Buildings - Non Specialised		-	-	98	94
Buildings - Specialised		-	-	156	135
Other Structures		-	-	130	125
Infrastructure:					
- Roads		-	-	2,031	2,156
- Bridges		-	-	157	-
- Footpaths		-	-	30	-
- Stormwater Drainage		-	-	38	37
- Water Supply Network		-	-	167	156
- Sewerage Network		-	-	201	197
- Swimming Pools		-	-	7	-
- Other Open Space/Recreational Assets		-	-	25	-
Total Depreciation & Impairment Costs		-	-	4,017	3,782
less: Capitalised Costs		-	-	(405)	(290)
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	3,612	3,492

Warren 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		10	18
Bad & Doubtful Debts		-	9
Bank Charges		5	5
- Emergency Services Levy (SES)		6	8
- NSW Fire & Rescue Levy		19	19
- NSW Rural Fire Service Levy		83	70
- Contribution to North Western Library Co-operative		46	42
- Contribution to Castlereagh Macquarie County Council		95	93
- Other Contributions/Levies		9	9
Councillor Expenses - Mayoral Fee		20	17
Councillor Expenses - Councillors' Fees		101	98
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		23	15
Donations, Contributions & Assistance to other organisations (Section 356)		6	4
Election Expenses		-	7
Electricity & Heating		201	195
Insurance		197	197
Postage		12	11
Printing & Stationery		28	27
Street Lighting		93	89
Subscriptions & Publications		15	20
Telephone & Communications		29	26
Valuation Fees		17	16
Water Purchases		24	20
Other		1	1
<u>TOTAL OTHER EXPENSES</u>		<u>1,040</u>	<u>1,016</u>

Warren 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		96	14
less: Carrying Amount of Property Assets Sold / Written Off		(99)	(67)
Net Gain/(Loss) on Disposal		(3)	(53)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		196	363
less: Carrying Amount of P&E Assets Sold / Written Off		(110)	(146)
Net Gain/(Loss) on Disposal		86	217
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		-	64
less: Carrying Amount of Real Estate Assets Sold / Written Off		-	(4)
Net Gain/(Loss) on Disposal		-	60
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		83	224

Warren 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		388	-	516	-
Cash-Equivalent Assets ¹					
- Short Term Deposits		9,500	-	11,500	-
Total Cash & Cash Equivalents		9,888	-	12,016	-
Investments (Note 6b)					
Nil					
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS</u>		<u>9,888</u>	<u>-</u>	<u>12,016</u>	<u>-</u>

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

Nil

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

	9,888	-	12,016	-
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Investments

Nil

Note 6(b-i)

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

Nil

Note 6(b-ii)

Reconciliation of Investments classified as "Held to Maturity"

Nil

Note 6(b-iii)

Reconciliation of Investments classified as "Loans & Receivables"

Nil

Note 6(b-iv)

Reconciliation of Investments classified as "Available for Sale"

Nil

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	9,888	-	12,016	-
attributable to:				
External Restrictions (refer below)	2,981	-	3,364	-
Internal Restrictions (refer below)	6,407	-	8,153	-
Unrestricted	500	-	499	-
	9,888	-	12,016	-

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

Details of Restrictions

External Restrictions - Included in Liabilities

CWCMA Roadside Mapping	7	-	-	7
External Restrictions - Included in Liabilities	7	-	-	7

External Restrictions - Other

RMS (formerly RTA) Contributions (A)	181	1,777	(1,939)	19
Specific Purpose Unexpended Grants (B)	230	-	(217)	13
Water Supplies (C)	403	58	-	461
Sewerage Services (C)	2,403	-	(79)	2,324
Domestic Waste Management (C)	140	17	-	157
External Restrictions - Other	3,357	1,852	(2,235)	2,974
Total External Restrictions	3,364	1,852	(2,235)	2,981

Warren 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	570	35	(353)	252
Infrastructure Replacement	3,689	247	(1,003)	2,933
Employees Leave Entitlement	400	-	-	400
Roadworks	593	18	(211)	400
Bridgeworks	329	-	(5)	324
Insurances	364	25	(98)	291
Specific M&R	152	-	(47)	105
Specific Programs	744	698	(125)	1,317
CBD Improvements	134	166	-	300
FAG Grant Prepaid	1,137	-	(1,137)	-
Other	41	44	-	85
Total Internal Restrictions	8,153	1,233	(2,979)	6,407
TOTAL RESTRICTIONS	11,517	3,085	(5,214)	9,388

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		68	51	58	27
Interest & Extra Charges		5	3	2	3
User Charges & Fees		106	65	109	63
Accrued Revenues					
- Interest on Investments		39	-	57	-
Government Grants & Subsidies		145	-	314	-
Deferred Debtors		2	56	-	-
Loans to Sporting Clubs		-	-	2	18
Net GST Receivable		23	-	35	-
Other Debtors		2	-	8	-
Total		390	175	585	111
less: Provision for Impairment					
Nil					
<u>TOTAL NET RECEIVABLES</u>		<u>390</u>	<u>175</u>	<u>585</u>	<u>111</u>
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		10	4	12	-
- Other		66	-	72	-
Sewerage Services					
- Rates & Availability Charges		13	4	14	-
- Other		4	6	1	-
Domestic Waste Management		10	6	19	-
Total External Restrictions		103	20	118	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		287	155	467	111
TOTAL NET RECEIVABLES		<u>390</u>	<u>175</u>	<u>585</u>	<u>111</u>

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.

