

WATTLE RANGE COUNCIL

General Purpose Financial Reports for the year ended 30 June 2014

TABLE OF CONTENTS

| | <u>Page</u> |
|--|--------------------|
| Council Certificate | 1 |
| Principal Financial Statements | |
| Statement of Comprehensive Income | 2 |
| Statement of Financial Position | 3 |
| Statement of Changes in Equity | 4 |
| Statement of Cash Flows | 5 |
| Notes to, and forming part of, the Principal Financial Statements | |
| Note 1 - Significant Accounting Policies | N1 |
| Note 2 - Income | N5 |
| Note 3 - Expenses | N7 |
| Note 4 - Asset Disposal & Fair Value Adjustments | N8 |
| Note 5 - Current Assets | N9 |
| Note 6 - Non-Current Assets | N10 |
| Note 7 - Infrastructure, Property, Plant & Equipment | N11 |
| Note 8 - Liabilities | N16 |
| Note 9 - Reserves | N17 |
| Note 10 - Reconciliation of Cash Flow Statement | N18 |
| Note 11 - Functions | N19 |
| Note 12 - Financial Instruments | N21 |
| Note 13 - Expenditure Commitments | N23 |
| Note 14 - Financial Indicators | N24 |
| Note 15 - Uniform Presentation of Finances | N25 |
| Note 16 - Superannuation | N26 |
| Note 17 - Assets & Liabilities not Recognised | N27 |
| Audit Report - Financial Statements | |
| Council Certificate of Audit Independence | |
| Audit Certificate of Audit Independence | |

WATTLE RANGE COUNCIL

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

CERTIFICATION OF FINANCIAL STATEMENTS

We have been authorised by the Council to certify the financial statements in their final form. In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- the financial statements present a true and fair view of the Council's financial position at 30 June 2014 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Council's accounting and other records.



.....
Peter Harriott
CHIEF EXECUTIVE OFFICER



.....
Peter Gandolfi
MAYOR

Date: 14th October 2014

WATTLE RANGE COUNCIL

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2014

| | Notes | 2014 \$'000 | 2013 \$'000 |
|--|-------|----------------|----------------|
| INCOME | | | |
| Rates | 2 | 15,479 | 14,930 |
| Statutory charges | 2 | 223 | 201 |
| User charges | 2 | 1,665 | 1,728 |
| Grants, subsidies and contributions | 2 | 2,072 | 3,050 |
| Investment income | 2 | 45 | 49 |
| Reimbursements | 2 | 207 | 209 |
| Other income | 2 | 267 | 284 |
| Total Income | | 19,958 | 20,451 |
| EXPENSES | | | |
| Employee costs | 3 | 6,647 | 6,210 |
| Materials, contracts & other expenses | 3 | 7,913 | 8,291 |
| Depreciation, amortisation & impairment | 3 | 4,303 | 4,296 |
| Finance costs | 3 | 636 | 568 |
| Total Expenses | | 19,499 | 19,365 |
| OPERATING SURPLUS / (DEFICIT) | | 459 | 1,086 |
| Asset disposal & fair value adjustments | 4 | (2,887) | (144) |
| Amounts received specifically for new or upgraded assets | 2 | 358 | 1,923 |
| NET SURPLUS / (DEFICIT) | | (2,070) | 2,865 |
| transferred to Equity Statement | | | |
| Other Comprehensive Income | | | |
| <i>Amounts which will not be reclassified subsequently to operating result</i> | | | |
| Changes in revaluation surplus - infrastructure, property, plant & equipment | 9 | (2,067) | 2,133 |
| Total Other Comprehensive Income | | (2,067) | 2,133 |
| TOTAL COMPREHENSIVE INCOME | | (4,137) | 4,998 |

This Statement is to be read in conjunction with the attached Notes.

