

Warren Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

“Australia's Wool & Cotton Capital”



Warren Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2011

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Overview

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

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

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 19/08/11.
Council has the power to amend and reissue the financial statements.

Warren Shire Council

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

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited Financial Statements to their Council & 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 2011.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

1. An Income Statement

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

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

2. A Statement of Comprehensive Income

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

3. A Balance Sheet

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

4. A Statement of Changes in Equity

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

5. A Statement of Cash Flows

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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Warren Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2011

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 28 July 2011.



Clr NRF Wilson OAM
MAYOR



Clr P Serdity
COUNCILLOR



Mr AP Wielinga
GENERAL MANAGER



Mr DJ Arthur
RESPONSIBLE ACCOUNTING OFFICER

Income Statement

for the financial year ended 30 June 2011

Budget ⁽¹⁾			Actual	Actual
2011	\$ '000	Notes	2011	2010
Income from Continuing Operations				
Revenue:				
4,552	Rates & Annual Charges	3a	4,595	4,468
1,430	User Charges & Fees	3b	1,110	1,675
448	Interest & Investment Revenue	3c	612	481
331	Other Revenues	3d	419	378
4,105	Grants & Contributions provided for Operating Purposes	3e,f	5,455	3,643
550	Grants & Contributions provided for Capital Purposes	3e,f	602	718
Other Income:				
-	Net gains from the disposal of assets	5	180	185
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	30
11,416	Total Income from Continuing Operations		12,973	11,578
Expenses from Continuing Operations				
4,367	Employee Benefits & On-Costs	4a	4,554	4,179
2	Borrowing Costs	4b	23	29
3,555	Materials & Contracts	4c	3,518	3,173
2,685	Depreciation & Amortisation	4d	3,480	2,532
-	Impairment	4d	-	-
924	Other Expenses	4e	866	879
-	Interest & Investment Losses	3c	-	-
-	Net Losses from the Disposal of Assets	5	-	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	11	-
11,533	Total Expenses from Continuing Operations		12,452	10,792
(117)	Operating Result from Continuing Operations		521	786
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations		-	-
(117)	Net Operating Result for the Year		521	786
(117)	Net Operating Result attributable to Council		521	786
-	Net Operating Result attributable to Minority Interests		-	-
(667)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(81)	68

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

Warren Shire Council

Statement of Comprehensive Income

for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)		521	786
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	376	50,339
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in Reserves (enter details here)	20b (ii)	-	-
De-recognition of land under roads		-	-
Adjustment to correct prior period depreciation errors		-	-
Total Other Comprehensive Income for the year		376	50,339
Total Comprehensive Income for the Year		897	51,125
Total Comprehensive Income attributable to Council		897	51,125
Total Comprehensive Income attributable to Minority Interests		-	-

Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	11,781	11,258
Investments	6b	-	-
Receivables	7	987	404
Inventories	8	740	765
Other	8	119	110
Non-current assets classified as "held for sale"		-	-
Total Current Assets		13,627	12,537
Non-Current Assets			
Investments	6b	-	-
Receivables	7	31	46
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	133,122	132,389
Investments accounted for using the equity method	19	61	72
Investment Property	14	-	-
Intangible Assets		-	-
Non-current assets classified as "held for sale"		-	-
Other	8	-	-
Total Non-Current Assets		133,214	132,507
TOTAL ASSETS		146,841	145,044
LIABILITIES			
Current Liabilities			
Payables	10	694	321
Borrowings	10	66	54
Provisions	10	1,442	1,398
Liabilities associated with assets classified as "held for sale"		-	-
Total Current Liabilities		2,202	1,773
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	592	136
Provisions	10	64	49
Investments accounted for using the equity method	19	-	-
Liabilities associated with assets classified as "held for sale"		-	-
Total Non-Current Liabilities		656	185
TOTAL LIABILITIES		2,858	1,958
Net Assets		143,983	143,086
EQUITY			
Retained Earnings	20	88,419	87,898
Revaluation Reserves	20	55,564	55,188
Council Equity Interest		143,983	143,086
Minority Equity Interest		-	-
Total Equity		143,983	143,086

Warren Shire Council

Statement of Changes in Equity

for the financial year ended 30 June 2011

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

\$ '000	Notes	Council			Minority Interest	Total Equity
		Retained Earnings	Reserves (Refer 20b)	Equity Interest		
2010						
Opening Balance (as per Last Year's Audited Accounts)		57,326	4,849	62,175	-	62,175
a. Correction of Prior Period Errors	20 (c)	29,786	-	29,786	-	29,786
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		87,112	4,849	91,961	-	91,961
c. Net Operating Result for the Year		786	-	786	-	786
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	50,339	50,339	-	50,339
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements (enter details here)	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	50,339	50,339	-	50,339
Total Comprehensive Income (c&d)		786	50,339	51,125	-	51,125
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		87,898	55,188	143,086	-	143,086

Warren Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
Cash Flows from Operating Activities				
Receipts:				
4,552	Rates & Annual Charges		4,634	4,442
1,430	User Charges & Fees		1,105	1,722
448	Investment & Interest Revenue Received		622	454
4,605	Grants & Contributions		5,838	4,599
731	Other		835	692
Payments:				
(4,367)	Employee Benefits & On-Costs		(4,528)	(4,059)
(3,405)	Materials & Contracts		(3,449)	(3,444)
(25)	Borrowing Costs		(3)	(7)
(1,524)	Other		(1,348)	(1,156)
2,445	Net Cash provided (or used in) Operating Activities	11b	3,706	3,243
Cash Flows from Investing Activities				
Receipts:				
17	Sale of Real Estate Assets		-	59
400	Sale of Infrastructure, Property, Plant & Equipment		475	376
	Deferred Debtors Receipts		11	10
Payments:				
(4,288)	Purchase of Infrastructure, Property, Plant & Equipment		(4,116)	(3,162)
(3,871)	Net Cash provided (or used in) Investing Activities		(3,630)	(2,717)
Cash Flows from Financing Activities				
Receipts:				
500	Proceeds from Borrowings & Advances		500	-
Payments:				
(54)	Repayment of Borrowings & Advances		(53)	(106)
446	Net Cash Flow provided (used in) Financing Activities		447	(106)
(980)	Net Increase/(Decrease) in Cash & Cash Equivalents		523	420
11,258	plus: Cash & Cash Equivalents - beginning of year	11a	11,258	10,838
10,278	Cash & Cash Equivalents - end of the year	11a	11,781	11,258