Warren 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)		160	-	160	-
Stores & Materials		117	-	90	-
Trading Stock		296	-	317	-
Loose Tools		89	-	84	-
Total Inventories		662	-	651	-
Other Assets					
Prepayments		9	-	109	-
Total Other Assets		9	-	109	-
TOTAL INVENTORIES / OTHER ASSETS		671	-	760	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

(i) Other Disclosures**(a) Details for Real Estate Development**

Residential		75	-	75	-
Industrial/Commercial		85	-	85	-
Total Real Estate for Resale		160	-	160	-

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition Costs		160	-	160	-
Total Real Estate for Resale		160	-	160	-

Movements:

Real Estate assets at beginning of the year		160	-	164	-
- WDV of Sales (exp)	5	-	-	(4)	-
Total Real Estate for Resale		160	-	160	-

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

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

	2014	2013
Real Estate for Resale	144	144
Other	269	287
	413	431

(d) Inventory Write Downs

There were no amounts 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	At	Accumulated	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Revaluation Increments to Equity (ARR)	At	At	Accumulated	Carrying
	Cost	Fair Value	Dep'n	Value						Cost	Fair Value	Dep'n	Value
Capital Work in Progress	2,824	-	-	2,824	878	-	-	(2,777)	-	925	-	-	925
Plant & Equipment	-	8,686	4,514	4,172	949	(110)	(940)	-	-	-	9,706	5,635	4,071
Office Equipment	-	210	150	60	10	-	(34)	-	-	-	220	184	36
Furniture & Fittings	-	93	65	28	49	-	(3)	-	-	-	142	68	74
Land:													
- Operational Land	-	1,140	-	1,140	-	(99)	-	99	-	-	1,140	-	1,140
- Community Land	-	1,003	-	1,003	-	-	-	-	-	-	1,003	-	1,003
Buildings - Non Specialised	-	8,388	4,598	3,790	142	-	(98)	-	-	-	8,530	4,696	3,834
Buildings - Specialised	-	9,537	5,405	4,132	204	-	(156)	1,603	-	-	11,344	5,561	5,783
Other Structures	-	11,467	5,263	6,204	27	-	(130)	-	-	-	11,494	5,393	6,101
Infrastructure:													
- Roads	-	133,088	43,240	89,848	3,065	-	(2,031)	1,075	-	-	137,228	45,271	91,957
- Bridges	-	16,479	5,120	11,359	-	-	(157)	-	-	-	16,479	5,277	11,202
- Footpaths	-	2,082	1,035	1,047	30	-	(30)	-	-	-	2,112	1,065	1,047
- Stormwater Drainage	-	3,745	1,608	2,137	-	-	(38)	-	-	-	3,745	1,646	2,099
- Water Supply Network	-	13,150	6,769	6,381	41	-	(167)	-	173	-	13,559	7,131	6,428
- Sewerage Network	-	12,818	8,491	4,327	140	-	(201)	-	118	-	13,319	8,935	4,384
- Swimming Pools	-	1,480	1,438	42	-	-	(7)	-	-	-	1,481	1,446	35
- Other Open Space/Recreational Assets	-	1,746	1,124	622	42	-	(25)	-	-	-	1,788	1,149	639
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	2,824	225,112	88,820	139,116	5,577	(209)	(4,017)	-	291	925	233,290	93,457	140,758

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$4,164K) and New Assets (\$333K).
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.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

\$ '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	14	-	-	14	-	-	-	-
Plant & Equipment	-	204	84	120	-	204	66	138
Land								
- Operational Land	-	66	-	66	-	66	-	66
- Community Land	-	10	-	10	-	10	-	10
Other Structures	-	73	26	47	-	73	24	49
Infrastructure	-	13,559	7,131	6,428	-	13,150	6,769	6,381
Total Water Supply	14	13,912	7,241	6,685	-	13,503	6,859	6,644
Sewerage Services								
Plant & Equipment	-	184	51	133	-	150	52	98
Land								
- Operational Land	-	28	-	28	-	28	-	28
- Community Land	-	76	-	76	-	76	-	76
Other Structures	-	20	1	19	-	20	1	19
Infrastructure	-	13,319	8,935	4,384	-	12,818	8,491	4,327
Total Sewerage Services	-	13,627	8,987	4,640	-	13,092	8,544	4,548
Domestic Waste Management								
Land								
- Operational Land	-	110	-	110	-	110	-	110
Total DWM	-	110	-	110	-	110	-	110
TOTAL RESTRICTED I,PP&E	14	27,649	16,228	11,435	-	26,705	15,403	11,302