WATTLE RANGE COUNCIL

STATEMENT OF FINANCIAL POSITION as at 30 June 2014

| | Notes | 2014 \$'000 | 2013 \$'000 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 818 | 132 |
| Trade & other receivables | 5 | 1,083 | 1,179 |
| Inventories | 5 | 242 | 256 |
| Total Current Assets | | 2,143 | 1,567 |
| Non-current Assets | | | |
| Financial assets | 6 | 476 | 504 |
| Infrastructure, property, plant & equipment | 7 | 153,987 | 155,359 |
| Total Non-current Assets | | 154,463 | 155,863 |
| Total Assets | | 156,606 | 157,430 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade & other payables | 8 | 2,579 | 2,837 |
| Borrowings | 8 | 1,457 | 1,670 |
| Provisions | 8 | 1,582 | 1,595 |
| Total Current Liabilities | | 5,618 | 6,102 |
| Non-current Liabilities | | | |
| Borrowings | 8 | 9,453 | 5,681 |
| Provisions | 8 | 171 | 146 |
| Total Non-current Liabilities | | 9,624 | 5,827 |
| Total Liabilities | | 15,242 | 11,929 |
| NET ASSETS | | 141,364 | 145,501 |
| EQUITY | | | |
| Accumulated Surplus | | 57,960 | 60,260 |
| Asset Revaluation Reserves | 9 | 82,612 | 84,679 |
| Other Reserves | 9 | 792 | 562 |
| TOTAL EQUITY | | 141,364 | 145,501 |

This Statement is to be read in conjunction with the attached Notes.

WATTLE RANGE COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2014

| | | Accumulated Surplus | Asset Revaluation Reserve | Other Reserves | TOTAL EQUITY |
|--|-------|------------------------|---------------------------------|-------------------|-----------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| 2014 | Notes | | | | |
| Balance at end of previous reporting period | | 60,260 | 84,679 | 562 | 145,501 |
| Restated opening balance | | 60,260 | 84,679 | 562 | 145,501 |
| Net Surplus / (Deficit) for Year | | (2,070) | | | (2,070) |
| Other Comprehensive Income | | | | | |
| Gain on revaluation of infrastructure, property, plant & equipment | 9 | | (2,067) | | (2,067) |
| Transfers between reserves | | (230) | | 230 | - |
| Balance at end of period | | 57,960 | 82,612 | 792 | 141,364 |
| 2013 | | | | | |
| Balance at end of previous reporting period | | 56,132 | 82,546 | 1,825 | 140,503 |
| Restated opening balance | | 56,132 | 82,546 | 1,825 | 140,503 |
| Net Surplus / (Deficit) for Year | | 2,865 | | | 2,865 |
| Other Comprehensive Income | | | | | |
| Changes in revaluation surplus - infrastructure, property, plant & equipment | 9 | | 2,133 | | 2,133 |
| Transfers between reserves | | 1,263 | | (1,263) | - |
| Balance at end of period | | 60,260 | 84,679 | 562 | 145,501 |

This Statement is to be read in conjunction with the attached Notes

WATTLE RANGE COUNCIL

STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

| | Notes | 2014 \$'000 | 2013 \$'000 |
|---|-------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| <u>Receipts</u> | | | |
| Rates - general & other | | 15,812 | 14,666 |
| Fees & other charges | | 241 | 217 |
| User charges | | 1,625 | 1,955 |
| Investment receipts | | 45 | 55 |
| Grants utilised for operating purposes | | 2,227 | 3,279 |
| Reimbursements | | 228 | 230 |
| Other revenues | | 2,401 | 1,833 |
| <u>Payments</u> | | | |
| Employee costs | | (6,600) | (6,318) |
| Materials, contracts & other expenses | | (10,731) | (9,112) |
| Finance payments | | (632) | (686) |
| Net Cash provided by (or used in) Operating Activities | | 4,616 | 6,119 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| <u>Receipts</u> | | | |
| Amounts specifically for new or upgraded assets | | 358 | 1,923 |
| Sale of replaced assets | | 202 | 134 |
| Sale of surplus assets | | 262 | 174 |
| Repayments of loans by community groups | | 38 | 48 |
| <u>Payments</u> | | | |
| Expenditure on renewal/replacement of assets | | (2,438) | (2,519) |
| Expenditure on new/upgraded assets | | (5,911) | (6,946) |
| Net Cash provided by (or used in) Investing Activities | | (7,489) | (7,186) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| <u>Receipts</u> | | | |
| Proceeds from borrowings | | 5,621 | 1,250 |
| <u>Payments</u> | | | |
| Repayments of borrowings | | (2,062) | (1,445) |
| Net Cash provided by (or used in) Financing Activities | | 3,559 | (195) |
| Net Increase (Decrease) in cash held | | 686 | (1,262) |
| Cash & cash equivalents at beginning of period | 10 | 132 | 1,394 |
| Cash & cash equivalents at end of period | 10 | 818 | 132 |