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

Notes to the Financial Statements

for the financial year ended 30 June 2011

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Warren Shire Council

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

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards,
- Other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

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

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

(iii) Basis of Accounting

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

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

(iv) Changes in Accounting Policies

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

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

(v) Critical Accounting Estimates

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

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

(b) Revenue recognition

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

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

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

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such

developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/11) and **(ii)** all

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

the related operating results (for the financial year ended the 30th June 2011).

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

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- 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) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

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

- **Castlereagh Macquarie County Council**
Description of County Councils Functions
Number of Constituent Councils

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

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(vi) Additional Information

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

(d) Leases

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

Warren Shire Council

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

Note 1. Summary of Significant Accounting Policies (continued)

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

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.

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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.

Warren Shire Council

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Acquisition of assets

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

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

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

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

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.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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	> \$2,000
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Building

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

Other Structures	> \$2,000
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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
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Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets

cost (net of residual values) over its estimated useful life.

Land is not depreciated.

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

Plant & Equipment

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

Other Equipment

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

Buildings

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

Stormwater Drainage

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

Transportation Assets

- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	50 years
- Unsealed roads	60 years
- Bridge : Concrete	100 years
- Bridge : Other	50 years

- Road Pavements	60 years
- Kerb, Gutter & Paths	40 years

Water & Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years

- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

(p) Investment property

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

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

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

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

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

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

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

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

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

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

(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.

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

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

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

(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.

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:

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

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

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

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

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

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities Councils estimated deficit amounted to around \$577,053 as at 30 June 2011.

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

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

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

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

Define Contribution Plans

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

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/11.

(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.

Warren Shire Council

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

Note 1. Summary of Significant Accounting Policies (continued)

(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 UIG interpretations

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

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

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

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

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

Applicable to Local Government but no implications for Council;

AASB 2009 14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

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

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

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for

Warren Shire Council

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

Note 1. Summary of Significant Accounting Policies (continued)

annual reporting periods beginning on or after 1 July 2011)

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

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

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

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

None

Not applicable to Local Government per se;

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

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

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

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

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

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

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

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

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

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

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

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

(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.

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities.												
	Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Governance	-	-	-	350	375	364	(350)	(375)	(364)	-	-	23	30
Administration	70	202	115	2,500	1,942	2,047	(2,430)	(1,740)	(1,932)	6	9	10,758	10,687
Public Order & Safety	104	78	78	249	253	257	(145)	(175)	(179)	-	-	380	403
Health	5	-	-	257	209	165	(252)	(209)	(165)	-	-	19	25
Environment	-	-	-	-	83	84	-	(83)	(84)	-	-	-	-
Community Services & Education	23	54	22	55	54	53	(32)	-	(31)	54	22	216	239
Housing & Community Amenities	278	654	348	628	1,132	741	(350)	(478)	(393)	340	66	9,762	9,937
Water Supplies	463	489	483	652	531	585	(189)	(42)	(102)	10	9	6,463	6,288
Sewerage Services	526	549	525	607	536	559	(81)	13	(34)	9	9	5,750	5,626
Recreation & Culture	172	325	399	1,039	1,345	1,245	(867)	(1,020)	(846)	126	247	4,796	4,557
Mining, Manufacturing & Construction	106	91	47	116	34	16	(10)	57	31	-	-	534	491
Transport & Communication	2,940	3,510	3,238	4,811	5,789	4,531	(1,871)	(2,279)	(1,293)	25	481	106,076	105,827
Economic Affairs	704	696	332	269	158	145	435	538	187	527	49	2,003	862
Total Functions & Activities	5,391	6,648	5,587	11,533	12,441	10,792	(6,142)	(5,793)	(5,205)	1,097	892	146,780	144,972
Share of gains/(losses) in Associates													
Joint Ventures (using the Equity Method)	-	-	30	-	11	-	-	(11)	30	-	-	61	72
General Purpose Income ¹	6,025	6,325	5,961	-	-	-	6,025	6,325	5,961	2,095	1,912	-	-
Operating Result from Continuing Operations	11,416	12,973	11,578	11,533	12,452	10,792	(117)	521	786	3,192	2,804	146,841	145,044

Financial Statements 2011

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 2011

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

Fire protection, animal control, emergency services, other.

HEALTH

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

ENVIRONMENT

Noxious plants and insect control.

COMMUNITY SERVICES & EDUCATION

Administration, youth services, other community services, education.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens, 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, street lighting, RTA works, other.