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

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013		
		Current	Non Current	Current	Non Current	
Payables						
Goods & Services - operating expenditure		431	-	572	-	
Payments Received In Advance		85	-	103	-	
Accrued Expenses:						
- Salaries & Wages		43	-	29	-	
Sundry Deposits		47	-	52	-	
Other		3	-	-	-	
Total Payables		609	-	756	-	
Borrowings						
Loans - Secured ¹		46	343	44	389	
Government Advances		28	92	28	102	
Total Borrowings		74	435	72	491	
Provisions						
Employee Benefits;						
Annual Leave		370	-	393	-	
Long Service Leave		1,147	34	1,260	28	
Total Provisions		1,517	34	1,653	28	
Total Payables, Borrowings & Provisions		2,200	469	2,481	519	
(i) Liabilities relating to Restricted Assets						
		2014		2013		
		Current	Non Current	Current	Non Current	
Externally Restricted Assets						
Water		18	5	15	5	
Sewer		17	-	8	8	
Other		7	-	7	-	
Liabilities relating to externally restricted assets		42	5	30	13	
Internally Restricted Assets						
Nil						
Total Liabilities relating to restricted assets		42	5	30	13	
Total Liabilities relating to Unrestricted Assets		2,158	464	2,451	506	
TOTAL PAYABLES, BORROWINGS & PROVISIONS		2,200	469	2,481	519	

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.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Actual 2014	Actual 2013
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(ii) Current Liabilities not anticipated to be settled within the next 12 months

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

Provisions - Employees Benefits	975	1,136
	975	1,136

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	393	292	(310)	(5)		370
Long Service Leave	1,288	107	(227)	13		1,181
TOTAL	1,681	399	(537)	8	-	1,551

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 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	9,888	12,016
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		9,888	12,016
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(670)	201
Adjust for non cash items:			
Depreciation & Amortisation		3,612	3,492
Net Losses/(Gains) on Disposal of Assets		(83)	(224)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Valued)		18	20
Share of Net (Profits) or Losses of Associates/Joint Ventures		4	(3)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		189	284
Decrease/(Increase) in Inventories		(11)	15
Decrease/(Increase) in Other Assets		100	45
Increase/(Decrease) in Payables		(141)	159
Increase/(Decrease) in other accrued Expenses Payable		14	5
Increase/(Decrease) in Other Liabilities		(20)	(20)
Increase/(Decrease) in Employee Leave Entitlements		(130)	(48)
NET CASH PROVIDED FROM/(USED IN)			
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		2,882	3,926

Warren 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			
(d) Financing Arrangements			
Nil			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Credit Cards / Purchase Cards		10	10
Total Financing Arrangements		510	510
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		1	1
Total Financing Arrangements Utilised		1	1

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

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

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

(e) Net Cash Flows Attributable to Discontinued Operations

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 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			
Buildings		-	189
Plant & Equipment		61	-
Total Commitments		61	189
These expenditures are payable as follows:			
Within the next year		61	189
Total Payable		61	189
Sources for Funding of Capital Commitments:			
Internally Restricted Reserves		61	189
Total Sources of Funding		61	189

Details of Capital Commitments

Purchase of customised truck body for Plant 91 - Mobile Service Unit

Warren 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
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(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

Nil

(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)

Warren 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	Indicator	Prior Periods	
	2014	2014	2013	2012
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contributions) - Operating Expenses	<u>(749)</u>	-6.85%	-0.56%	10.82%
Total continuing operating revenue ⁽¹⁾	<u>10,937</u>			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
(less ALL Grants & Contributions)	<u>7,141</u>	65.29%	60.49%	50.33%
Total continuing operating revenue ⁽¹⁾	<u>10,937</u>			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>7,452</u>	6.30 : 1	7.18	11.60
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>1,183</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>2,913</u>	23.88	28.07	40.06
Principal Repayments (from the Statement of Cash Flows)	<u>122</u>			
+ Borrowing Interest Costs (from the Income Statement)				
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>127</u>	2.46%	1.80%	1.62%
Rates, Annual and Extra Charges Collectible	<u>5,169</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>9,888</u>	13.04	15.54	16.86
Payments from cash flow of operating and financing activities	<u>758</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).

Warren 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⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	-12.11%	-16.38%	-5.91%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: -19.44%	-13.67%	1.33%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(less ALL Grants & Contributions)</u>	97.61%	98.45%	61.08%
Total continuing operating revenue ⁽¹⁾			
	prior period: 98.44%	98.83%	56.03%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽²⁾</u>	29.83 : 1	137.71	6.30
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 27.67	302.13	7.18
4. Debt Service Cover Ratio			
<u>Operating Result⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)</u>	0.00	0.00	21.90
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)			
	prior period: 0.00	0.00	26.65
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	4.62%	4.17%	2.15%
Rates, Annual and Extra Charges Collectible			
	prior period: 3.81%	3.32%	1.52%
6. Cash Expense Cover Ratio			
<u>Current Year's Cash and Cash Equivalents including All Term Deposits</u>	9.84	62.95	10.53
Payments from cash flow of operating and financing activities			
	prior period: 8.18	60.71	13.46

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.

Warren Shire Council

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

Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
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Council has not classified any Land or Buildings as "Investment Properties"

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 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	9,888	12,016	9,888	12,016
Receivables	565	696	565	696
Total Financial Assets	10,453	12,712	10,453	12,712
Financial Liabilities				
Payables	524	653	524	653
Loans / Advances	509	563	509	563
Total Financial Liabilities	1,033	1,216	1,033	1,216

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

Warren 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 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.