This Statement is to be read in conjunction with the attached Notes

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011*.

1.2 Historical Cost Convention

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 The Local Government Reporting Entity

Wattle Range Council is incorporated under the SA Local Government Act 1999 and has its principal place of business at George Street Millicent. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

3 Income recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as incomes in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

In the month of June in recent years the Federal Government has paid amounts of untied financial assistance grants, which are recognised on receipt, in advance of the year of allocation. In June 2011, one quarter of the 2011/12 allocation amounting to \$528,000 was paid in advance; in June 2012, two quarters of the 2012/13 allocation: \$1,133,000; and in June 2013, again two quarters of the 2013/14 allocation: \$1,200,000.

These amounts in advanced ceased in 2013/14.

Wattle Range Council

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 1 - Significant Accounting Policies (cont)

4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1999. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 12.

5 Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

6 Infrastructure, Property, Plant & Equipment

6.1 Land under roads

Council has elected not to recognise land under roads acquired prior to 1 July 2008 as an asset in accordance with AASB 1051 Land under Roads. Land under roads acquired after 30 June 2008 has not been recognised as in the opinion of Council it is not possible to reliably attribute a fair value, and further that such value if determined would be immaterial.

6.2 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

6.3 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given in Note 7. No capitalisation threshold is applied to the acquisition of land or interests in land.

6.4 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Further detail of existing valuations, methods and valuers are provided at Note 7.

Wattle Range Council

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 1 - Significant Accounting Policies (cont)

6.5 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Major depreciation periods for each class of asset are shown in Note 7. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

7 Payables

7.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

7.2 Payments Received in Advance & Deposits

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

8 Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

| | |
|------------------------------------|-----------------------|
| Weighted average discount rate | 3.31% (2013, 3.3%) |
| Weighted average settlement period | 1 year (2013, 1 year) |

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 17.

Wattle Range Council

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 1 - Significant Accounting Policies (cont)

10 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

11 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2012 reporting period and have not been used in preparing these reports.

| | |
|----------|-------------------------------------|
| AASB 7 | Financial Instruments – Disclosures |
| AASB 9 | Financial Instruments |
| AASB 10 | Consolidated Financial Statements |
| AASB 127 | Separate Financial Statements |
| AASB 132 | Financial Instruments: Presentation |

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2011-7, AASB 2012-2, AASB 2012-3, AASB 2012-5, AASB 2012-6, AASB 2012-10, AASB 2013-3, AASB 2013-8 and AASB 2013-9.

(Standards not affecting local government have been excluded from the above list.)

Council is of the view that none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

The Australian Accounting Standards Board is currently reviewing AASB 1004 *Contributions*. It is anticipated that the changes resulting from this review may have a material effect on the timing of the recognition of grants and contributions, but the financial consequences cannot be estimated until a revised accounting standard is issued.