ECONOMIC AFFAIRS

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

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a). Rates & Annual Charges			
Ordinary Rates			
Nil			
Residential		461	450
Farmland		3,179	3,099
Business		150	145
Total Ordinary Rates		3,790	3,694
Special Rates			
Nil			
Total Special Rates		-	-
Annual Charges (pursuant to s.496, s.501 & s.611)			
Nil			
Domestic Waste Management Services		183	174
Water Supply Services		250	227
Sewerage Services		372	373
Total Annual Charges		805	774
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>4,595</u>	<u>4,468</u>

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Nil			
Domestic Waste Management Services		12	10
Water Supply Services		185	202
Sewerage Services		42	42
Total User Charges		239	254
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608 & 610A)			
Nil			
Planning & Building Regulation		33	27
Private Works - Section 67		67	187
Regulatory/ Statutory Fees		9	9
Total Fees & Charges - Statutory/Regulatory		109	223
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Nil			
Aerodrome		7	7
Caravan Park		10	18
Cemeteries		39	19
Quarry Revenues		37	45
RTA Charges (State Roads not controlled by Council)		639	1,078
Swimming Centres		24	21
Other		6	10
Total Fees & Charges - Other		762	1,198
TOTAL USER CHARGES & FEES		1,110	1,675

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		21	11
- Interest earned on Investments (interest & coupon payment income)		591	470
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>612</u>	<u>481</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		19	11
General Council Cash & Investments		440	355
Restricted Investments/Funds - External:			
Water Fund Operations		28	16
Sewerage Fund Operations		125	99
<u>Total Interest & Investment Revenue Recognised</u>		<u>612</u>	<u>481</u>
(d). Other Revenues			
Rental Income - Other Council Properties		118	130
Commissions & Agency Fees		72	58
Diesel Rebate		63	64
Insurance Claim Recoveries		67	13
Recycling Income (non domestic)		7	8
Swimming Pool Canteen		18	15
OHS Incentive Payment		4	10
Statewide Property Rebate		17	4
NSW RFS M&R Reimbursement		17	30
Strengthening the Basin Reimbursement		15	25
Motor Vehicle Insurance Rebate		9	-
Other		12	21
<u>TOTAL OTHER REVENUE</u>		<u>419</u>	<u>378</u>

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,187	1,069	-	-
Financial Assistance - Local Roads Component	888	823	-	-
Pensioners' Rates Subsidies - General Component	20	20	-	-
Total General Purpose	2,095	1,912	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	10	9	-	-
- Sewerage	9	9	-	-
- Domestic Waste Management	8	8	-	-
Community Centres	-	-	509	41
Economic Development	18	8	-	-
Employment & Training Programs	6	9	-	-
Environmental Protection	-	54	-	-
Flood Restoration	327	-	-	-
Heritage & Cultural	5	4	-	-
Library	19	19	-	185
Recreation & Culture	37	40	70	-
Street Lighting	25	24	-	-
Transport (Roads to Recovery)	-	-	-	457
Youth Services	53	22	-	-
Other	1	3	-	-
Total Specific Purpose	518	209	579	683
Total Grants	2,613	2,121	579	683
Grant Revenue is attributable to:				
- Commonwealth Funding	2,105	1,892	489	457
- State Funding	508	229	90	226
- Other Funding	-	-	-	-
	2,613	2,121	579	683

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000		2011 Operating	2010 Operating	2011 Capital	2010 Capital
(f). Contributions					
Developer Contributions:					
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):					
Nil					
Total Developer Contributions	17	-	-	-	-
Other Contributions:					
Nil					
Bushfire Services		56	3	-	35
Recreation & Culture		20	3	23	-
Roads & Bridges		-	262	-	-
RTA Contributions (Regional/Local, Block Grant)		2,706	1,196	-	-
Riverbank - Bamboo Works		5	8	-	-
Library		55	50	-	-
Total Other Contributions		2,842	1,522	23	35
Total Contributions		2,842	1,522	23	35
TOTAL GRANTS & CONTRIBUTIONS		5,455	3,643	602	718

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2011	Actual 2010
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	1,008	553
add: Grants and contributions recognised in the current period which have not been spent:	417	1,008
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(1,008)	(553)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	(591)	455
Unexpended at the Close of this Reporting Period and held as Restricted Assets	417	1,008
Comprising:		
- Specific Purpose Unexpended Grants	119	273
- Developer Contributions	-	-
- Other Contributions	298	735
	417	1,008

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a) Employee Benefits & On-Costs			
Salaries and Wages		3,523	3,422
Travelling		9	7
Employee Leave Entitlements (ELE)		410	421
Superannuation - Defined Contribution Plans		224	206
Superannuation - Defined Benefit Plans		175	188
Workers' Compensation Insurance		312	217
Fringe Benefit Tax (FBT)		28	26
Training Costs (other than Salaries & Wages)		82	63
Total Employee Costs		4,763	4,550
less: Capitalised Costs		(209)	(371)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>4,554</u>	<u>4,179</u>
Number of "Equivalent Full Time" Employees at year end		71	71
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		2	7
Total Interest Bearing Liability Costs Expensed		2	7
(ii) Other Borrowing Costs			
Interest applicable on Interest Free (& favourable) Loans to Council		21	22
Total Other Borrowing Costs		21	22
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>23</u>	<u>29</u>
(c) Materials & Contracts			
Raw Materials & Consumables		3,483	3,113
Contractor & Consultancy Costs		-	33
Auditors Remuneration			
- Audit Services: Council's Auditor		27	25
Legal Expenses:			
- Legal Expenses: Other		1	1
- Legal Expenses: Debt Recovery		7	1
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>3,518</u>	<u>3,173</u>

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	782	715
Office Equipment		-	-	28	22
Furniture & Fittings		-	-	4	4
Buildings - Non Specialised		-	-	98	98
Buildings - Specialised		-	-	82	74
Other Structures		-	-	170	179
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	2,096	1,290
- Stormwater Drainage		-	-	37	37
- Water Supply Network		-	-	149	144
- Sewerage Network		-	-	195	188
Total Depreciation & Impairment Costs		-	-	3,641	2,751
less: Capitalised Costs		-	-	(161)	(219)
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>-</u>	<u>-</u>	<u>3,480</u>	<u>2,532</u>

(e) Other Expenses

Other Expenses for the year include the following:

Advertising	28	28
Bank Charges	5	6
Contribution to NSW Fire Brigade Levy	19	17
Contribution to NSW Rural Fire Service Levy	54	51
Contribution to Emergency Services Levy	9	10
Contribution to North Western Library	38	37
Contribution to Castlereagh Macquarie County Council	83	81
Contribution to Other Contributions/Levies	8	10
Councillor Expenses - Mayoral Fee	13	12
Councillor Expenses - Councillors' Fees	92	89
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)	15	18
Electricity & Heating	140	129
Insurance	173	188
Postage	11	11
Printing & Stationery	23	42
Street Lighting	69	73
Subscriptions & Publications	17	17
Telephone & Communications	26	29
Valuation Fees	14	13
Other	29	18
<u>TOTAL OTHER EXPENSES</u>	<u>866</u>	<u>879</u>

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2011	Actual 2010
Property (excl. Investment Property)			
Proceeds from Disposal		60	-
less: Carrying Amount of Property Assets Sold		-	-
Net Gain/(Loss) on Disposal		60	-
Plant & Equipment			
Proceeds from Disposal		415	376
less: Carrying Amount of P&E Assets Sold		(295)	(233)
Net Gain/(Loss) on Disposal		120	143
Real Estate Assets Held For Sale			
Proceeds from Disposal		-	47
less: Carrying Amount of Real Estate Assets Sold / Written Off		-	(5)
Net Gain/(Loss) on Disposal		-	42
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		180	185

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	2011	2011	2010	2010
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		887	-	1	-
Cash-Equivalent Assets ¹					
- Deposits at Call		1,137	-	757	-
- Short Term Deposits		9,757	-	10,500	-
Total Cash & Cash Equivalents		11,781	-	11,258	-
Investment Securities (Note 6b)					
Nil					
Total Investment Securities		-	-	-	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		11,781	-	11,258	-

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

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

Cash & Cash Equivalents					
a. "At Fair Value through the Profit & Loss"		11,781	-	11,258	-

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 2011

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

\$ '000	2011	2011	2010	2010
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	11,781	-	11,258	-
attributable to:				
External Restrictions (refer below)	3,347	-	3,536	-
Internal Restrictions (refer below)	7,964	-	7,228	-
Unrestricted	470	-	494	-
	11,781	-	11,258	-

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

Details of Restrictions

External Restrictions - Included in Liabilities

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

RTA Contributions (A)	735	-	(441)	294
Specific Purpose Unexpended Grants (B)	273	-	(154)	119
Water Supplies (C)	395	156	-	551
Sewerage Services (C)	2,065	215	-	2,280
Domestic Waste Management (C)	61	31	-	92
Other - Library Talking Books	-	4	-	4
External Restrictions - Other	3,529	406	(595)	3,340
Total External Restrictions	3,536	406	(595)	3,347

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	380	7	(96)	291
Infrastructure Replacement	3,476	380	(385)	3,471
Employees Leave Entitlement	370	-	-	370
Roadworks	1,148	666	(24)	1,790
Bridgeworks	310	26	-	336
Insurances	267	68	(75)	260
Specific M&R	222	-	(123)	99
Specific Programs	449	231	-	680
CBD Improvements	77	38	-	115
FAG Grant Prepaid	492	525	(492)	525
Other	37	6	(16)	27
Total Internal Restrictions	7,228	1,947	(1,211)	7,964
TOTAL RESTRICTIONS	10,764	2,353	(1,806)	11,311

- A** RTA 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 2011

Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		78	21	92	46
Interest & Extra Charges		6	2	17	-
User Charges & Fees		152	8	128	-
Accrued Revenues					
- Interest on Investments		64	-	65	-
Government Grants & Subsidies		663	-	66	-
Deferred Debtors		-	-	11	-
Amounts due from Other Councils		-	-	25	-
Other Debtors		24	-	-	-
Total		987	31	404	46
<u>TOTAL NET RECEIVABLES</u>		<u>987</u>	<u>31</u>	<u>404</u>	<u>46</u>
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		13	-	19	-
- Other		53	-	70	-
Sewerage Services					
- Rates & Availability Charges		20	-	27	-
Domestic Waste Management		21	-	21	-
Total External Restrictions		107	-	137	-
Internally Restricted Receivables					
Nil					
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		880	31	267	46
TOTAL NET RECEIVABLES		<u>987</u>	<u>31</u>	<u>404</u>	<u>46</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% (2010 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 8. Inventories & Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		164	-	180	-
Stores & Materials		114	-	124	-
Trading Stock		376	-	385	-
Loose Tools		86	-	76	-
Total Inventories		740	-	765	-
Other Assets					
Prepayments		119	-	110	-
Total Other Assets		119	-	110	-
TOTAL INVENTORIES / OTHER ASSETS		859	-	875	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

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

Residential		75	-	91	-
Industrial/Commercial		89	-	89	-
Total Real Estate for Resale		164	-	180	-

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

Represented by:

Acquisition Costs		164	-	180	-
Total Real Estate for Resale		164	-	180	-

Movements:

Real Estate assets at beginning of the year		180	-	185	-
- Transfers in from (out to) Note 9		(16)	-	-	-
- WDV of Sales (exp)	5	-	-	(5)	-
Total Real Estate for Resale		164	-	180	-

(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;

	2011	2010
Real Estate for Resale	147	175
Other	340	293
	487	468

\$6K was recognised as an expense relating to the write down of Inventory balances held during the year.