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	-	-	-	-
Possible impact of a 1% movement in Interest Rates	99	99	99	99
2013				
Possible impact of a 10% movement in Market Values	-	-	-	-
Possible impact of a 1% movement in Interest Rates	120	120	120	120

Warren 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.

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)	0%	76%	0%	80%
Overdue	100%	24%	100%	20%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Ageing of Receivables - value				
Current (not yet overdue)	-	341	-	490
Past due by up to 30 days	67	49	58	59
Past due between 31 and 60 days	18	5	15	19
Past due between 61 and 90 days	6	11	4	18
Past due by more than 90 days	28	40	8	25
	<u>119</u>	<u>446</u>	<u>85</u>	<u>611</u>

Warren 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									
Trade/Other Payables	-	524	-	-	-	-	-	524	524
Loans & Advances	-	75	79	81	83	87	180	585	509
Total Financial Liabilities	-	599	79	81	83	87	180	1,109	1,033
2013									
Trade/Other Payables	-	653	-	-	-	-	-	653	653
Loans & Advances	-	73	75	79	81	83	266	657	563
Total Financial Liabilities	-	726	75	79	81	83	266	1,310	1,216

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	524	0.0%	653	0.0%
Loans & Advances - Fixed Interest Rate	509	6.8%	563	6.8%
	<u>1,033</u>		<u>1,216</u>	

Warren 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 27 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	5,071	5,068	(3)	(0%)	U
User Charges & Fees	1,160	1,154	(6)	(1%)	U
Interest & Investment Revenue	326	409	83	25%	F
Interest revenue is greater than budget due to the delayed capital purchases.					
Other Revenues	530	510	(20)	(4%)	U
Operating Grants & Contributions	4,769	3,796	(973)	(20%)	U
Operating Grants are lower than Budget as there was no prepayment of the Financial Assistance Grant as in previous years.					
Capital Grants & Contributions	-	-	-	0%	F
No Budget Variation Details Are Required					
Net Gains from Disposal of Assets	-	83	83	0%	F
No provision is made in the Budget for profit on sale of assets.					

Warren 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	4,615	4,670	(55)	(1%)	U
Borrowing Costs	32	50	(18)	(56%)	U
No allowance is made in the Budget for the applicable interest on Council's Interest Free Loan.					
Materials & Contracts	2,743	2,314	429	16%	F
A favourable outcome mainly due to savings achieved on maintenance areas not required throughout the year.					
Depreciation & Amortisation	3,700	3,612	88	2%	F
Other Expenses	1,050	1,040	10	1%	F
Share of Net Losses - Joint Ventures & Associates	-	4	(4)	0%	U
No allowance is made in the Budget for Joint Venture Activities.					
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	3,395	2,882	(513)	(15.1%)	U
Cash Flow Income is lower than anticipated mainly due to no prepayment of the FAG's grant as in previous years.					
Cash Flows from Investing Activities	(4,652)	(4,938)	(286)	6.1%	U
Cash Flows from Financing Activities	(72)	(72)	-	0.0%	F

Warren Shire Council

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

Note 17. Statement of Developer Contributions

\$ '000

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 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 its Defined Benefit Scheme obligations in accordance with AASB 119.

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 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) Garbage Depot Reinstatement

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

(iii) Gravel Pits Reinstatement

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

(iv) Mount Foster Quarry Remediation

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

(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.

Warren 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 2014	Actual 2013	Actual 2014	Actual 2013
Joint Venture Entities	(4)	3	66	70
Total	(4)	3	66	70

Warren 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

Council has no interest in any 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
North Western Library Service	Joint Purchasing of Books	66	70
Total Carrying Amounts - Joint Venture Entities		66	70

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
North Western Library Service	25%	25%	25%	25%	25%	25%

(c) Movement in Carrying Amounts

	North Western Library Service	
	2014	2013
Opening Balance	70	67
Share in Operating Result	(4)	3
Council's Equity Share in the Joint Venture Entity	66	70

Warren 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					
North Western Library Service	6	60	-	-	66
Totals	6	60	-	-	66
2013					
North Western Library Service	19	51	-	-	70
Totals	19	51	-	-	70

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

	2014			2013		
	Revenues	Expenses	Result	Revenues	Expenses	Result
North Western Library Service	49	53	(4)	60	57	3
Totals	49	53	(4)	60	57	3

(f) Share of Joint Venture Entities Expenditure Commitments

	2014	2013
Other Expenditure Commitments	159	198

(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

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

None.

Warren 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)		90,328	90,041
a. Net Operating Result for the Year		(670)	201
b. Transfers between Equity		-	86
Balance at End of the Reporting Period		89,658	90,328
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		59,621	59,330
Total		59,621	59,330
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		59,330	57,537
- Revaluations for the year	9(a)	291	1,879
- Transfer to Retained Earnings for Asset disposals		-	(86)
- Balance at End of Year		59,621	59,330
TOTAL VALUE OF RESERVES		59,621	59,330
(iii) Nature & Purpose of Reserves			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			
(c) Correction of Error/s relating to a Previous Reporting Period			
Council made no correction of errors during the current reporting period.			
(d) Voluntary Changes in Accounting Policies			
Council made no voluntary changes in any accounting policies during the year.			