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 2 - INCOME

| | Notes | 2014 \$'000 | 2013 \$'000 |
|--|-------|----------------|----------------|
| RATES REVENUES | | | |
| <u>General Rates</u> | | 13,400 | 13,521 |
| Less: Mandatory rebates | | (100) | (97) |
| Less: Discretionary rebates, remissions & write offs | | (81) | (698) |
| | | <u>13,219</u> | <u>12,726</u> |
| <u>Other Rates</u> (including service charges) | | | |
| Natural Resource Management levy | | 288 | 290 |
| Waste collection | | 1,175 | 1,132 |
| Community wastewater management systems | | 728 | 709 |
| | | <u>2,191</u> | <u>2,131</u> |
| <u>Other Charges</u> | | | |
| Penalties for late payment | | 69 | 73 |
| | | <u>69</u> | <u>73</u> |
| | | <u>15,479</u> | <u>14,930</u> |
| STATUTORY CHARGES | | | |
| Development Act fees | | 130 | 101 |
| Health & Septic Tank Inspection fees | | 13 | 11 |
| Animal registration fees & fines | | 68 | 70 |
| Parking fines / expiation fees | | 4 | 3 |
| Other licences, fees, & fines | | 8 | 16 |
| | | <u>223</u> | <u>201</u> |
| USER CHARGES | | | |
| Cemetery/crematoria fees | | 118 | 120 |
| Childcare | | 596 | 664 |
| Waste Fees | | - | 29 |
| Caravan Park | | 513 | 499 |
| Livestock Saleyards | | 112 | 82 |
| Aerodrome Fees | | 27 | 26 |
| Rental / Lease Fees | | 137 | 136 |
| Beachport Boatyard | | 83 | 81 |
| Hall & equipment hire | | 11 | 11 |
| Sales - general | | 36 | 30 |
| Sundry | | 32 | 50 |
| | | <u>1,665</u> | <u>1,728</u> |
| INVESTMENT INCOME | | | |
| Interest on investments | | | |
| Local Government Finance Authority | | 17 | 20 |
| Banks & other | | 1 | 1 |
| Loans to community groups | | 27 | 28 |
| | | <u>45</u> | <u>49</u> |

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

NOTE 2 - INCOME (continued)

| | Notes | 2014 \$'000 | 2013 \$'000 |
|--|-------|----------------|----------------|
| REIMBURSEMENTS | | | |
| - for private works | | 38 | 31 |
| - other | | 169 | 178 |
| | | <u>207</u> | <u>209</u> |
| OTHER INCOME | | | |
| Insurance & other recoupments - infrastructure, property, plant & equipment | | 221 | 176 |
| Sundry | | 46 | 108 |
| | | <u>267</u> | <u>284</u> |
| GRANTS, SUBSIDIES, CONTRIBUTIONS | | | |
| Amounts received specifically for new or upgraded assets | | 358 | 1,923 |
| Other grants, subsidies and contributions | | 2,072 | 3,050 |
| | | <u>2,430</u> | <u>4,973</u> |
| <i>The functions to which these grants relate are shown in Note 11.</i> | | | |
| Sources of grants | | | |
| Commonwealth government | | 342 | 1,923 |
| State government | | 2,034 | 3,050 |
| Other | | 54 | 0 |
| | | <u>2,430</u> | <u>4,973</u> |

Conditions over grants & contributions

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

| | | |
|--|---|---------|
| Unexpended at the close of the previous reporting period | - | 1,674 |
| Less: expended during the current period from revenues recognised in previous reporting periods | | |
| CWMS | - | (1,674) |
| Subtotal | - | (1,674) |
| Unexpended at the close of this reporting period | - | - |
| Net increase (decrease) in assets subject to conditions in the current reporting period | - | (1,674) |