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2010				Asset Movements during the Reporting Period						as at 30/6/2011		
	At	At	Accumulate	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Tfrs from/(to) Real Estate Assets (Note 8)	Revaluation Increments to Equity (ARR)	At	Accumulate	Carrying
	Cost	Fair Value	Deprec.	Value							Fair Value	Dep'n	Value
Plant & Equipment	-	9,741	6,100	3,641	1,265	(295)	(782)	-	-	-	9,983	6,154	3,829
Office Equipment	-	492	391	101	7	-	(28)	-	-	-	499	419	80
Furniture & Fittings	-	60	53	7	-	-	(4)	-	-	-	60	57	3
Land:													
- Operational Land	-	1,433	-	1,433	-	-	-	(188)	16	-	1,261	-	1,261
- Community Land	722	-	-	722	-	-	-	188	-	93	1,003	-	1,003
Buildings - Non Specialised	-	6,998	4,955	2,043	1,200	-	(98)	-	-	-	8,198	5,053	3,145
Buildings - Specialised	-	5,670	2,602	3,068	122	-	(82)	-	-	-	5,792	2,684	3,108
Other Structures	16,210	-	8,645	7,565	44	-	(170)	-	-	-	15,454	8,015	7,439
Infrastructure:													
- Roads, Bridges, Footpaths	-	145,539	43,006	102,533	1,639	-	(2,096)	-	-	-	147,177	45,101	102,076
- Stormwater Drainage	-	3,745	1,497	2,248	-	-	(37)	-	-	-	3,745	1,534	2,211
- Water Supply Network	-	11,921	6,271	5,650	-	-	(149)	-	-	182	12,302	6,619	5,683
- Sewerage Network	-	11,473	8,095	3,378	-	-	(195)	-	-	101	11,837	8,553	3,284
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	16,932	197,072	81,615	132,389	4,277	(295)	(3,641)	-	16	376	217,311	84,189	133,122

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000 Class of Asset	Actual 2011				Actual 2010			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Plant & Equipment	-	197	152	45	-	188	145	43
Land								
- Operational Land	-	54	-	54	-	55	-	55
- Community Land	-	10	-	10	-	-	-	-
Other Structures	-	73	19	54	73	-	17	56
Infrastructure	-	12,302	6,619	5,683	-	11,921	6,271	5,650
Total Water Supply	-	12,636	6,790	5,846	73	12,164	6,433	5,804
Sewerage Services								
Plant & Equipment	-	173	112	61	-	159	108	51
Land								
- Operational Land	-	29	-	29	-	105	-	105
- Community Land	-	76	-	76	-	-	-	-
Infrastructure	-	11,837	8,553	3,284	-	11,473	8,095	3,378
Total Sewerage Services	-	12,115	8,665	3,450	-	11,737	8,203	3,534
Domestic Waste Management								
Land								
- Operational Land	-	105	-	105	-	105	-	105
Total DWM	-	105	-	105	-	105	-	105
TOTAL RESTRICTED I,PP&E	-	24,856	15,455	9,401	73	24,006	14,636	9,443

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

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 2011

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		511	-	156	-
Payments Received In Advance		62	-	52	-
Accrued Expenses:					
- Borrowings		-	-	1	-
- Salaries & Wages		30	-	40	-
Security Bonds, Deposits & Retentions		68	-	12	-
ATO - Net GST Payable		23	-	60	-
Total Payables		694	-	321	-
Borrowings					
Loans - Secured ¹		38	474	26	12
Government Advances		28	118	28	124
Total Borrowings		66	592	54	136
Provisions					
Employee Benefits;					
Annual Leave		422	-	391	-
Long Service Leave		1,020	64	1,007	49
Total Provisions		1,442	64	1,398	49
Total Payables, Borrowings & Provisions		2,202	656	1,773	185

(i) Liabilities relating to Restricted Assets

	2011		2010	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	23	41	22	39
Sewer	8	5	5	4
Other	7	-	7	-
Liabilities relating to externally restricted assets	38	46	34	43
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	38	46	34	43

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 2011

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

\$ '000	2011	2010
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	1,043	1,015
	1,043	1,015

Note 10b. Description of and movements in Provisions

Class of Provision	2010		2011			Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	391	282	(251)	-	-	422
Long Service Leave	1,056	133	(105)	-	-	1,084
TOTAL	1,447	415	(356)	-	-	1,506

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 2011

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	11,781	11,258
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		11,781	11,258
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		521	786
Adjust for non cash items:			
Depreciation & Amortisation		3,480	2,532
Net Losses/(Gains) on Disposal of Assets		(180)	(185)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Val)		21	22
Share of Net (Profits) or Losses of Associates/Joint Ventures		11	(30)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(579)	(91)
Decrease/(Increase) in Inventories		9	28
Decrease/(Increase) in Other Assets		(9)	(10)
Increase/(Decrease) in Payables		355	49
Increase/(Decrease) in accrued Interest Payable		(1)	14
Increase/(Decrease) in other accrued Expenses Payable		(10)	3
Increase/(Decrease) in Other Liabilities		29	-
Increase/(Decrease) in Employee Leave Entitlements		59	125
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		3,706	3,243

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
(c) Non-Cash Investing & Financing Activities			
Nil			
Total Non-Cash Investing & Financing Activities		-	-
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Credit Cards / Purchase Cards		10	10
Total Financing Arrangements		510	510
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		-	2
Total Financing Arrangements Utilised		-	2

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 2011

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
(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		-	92
Plant & Equipment		-	185
Total Commitments		-	277
These expenditures are payable as follows:			
Within the next year		-	277
Total Payable		-	277
Sources for Funding of Capital Commitments:			
Unexpended Grants		-	92
Internally Restricted Reserves		-	185
Total Sources of Funding		-	277
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
DWM & Recycling Services		240	432
Audit Services		56	82
Total Commitments		296	514
These expenditures are payable as follows:			
Within the next year		270	241
Later than one year and not later than 5 years		26	273
Total Payable		296	514

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
Nil			
(e) Investment Property Commitments			
Nil			
(f) Remuneration Commitments			
Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:			
Within the next year		156	154
Later than one year and not later than 5 years		158	320
Total Payable		314	474