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 21. Financial Result & Financial Position by Fund

\$ '000

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
<u>Continuing Operations</u>	<u>Water</u>	<u>Sewer</u>	<u>General¹</u>
Income from Continuing Operations			
Rates & Annual Charges	302	407	4,359
User Charges & Fees	328	65	761
Interest & Investment Revenue	19	92	298
Other Revenues	3	7	500
Grants & Contributions provided for Operating Purposes	17	9	3,770
Other Income			
Net Gains from Disposal of Assets	-	-	86
Total Income from Continuing Operations	669	580	9,774
Expenses from Continuing Operations			
Employee Benefits & on-costs	241	214	4,215
Borrowing Costs	-	-	50
Materials & Contracts	225	229	1,860
Depreciation & Amortisation	248	229	3,135
Other Expenses	36	-	1,004
Net Losses from the Disposal of Assets	-	3	-
Share of interests in Joint Ventures & Associates using the Equity Method			4
Total Expenses from Continuing Operations	750	675	10,268
Operating Result from Continuing Operations	(81)	(95)	(494)
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(81)	(95)	(494)
Net Operating Result attributable to each Council Fund	(81)	(95)	(494)
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	-	(81)	(494)

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.

Warren Shire Council

Notes to the Financial Statements

as at 30 June 2014

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

\$ '000

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
	Water	Sewer	General ¹
ASSETS			
Current Assets			
Cash & Cash Equivalents	461	2,324	7,103
Receivables	76	17	297
Inventories	-	-	662
Other	-	-	9
Total Current Assets	537	2,341	8,071
Non-Current Assets			
Receivables	4	10	161
Infrastructure, Property, Plant & Equipment	6,685	4,640	129,433
Investments Accounted for using the equity method	-	-	66
Total Non-Current Assets	6,689	4,650	129,660
TOTAL ASSETS	7,226	6,991	137,731
LIABILITIES			
Current Liabilities			
Payables	7	-	602
Borrowings	2	-	72
Provisions	9	17	1,491
Total Current Liabilities	18	17	2,165
Non-Current Liabilities			
Borrowings	-	-	435
Provisions	5	-	29
Total Non-Current Liabilities	5	-	464
TOTAL LIABILITIES	23	17	2,629
Net Assets	7,203	6,974	135,102
EQUITY			
Retained Earnings	4,287	4,395	80,976
Revaluation Reserves	2,916	2,579	54,126
Council Equity Interest	7,203	6,974	135,102
Non-controlling Interests	-	-	-
Total Equity	7,203	6,974	135,102

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.

Warren 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

	2014	2014	2013	2013
\$ '000	Current	Non Current	Current	Non Current

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 15/08/14.

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

Warren Shire Council

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

Note 24. Discontinued Operations

\$ '000

	Actual	Actual
\$ '000	2014	2013

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 25. Intangible Assets

\$ '000	Actual 2014	Actual 2013
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Intangible Assets represent identifiable non-monetary asset without physical substance.

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Warren 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

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:

2014	Fair Value Measurement Hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements				
Infrastructure, Property, Plant & Equipment				
Plant & Equipment	-	-	4,071	4,071
Office Equipment	-	-	36	36
Furniture & Fittings	-	-	74	74
Operational Land	-	-	1,140	1,140
Community Land	-	-	1,003	1,003
Buildings - Non-Specialised	-	-	3,834	3,834
Buildings- Specialised	-	-	5,783	5,783
Other Structures	-	-	6,101	6,101
Roads	-	-	91,957	91,957
Bridges	-	-	11,202	11,202
Footpaths	-	-	1,047	1,047
Stormwater Drainage	-	-	2,099	2,099
Water Supply Network	-	-	6,428	6,428
Sewerage Network	-	-	4,384	4,384
Swimming Pools	-	-	35	35
Other Open Space/Recreational Assets	-	-	639	639
Total Infrastructure, Property, Plant & Equipment	-	-	139,833	139,833

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(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.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

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

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

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

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

There has been no change to the valuation process during the reporting period.

Operational & Community Land

Operational & Community Land are based on either the Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. Operational Land is based on the Valuer General's land value as these are representative of the actual market values in the Warren Shire LGA. As these rates were not considered to be observable market evidence they have been classified a Level 3.

There has been no change to the valuation process during the reporting period.

Buildings - Non-Specialised & Specialised

Non-Specialised & Specialised Buildings are valued internally using the Rawlinson's Construction Guide in June 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the building into significant parts. While all buildings were physically inspected and the unit rates based on square metres from Rawlinson's Construction Guide no market based evidence (Level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs.

Warren Shire Council

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

Note 27. Fair Value Measurement

While the costs were current and the impact of depreciation negligible, the building has been classified as Level 3 as they are immaterial in relation to the overall value of the asset type.

There has been no change to the valuation process during the reporting period.