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 3 - EXPENSES

| | Notes | 2014 \$'000 | 2013 \$'000 |
|--|-------|----------------|----------------|
| EMPLOYEE COSTS | | | |
| Salaries and Wages | | 5,532 | 5,294 |
| Employee leave expense | | 596 | 581 |
| Superannuation - defined contribution plan contributions | 18 | 346 | 297 |
| Superannuation - defined benefit plan contributions | 18 | 183 | 187 |
| Workers' Compensation Insurance | | 293 | 281 |
| Less: Capitalised and distributed costs | | (303) | (430) |
| Total Operating Employee Costs | | 6,647 | 6,210 |
| Total Number of Employees | | 94 | 93 |
| <i>(Full time equivalent at end of reporting period)</i> | | | |
| MATERIALS, CONTRACTS & OTHER EXPENSES | | | |
| <u>Prescribed Expenses</u> | | | |
| Auditor's Remuneration | | 19 | 19 |
| - Auditing the financial reports | | - | (10) |
| Bad and Doubtful Debts | | 249 | 255 |
| Elected members' expenses | | 3 | 6 |
| Election expenses | | 271 | 270 |
| Subtotal - Prescribed Expenses | | | |
| <u>Other Materials, Contracts & Expenses</u> | | | |
| Contractors | | 3,507 | 4,184 |
| Energy | | 488 | 381 |
| Materials | | 824 | 735 |
| Fuel | | 559 | 565 |
| Insurance | | 492 | 479 |
| Legal Expenses | | 310 | 184 |
| Levies paid to government - NRM levy | | 287 | 287 |
| Sundry | | 1,175 | 1,206 |
| Subtotal - Other Materials, Contracts & Expenses | | 7,642 | 8,021 |
| | | 7,913 | 8,291 |
| DEPRECIATION, AMORTISATION & IMPAIRMENT | | | |
| Depreciation | | | |
| Buildings & Other Structures | | 1,219 | 1,233 |
| Infrastructure | | 1,956 | 1,989 |
| - Roads | | 121 | 113 |
| - Footways | | 285 | 269 |
| - Sewerage - Effluent Drainage | | 36 | 35 |
| - Stormwater Drainage | | 615 | 610 |
| Plant & Equipment | | 15 | 15 |
| Furniture & Fittings | | 56 | 32 |
| Library books | | 4,303 | 4,296 |
| FINANCE COSTS | | | |
| Interest on Borrowings | | 636 | 568 |
| | | 636 | 568 |

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

| | Notes | 2014 \$'000 | 2013 \$'000 |
|---|-------|----------------|----------------|
| INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT | | | |
| <i>Assets renewed or directly replaced</i> | | | |
| Proceeds from disposal | | 202 | 134 |
| Less: Carrying amount of assets sold | | 3,051 | 188 |
| Gain (Loss) on disposal | | (2,849) | (54) |
| <i>Assets surplus to requirements</i> | | | |
| Proceeds from disposal | | 262 | 174 |
| Less: Carrying amount of assets sold | | 300 | 264 |
| Gain (Loss) on disposal | | (38) | (90) |
| NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS | | (2,887) | (144) |

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 5 - CURRENT ASSETS

| | 2014 Notes \$'000 | 2013 \$'000 |
|--|-------------------------|----------------|
| CASH & EQUIVALENT ASSETS | | |
| Cash on Hand and at Bank | 275 | 93 |
| Deposits at Call | 543 | 39 |
| | <u>818</u> | <u>132</u> |
| TRADE & OTHER RECEIVABLES | | |
| Rates - General & Other | 506 | 799 |
| Accrued Revenues | 2 | 2 |
| Debtors - general | 369 | 183 |
| GST Recoupment | 149 | 129 |
| Prepayments | 31 | 27 |
| Loans to community organisations | 29 | 39 |
| Total | <u>1,086</u> | <u>1,179</u> |
| Less: Allowance for Doubtful Debts | <u>3</u> | <u>-</u> |
| | <u>1,083</u> | <u>1,179</u> |
| INVENTORIES | | |
| Stores & Materials | 242 | 256 |
| | <u>242</u> | <u>256</u> |

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 6 - NON-CURRENT ASSETS

| FINANCIAL ASSETS | Notes | 2014 \$'000 | 2013 \$'000 |
|----------------------------------|-------|-------------------|-------------------|
| Receivables | | | |
| Loans to community organisations | | <u>476</u> | <u>504</u> |
| TOTAL FINANCIAL ASSETS | | <u>476</u> | <u>504</u> |