(g) 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 2011

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

\$ '000	Amounts	Indicator	Prior Periods	
	2011	2011	2010	2009
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	9,686	8.64 : 1	11.6 :1	12.48:1
Current Liabilities less Specific Purpose Liabilities ^(2,3)	1,121			
2. Debt Service Ratio				
Debt Service Cost	55	0.61%	1.24%	1.91%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	9,011			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	4,595	35.42%	38.59%	30.01%
Income from Continuing Operations	12,973			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	107	2.24%	3.37%	2.83%
Rates, Annual & Extra Charges Collectible	4,771			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	1,911	71.92%	92.30%	153.51%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	2,657			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).⁽³⁾ Refer to Note 10(c) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Water 2011	Sewer 2011	General ¹ 2011
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽¹⁾	281.00	718.75	8.64
Current Liabilities less Specific Purpose Liabilities ^(2,3)	: 1	: 1	: 1
2. Debt Service Ratio			
Debt Service Cost	0.74%	0.00%	0.64%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
3. Rates & Annual Charges Coverage Ratio			
Rates & Annual Charges	48.79%	67.18%	33.25%
Income from Continuing Operations			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual & Extra Charges Outstanding	4.92%	5.09%	1.80%
Rates, Annual & Extra Charges Collectible			
5. Building & Infrastructure Renewals Ratio			
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	0.00%	0.00%	82.94%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)			

Notes

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 14. Investment Properties

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	
	2011	2010	2011	2010
Financial Assets				
Cash and Cash Equivalents	11,781	11,258	11,781	11,258
Receivables	1,018	450	1,018	450
Total Financial Assets	12,799	11,708	12,799	11,708
Financial Liabilities				
Payables	632	269	632	269
Loans / Advances	658	190	658	190
Total Financial Liabilities	1,290	459	1,290	459

Fair Value is determined as follows:

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

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

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2011				
Possible impact of a 10% movement in Market Values	-	-	-	-
Possible impact of a 1% movement in Interest Rates	118	118	118	118
2010				
Possible impact of a 10% movement in Market Values	-	-	-	-
Possible impact of a 1% movement in Interest Rates	113	113	113	113

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	734	-	202
Past due by up to 30 days	52	90	50	51
Past due between 31 and 180 days	19	54	24	12
Past due between 181 and 365 days	8	12	30	30
Past due by more than 1 year	20	29	34	17
	99	919	138	312

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2011									
Trade/Other Payables	68	564	-	-	-	-	-	632	632
Loans & Advances	-	66	69	73	75	79	358	720	658
Total Financial Liabilities	68	630	69	73	75	79	358	1,352	1,290
2010									
Trade/Other Payables	12	257	-	-	-	-	-	269	269
Loans & Advances	-	54	31	31	32	32	166	346	190
Total Financial Liabilities	12	311	31	31	32	32	166	615	459

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

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

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	632	0.0%	269	0.0%
Loans & Advances - Fixed Interest Rate	658	6.8%	190	6.2%
	<u>1,290</u>		<u>459</u>	

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 09/10 was incorporated as part of its Management Plan and was adopted by the Council on 24 June 2010.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	4,552	4,595	43	1%	F
User Charges & Fees	1,430	1,110	(320)	(22%)	U
Ordered Works on State Highway 11 were suspended due to the December 2010 flood event.					
Interest & Investment Revenue	448	612	164	37%	F
Interest revenue have been affected as a result of capital expenditure being delayed due to flooding in Decem and changes in interest rates available on the short term money market.					
Other Revenues	331	419	88	27%	F
Due to unscheduled flood damage works on State Highway 11 as a result of the December 2010 floods.					
Operating Grants & Contributions	4,105	5,455	1,350	33%	F
The increase in Operating Grants & Contributions are attributable to the flood & storm damage event in Decem					
Capital Grants & Contributions	550	602	52	9%	F
Net Gains from Disposal of Assets	-	180	180	0%	F
No provision made in budget for gains on disposal of assets.					

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	4,367	4,554	(187)	(4%)	U
Borrowing Costs	2	23	(21)	(1050%)	U
Unfavourable result arising from State Treasury Interest Free Loan.					
Materials & Contracts	3,555	3,518	37	1%	F
Depreciation & Amortisation	2,685	3,480	(795)	(30%)	U
As a result of the revaluation of Roads, Bridges & Stormwater in 2009/10 not included in the original budget.					
Other Expenses	924	866	58	6%	F
Share of Net Losses - Joint Ventures & Associates	-	11	(11)	0%	U
No provision made in the budget for Joint Venture operations.					

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

Cash Flows from Operating Activities	2,445	3,706	1,261	51.6%	F
This increase is as a result of grants received for flood & storm damage emergency & restoration works					
Cash Flows from Investing Activities	(3,871)	(3,630)	241	(6.2%)	F
Cash Flows from Financing Activities	446	447	1	0.2%	F

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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 2011

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions from 2009/10 & beyond.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from 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 Councils contributions to the pool and the result of insurance claims within each of the Fund Years.

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) Garbage Depot Reinstatement

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

(iii) Gravel Pits Reinstatement

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

(iv) Mount Foster Quarry Remediation

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

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

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

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

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

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

Subsidiaries**Note 19(a)**

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

Associated Entities & Joint Venture Entities**Note 19(b)(i)&(ii)**

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself.

Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Joint Venture Operations**Note 19(c)**

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

Subsidiaries, Associated Entities and Joint Ventures Not Recognised**Note 19(d)****Accounting Recognition:**

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

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

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Joint Venture Entities	(11)	30	61	72
Total	(11)	30	61	72

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

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

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

Council has no interest in any Associated Entities & Joint Venture Entities.