Other Structures

Other Structures comprise of Aerodrome runway, lighting, irrigation systems and fencing etc. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors. No market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Roads

Roads comprise road carriageway, roadside shoulders & kerb & gutter. The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

Bridges

Bridges were valued in-house after advice received from a qualified bridge builder who has undertaken bridge construction work for Warren Shire Council, actual costs for the replacement of the Merri Merri bridge in 2008 and Council's Engineering Department assumptions in June 2010. While all bridges were physically inspected and unit rates based on square metres were used there was no reliable market evidence (Level 2) as other inputs (such as estimates of residual value and pattern of consumption) require extensive professional judgement that impacts significantly on the final determination of fair value.

There has been no change to the valuation process during the reporting period.

Footpaths

Footpaths were valued in-house by Council's Engineering Department in June 2010 and were based on actual cost per square metre of works carried out during the year. Footpaths are inspected annually and condition assessed.

There has been no change to the valuation process during the reporting period.

Warren Shire Council

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

Note 27. Fair Value Measurement

Drainage Infrastructure

Assets within this class comprise pits and pipes.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

There has been no change to the valuation process during the reporting period.

Water Supply Network

Assets within this class comprise reservoirs, pumping stations and, water pipelines.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

There has been no change to the valuation process during the reporting period.

Sewerage Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

There has been no change to the valuation process during the reporting period.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

Swimming Pools

Assets within this class comprise Council's outdoor swimming pool. The swimming pool was valued in-house by experienced staff in Council's Health & Development Department using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

There has been no change to the valuation process during the reporting period.

Other Open Space/Recreational Assets

Assets within this class comprise synthetic & turf surfaces, lighting, playground equipment etc. All assets in Other Structures were valued in-house by experienced engineering staff.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

There has been no change to the valuation process during the reporting period.

Warren 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	Operational Land	Total
Adoption of AASB 13	4,172	60	28	1,239	5,499
Purchases (GBV)	949	10	49	-	1,008
Disposals (WDV)	(110)	-	-	(99)	(209)
Depreciation & Impairment	(940)	(34)	(3)	-	(977)
Closing Balance - 30/6/14	4,071	36	74	1,140	5,321

	Community Land	Buildings Non- Specialised	Buildings Specialised	Other Structures	Total
Adoption of AASB 13	1,003	3,790	5,735	6,204	16,732
Purchases (GBV)	-	142	204	27	373
Depreciation & Impairment	-	(98)	(156)	(130)	(384)
Closing Balance - 30/6/14	1,003	3,834	5,783	6,101	16,721

Warren 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)

	Roads	Bridges	Footpaths	Stormwater Drainage	Total
Adoption of AASB 13	90,923	11,359	1,047	2,137	105,466
Purchases (GBV)	3,065	-	30	-	3,095
Depreciation & Impairment	(2,031)	(157)	(30)	(38)	(2,256)
Closing Balance - 30/6/14	91,957	11,202	1,047	2,099	106,305

	Water Supply Network	Sewerage Network	Swimming Pools	Open Space Recreational	Total
Adoption of AASB 13	6,381	4,327	42	622	11,372
Purchases (GBV)	41	140	-	42	223
Depreciation & Impairment	(167)	(201)	(7)	(25)	(400)
FV Gains - Other Comprehensive Income	173	118	-	-	291
Closing Balance - 30/6/14	6,428	4,384	35	639	11,486

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

b. Information relating to the transfers into and out of the Level 3 Fair Valuation hierarchy (as disclosed in the Table above) includes:

No transfers were made in or out of the Level 3 Fair Value Hierarchy.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

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

c. 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.

I,PP&E

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Plant & Equipment	4,071	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 to 15 years 0% to 40% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Office Equipment	36	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 to 20 years 0% to 5% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Furniture & Fittings	74	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 5 to 20 years 0% to 10% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Operational Land	1,140	<ul style="list-style-type: none"> Land Value (price per square metre) 	<ul style="list-style-type: none"> \$0.50 - \$25 (per square metre) 	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.
Community Land	1,003	<ul style="list-style-type: none"> Land Value (price per square metre) 	<ul style="list-style-type: none"> \$0.50 - \$25 (per square metre) 	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.

Warren Shire Council

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

Note 27. Fair Value Measurement

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Buildings – Non-specialised	3,834	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Poor to excellent • 2 - 100 years • 0% to 70% 	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.
Buildings – Specialised	5,783	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Poor to excellent • 5 - 100 years • 0% to 70% 	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.
Other Structures	6,101	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Poor to excellent • 5 - 80 years • 0% to 60% 	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.
Roads	91,957	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Poor to excellent • 2 - 100 years • 0% to 100% 	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	11,202	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Poor to excellent • 10 - 60 years • 10% 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.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Footpaths	1,047	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Poor to excellent • 5 - 100 years • 0% to 50% 	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	2,099	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Poor to excellent • 0 - 80 years • 0% to 70% 	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.
Water Supply Network	6,428	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Poor to excellent • 5 - 100 years • 0% to 70% 	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.
Sewerage Network	4,384	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Poor to excellent • 3 - 100 years • 0% to 70% 	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.
Swimming Pools	35	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Poor to excellent • 5 - 60 years • 0% to 50% 	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.

Warren Shire Council

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

Note 27. Fair Value Measurement

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Other Open Space / Recreational	639	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Poor to excellent • 5 - 100 years • 0% to 50% 	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.

(5). Highest and best use

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

WARREN SHIRE COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying general purpose financial statements of Warren Shire Council, which comprises the Statement of Financial Position as at 30 June 2014, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial statements:
 - (i) have been presented in accordance with the requirements of this Division;
 - (ii) are consistent with the Council's accounting records;
 - (iii) present fairly the Council's financial position, the results of its operations and its cash flows; and
 - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

HILL ROGERS SPENCER STEER



BRETT HANGER
Partner

Dated at Sydney this 15th day of August 2014

15 August 2014

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

Mayor,

Audit Report - Year Ended 30 June 2014

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2014 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

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

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

I. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a deficit of \$670,000 as compared with a surplus of \$201,000 in the previous year.

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The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	2014 \$000	% of Total	2013 \$000	% of Total	Increase (Decrease) \$000
Revenues before capital items					
Rates & annual charges	5,068	46%	4,907	41%	161
User charges, fees & other revenues	1,747	16%	1,916	16%	(169)
Grants & contributions provided for operating purposes	3,796	34%	4,650	39%	(854)
Interest & investment revenue	409	4%	583	5%	(174)
	11,020	100%	12,056	100%	(1,036)
Expenses					
Employee benefits & costs	4,670	40%	4,419	37%	251
Materials, contracts & other expenses	3,358	29%	3,929	33%	(571)
Depreciation, amortisation & impairment	3,612	31%	3,492	29%	120
Borrowing costs	50	0%	55	0%	(5)
	11,690	100%	11,895	100%	(205)
Surplus (Deficit) before capital items	(670)		161		(831)
Grants & contributions provided for capital purposes	-		40		(40)
Net Surplus (Deficit) for the year	(670)		201		(871)
Performance Measures					
	2014		2013		
Operating Performance	-6.85%		-0.56%		
Own Source Operating Revenue	65.29%		60.49%		

The above table shows an overall decrease of \$871,000 from the previous year and can generally be attributed to a reduction in grant funding received compared to the previous year.

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2014, this indicator was -6.85%; below the benchmark of 0%.

Own Source Operating Revenue measures the degree of reliance on external funding sources such as grants and contributions. For 2014, this indicator was 65.29% and exceeded the benchmark of 60%.

1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the year which is illustrated in the table below.

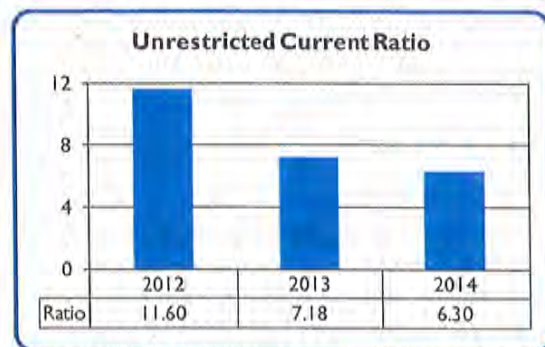
	2014	2013
Funds were provided by:-	\$000	\$000
Operating Result (as above)	(670)	201
Add back non funding items:-		
- Depreciation, amortisation & impairment	3,612	3,492
- Book value of non-current assets sold	209	213
- (Surplus)/Deficit in joint ventures	4	(3)
	3,155	3,903
Transfers from externally restricted assets (net)	410	251
Transfers from internal reserves (net)	1,746	1,598
	5,311	5,752
Funds were applied to:-		
Purchase and construction of assets	(5,172)	(6,164)
Principal repaid on loans	(54)	(49)
Advances to deferred debtors	(58)	0
Net Changes in current/non current assets & liabilities	(125)	(41)
	(5,409)	(6,254)
Increase/(Decrease) in Available Working Capital	(98)	(502)

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$6.269 million representing a factor of 6.3 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$523,000 as detailed below;

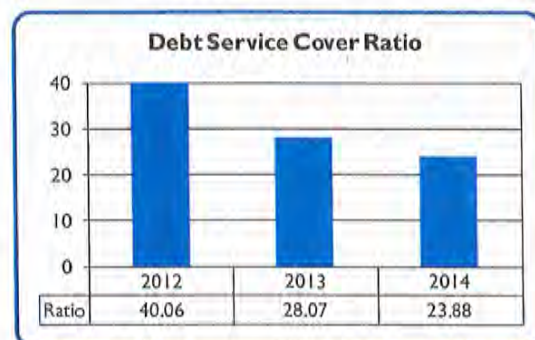
	2014	2013	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	8,749	10,880	(2,131)
Add: Payables & provisions not expected to be realised in the next 12 months included above	562	705	(143)
Adjusted Net Current Assets	9,311	11,585	(2,274)
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	74	72	2
- Employees leave entitlements	542	517	25
- Deposits & retention moneys	47	52	(5)
- Deferred debtors	(2)	0	(2)
Less: Externally restricted assets	(3,042)	(3,452)	410
Less: Internally restricted assets	(6,407)	(8,153)	1,746
Available Working Capital as at 30 June	523	621	(98)

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was sound.