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

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2011	2010
North Western Library Service	Joint Book Purchasing	61	72
Total Carrying Amounts - Joint Venture Entities		61	72

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2011	2010	2011	2010	2011	2010
North Western Library Service	25%	25%	25%	25%	25%	25%

(c) Movement in Carrying Amounts

	North Western Library Service	
	2011	2010
Opening Balance	72	42
Share in Operating Result	(11)	30
Councils Equity Share in the Joint Venture Entity	61	72

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

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

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2011					
North Western Library Service	2	59	-	-	61
Totals	2	59	-	-	61
2010					
North Western Library Service	31	41	-	-	72
Totals	31	41	-	-	72

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

	2011			2010		
	Revenues	Expenses	Result	Revenues	Expenses	Result
North Western Library Service	40	51	(11)	73	43	30
Totals	40	51	(11)	73	43	30

19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

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

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2011	Actual 2010
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		87,898	57,326
a. Correction of Prior Period Errors	20 (c)	-	29,786
d. Net Operating Result for the Year		521	786
Balance at End of the Reporting Period		88,419	87,898

b. Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		55,564	55,188
Total		55,564	55,188

(ii). Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		55,188	4,849
- Revaluations for the year	9(a)	376	50,339
- Balance at End of Year		55,564	55,188

(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.

Warren Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

As part of Council's transition to measuring all its I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Class:

- Community Land

As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.

This adjustment resulted in net increase / (decrease) in Council's Accumulated Surplus as at 30/6/10.

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

These amounted to the following Equity Adjustments:

- Adjustments to Opening Equity - 1/7/10	-	29,786
Total Prior Period Adjustments - Prior Period Errors	-	29,786

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 2011

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund	Actual	Actual	Actual
\$ '000	2011	2011	2011
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	263	391	3,941
User Charges & Fees	223	57	830
Interest & Investment Revenue	28	125	459
Other Revenues	15	-	404
Grants & Contributions provided for Operating Purposes	10	9	5,436
Grants & Contributions provided for Capital Purposes	-	-	602
Other Income			
Net Gains from Disposal of Assets	-	-	180
Total Income from Continuing Operations	539	582	11,852
Expenses from Continuing Operations			
Employee Benefits & on-costs	184	193	4,177
Borrowing Costs	1	-	22
Materials & Contracts	187	166	3,165
Depreciation & Amortisation	157	204	3,119
Other Expenses	29	-	837
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	11
Total Expenses from Continuing Operations	558	563	11,331
Operating Result from Continuing Operations	(19)	19	521
Net Operating Result for the Year	(19)	19	521
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(19)	19	(81)

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

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 2011

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund	Actual	Actual	Actual
\$ '000	2011	2011	2011
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	551	2,280	8,950
Receivables	66	20	901
Inventories	-	-	740
Other	-	-	119
Total Current Assets	617	2,300	10,710
Non-Current Assets			
Receivables	-	-	31
Infrastructure, Property, Plant & Equipment	5,846	3,450	123,826
Investments Accounted for using the equity method	-	-	61
Total Non-Current Assets	5,846	3,450	123,918
TOTAL ASSETS	6,463	5,750	134,628
LIABILITIES			
Current Liabilities			
Payables	9	-	685
Borrowings	3	-	63
Provisions	11	8	1,423
Total Current Liabilities	23	8	2,171
Non-Current Liabilities			
Borrowings	9	-	583
Provisions	32	5	27
Total Non-Current Liabilities	41	5	610
TOTAL LIABILITIES	64	13	2,781
Net Assets	6,399	5,737	131,847
EQUITY			
Retained Earnings	4,586	4,615	79,218
Revaluation Reserves	1,813	1,122	52,629
Total Equity	6,399	5,737	131,847

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

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

WARREN SHIRE COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *general purpose financial statements* of **Warren Shire Council**, which comprises the Balance Sheet as at 30 June 2011, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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

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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 Warren this 19th day of August 2011

19 August 2011

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

Mayor,

Audit Report - Year Ended 30 June 2011

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2011 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Reports.

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

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

I. RESULTS FOR THE YEAR

I.1 Operating Result

The operating result for the year was a surplus of \$521,000 as compared with \$786,000 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.

	2011 \$000	% of Total	2010 \$000	% of Total	Increase (Decrease) \$000
Revenues before capital items					
Rates & annual charges	4,595	37%	4,468	41%	127
User charges, fees & other revenues	1,709	14%	2,268	21%	(559)
Grants & contributions provided for operating purposes	5,455	44%	3,643	34%	1,812
Interest & investment revenue	612	5%	481	4%	131
	12,371	100%	10,860	100%	1,511
Expenses					
Employee benefits & costs	4,554	37%	4,179	39%	375
Materials, contracts & other expenses	4,395	35%	4,052	38%	343
Depreciation, amortisation & impairment	3,480	28%	2,532	23%	948
Borrowing costs	23	0%	29	0%	(6)
	12,452	100%	10,792	100%	1,660
Surplus/(Deficit) before capital items	(81)		68		(149)
Grants & contributions provided for capital purposes	602		718		(116)
Net Surplus/(Deficit) for the year	521		786		(265)

1.2 Funding Result

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

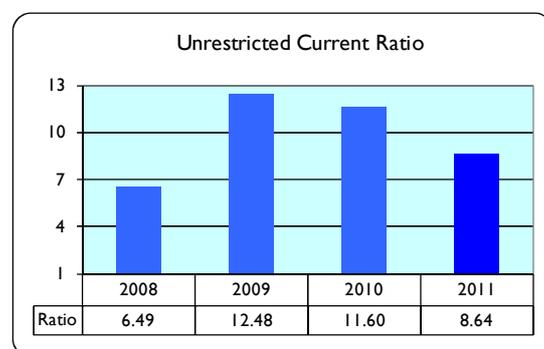
	2011	2010
Funds were provided by:-	\$000	\$000
Operating Result (as above)	521	786
Add back non funding items:-		
- Depreciation, amortisation & impairment	3,480	2,532
- Book value of non current assets sold	295	233
- (Surplus)Deficit in joint ventures	11	(30)
	<u>4,307</u>	<u>3,521</u>
New loan borrowings	500	0
Transfers from externally restricted assets (net)	223	0
Repayments from deferred debtors	0	10
Net Changes in current/non current assets & liabilities	95	170
	<u>5,125</u>	<u>3,701</u>
Funds were applied to:-		
Purchase and construction of assets	(4,116)	(3,162)
Principal repaid on loans	(32)	(84)
Transfers to externally restricted assets (net)	0	(657)
Transfers to internal reserves (net)	(736)	(131)
	<u>(4,884)</u>	<u>(4,034)</u>
Increase/(Decrease) in Available Working Capital	241	(333)

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 \$8.565 million representing a factor of 8.64 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$1.134 million as detailed below;

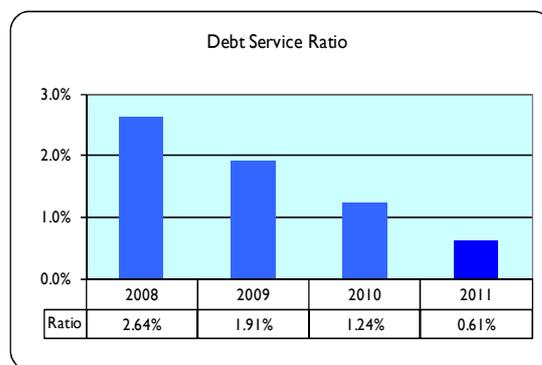
	2011	2010	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	11,425	10,764	661
Add: Payables, provisions & inventories not expected to be realised in the next 12 months included above	556	547	9
Adjusted Net Current Assets	11,981	11,311	670
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	66	54	12
- Employees leave entitlements	399	383	16
- Deposits & retention moneys	68	12	56
Less: Externally restricted assets	(3,416)	(3,639)	223
Less: Internally restricted assets	(7,964)	(7,228)	(736)
Available Working Capital as at 30 June	1,134	893	241

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors and inventories and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside we are of the opinion that Available Working Capital as at 30 June 2011 was sound.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 0.61%.

After repaying principal and interest of \$55,000 and taking up a new loan of \$500,000, Council's debt at 30 June 2011 amounted to \$658,000.



2.4 Summary

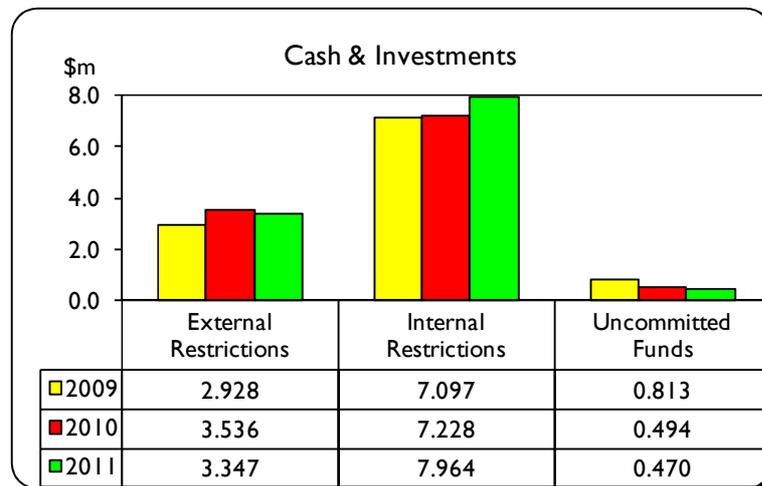
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$11.781 million as compared with \$11.258 million and \$10.838 million at the close of financial years 2010 and 2009 respectively. The following table summarises the purposes for which cash and investments were held;

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consist of unexpended grants and contributions (\$424,000), domestic waste management charges (\$92,000) and water and sewerage funds (\$2.831 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 \$7.964 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$470,000, which is available to provide liquidity for day to day operations.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the year and reveals that Cash Assets increased by \$523,000 to \$11.781 million at the close of the year.

In addition to operating activities which contributed net cash of \$3.706 million were the proceeds from the sale of assets (\$475,000), receipts from deferred debtors (\$11,000) and new loan funds received (\$500,000). Cash outflows other than operating activities were used to repay loans (\$53,000) and to purchase and construct assets (\$4.116 million).

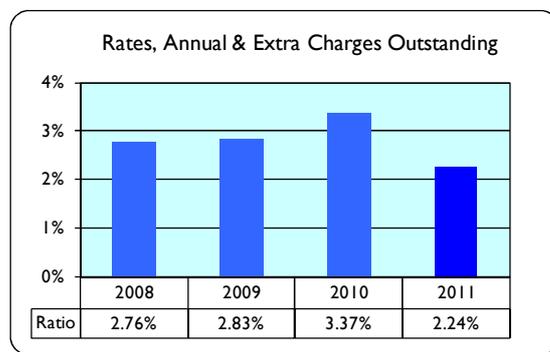
4. RECEIVABLES

4.1 Rates & Annual Charges

Net rates and annual charges levied during the year totalled \$4.595 million and represented 35.42% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$4.733 million of which \$4.634 million (97.91%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$107,000 at the end of the year and represented 2.24% of those receivables.



4.3 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$911,000 and included amounts due from other levels of government of \$663,000 and user charges of \$160,000.

5. PAYABLES

Employees Leave Entitlements - Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$1.506 million.

A cash reserve of \$370,000 was held at year end representing 25% of this liability and was, in our opinion, sufficient to enable Council to meet unbudgeted and unanticipated retirements.

6. REVALUATION OF ASSETS

The valuation at 'fair value' of Council's infrastructure, property, plant and equipment is being introduced in a staged approach. In previous years several asset categories, including operational land and buildings, infrastructure assets, plant and equipment have been valued.

This year saw the revaluation of the remaining asset categories, including community land. The revaluation process (including the indexation of water and sewerage infrastructure assets) resulted in a net increase of \$376,000 and was credited directly to Equity. Notes 1(j) and 9 of the financial statements provide further details.

7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 14 March 2011. This included our recommendations on possible ways to strengthen and/or improve procedures.

8. CONCLUSION

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

Yours faithfully,
HILL ROGERS SPENCER STEER



BRETT HANGER
Partner