2.3 Debt

After repaying principal and interest of \$104,000, total debt as at 30 June 2014 stood at \$509,00 (2013 - \$563,000).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2014, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 23.88 to 1.



2.4 Summary

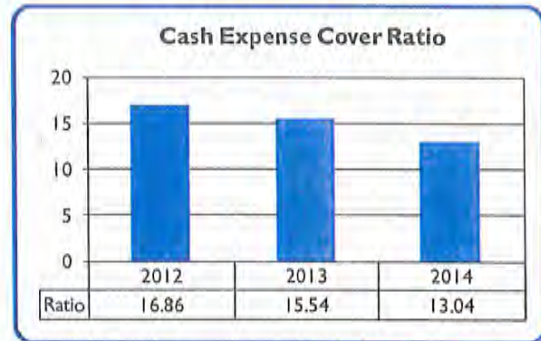
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

3. CASH ASSETS

3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

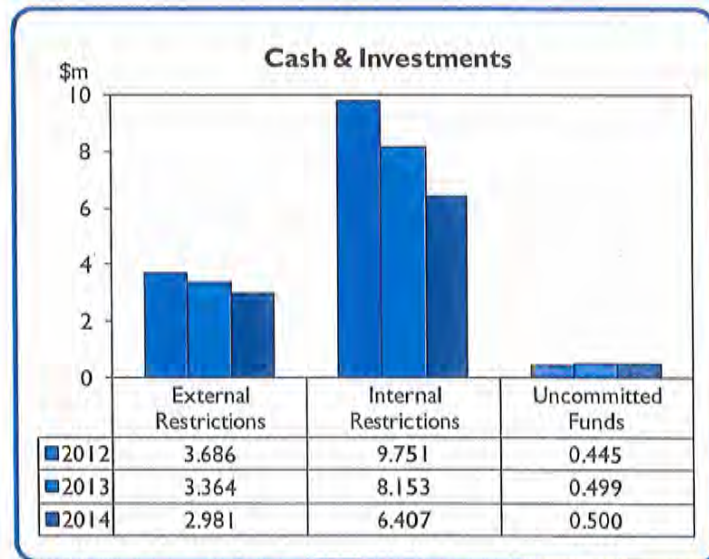
For 2014, this ratio stood at 13.04 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$9.888 million at 30 June 2014 as compared with \$12.016 million in 2013 and \$13.882 million in 2012.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consist of unexpended grants and contributions (\$39,000), domestic waste management charges (\$157,000) and water and sewerage funds (\$2.785 million).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$6.407 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$500,000, which is available to provide liquidity for day to day operations.

3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the year and reveals that Cash Assets decreased by \$2.128 million to \$9.888 million at the close of the year.

In addition to operating activities which contributed net cash of \$2.882 million were the proceeds from the sale of assets (\$292,000). Cash outflows other than operating activities were used to repay loans (\$72,000), make advances to deferred debtors (\$58,000) and to purchase and construct assets (\$5.172 million).

4. RECEIVABLES

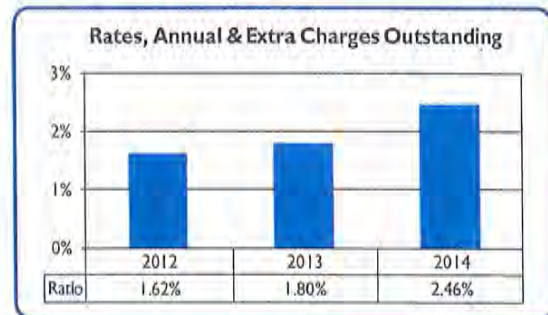
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$5.068 million and represented 46% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$5.153 million of which \$5.034 million (98%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$127,000 at the end of the year and represented 2.46% of those receivables.



4.3 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$438,000 and included amounts due from other levels of government of \$145,000, user charges of \$171,000 and a deferred debtor amount due by Castlereagh Macquarie County Council (\$50,000).

5. PAYABLES

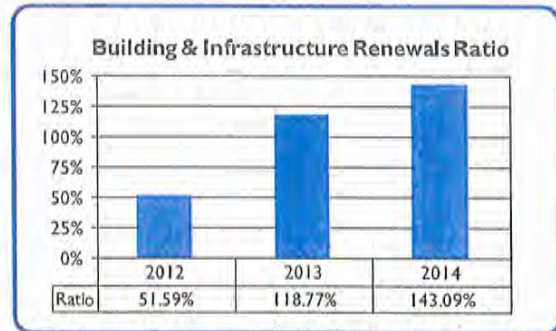
Employees Leave Entitlements - Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$1.551 million.

A cash reserve of \$400,000 was held at year end representing 26% of this liability and was, in our opinion, sufficient to enable Council to meet unbudgeted and unanticipated retirements.

6. BUILDING AND INFRASTRUCTURE RENEWALS

The Building and Infrastructure Renewals ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

Special Schedule No. 7 discloses that asset renewals for 2014 represented 143% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 20 May 2014. This included our recommendations on possible ways to strengthen and/or improve procedures and management's comments and proposed actions.

8. CONCLUSION

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

Yours faithfully,

HILL ROGERS SPENCER STEER

BRETT HANGER
Partner