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

| | Fair Value Level | 2013 \$'000 | | | | 2014 \$'000 | | | |
|--|------------------|----------------|--------------|-----------------|-----------------|----------------|---------------|-----------------|-----------------|
| | | AT FAIR VALUE | AT COST | ACCUM DEP'N | CARRYING AMOUNT | AT FAIR VALUE | AT COST | ACCUM DEP'N | CARRYING AMOUNT |
| | | | | | | | | | |
| Land - community | 3 | 7,473 | - | - | 7,473 | 7,257 | 341 | - | 7,598 |
| Land - other | 2 | 5,347 | - | - | 5,347 | 5,347 | - | - | 5,347 |
| Buildings & Other Structures Level 2 | 2 | 42,819 | - | (22,293) | 20,526 | 42,605 | 351 | (22,977) | 19,979 |
| Buildings & Other Structures Level 3 | 3 | 18,983 | 1,099 | (9,614) | 10,468 | 18,983 | 3,085 | (10,019) | 12,049 |
| Infrastructure | | | | | | | | | |
| - Roads | 3 | 112,908 | - | (28,205) | 84,703 | 110,841 | - | (32,032) | 78,809 |
| - Footways | 3 | 4,167 | - | (835) | 3,332 | 4,162 | - | (933) | 3,229 |
| - Sewerage - Effluent Drainage | 3 | 14,646 | 450 | (4,697) | 10,399 | 14,646 | 8,543 | (4,982) | 18,207 |
| - Stormwater Drainage | 3 | 3,926 | - | (867) | 3,059 | 4,409 | - | (927) | 3,482 |
| Plant & Equipment | 2 | 8,564 | 878 | (4,758) | 4,684 | 8,564 | 1,104 | (5,039) | 4,629 |
| Furniture & Fittings | 2 | 253 | 8 | (153) | 108 | 253 | 18 | (168) | 103 |
| Library books | 2 | 2,163 | 34 | (1,989) | 208 | 2,163 | 65 | (2,045) | 183 |
| WIP | 3 | - | 5,052 | - | 5,052 | 372 | - | - | 372 |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT | | 221,249 | 7,521 | (73,411) | 155,359 | 219,602 | 13,507 | (79,122) | 153,987 |
| Comparatives | | 218,173 | 519 | (70,183) | 148,509 | 221,249 | 7,521 | (73,411) | 155,359 |

This Note continues on the following pages.

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

| | 2013 | CARRYING AMOUNT MOVEMENTS DURING YEAR | | | | | | | 2014 |
|---|-----------------|---------------------------------------|-------|-----------|--------------|-----------|-----------------|-----------------|--------|
| | \$'000 | \$'000 | | | | | | | \$'000 |
| | CARRYING AMOUNT | Additions | | Disposals | Depreciation | Transfers | Net Revaluation | CARRYING AMOUNT | |
| | New/Upgrade | Renewals | | | | | | | |
| Land - community | 7,473 | 341 | - | (216) | - | - | - | 7,598 | |
| Land - other | 5,347 | - | - | - | - | - | - | 5,347 | |
| Buildings & Other Structures Level 2 | 20,526 | 91 | 260 | (84) | (814) | - | - | 19,979 | |
| Buildings & Other Structures Level 3 | 10,468 | 1,432 | 83 | - | (405) | 471 | - | 12,049 | |
| Infrastructure | | | | | | | | | |
| - Roads | 84,703 | 124 | 1,034 | (2,577) | (1,956) | - | (2,519) | 78,809 | |
| - Footways | 3,332 | - | 111 | (93) | (121) | - | - | 3,229 | |
| - Sewerage - Effluent Drainage | 10,399 | 3,512 | - | - | (285) | 4,581 | - | 18,207 | |
| - Stormwater Drainage | 3,059 | - | 7 | - | (36) | - | 452 | 3,482 | |
| Plant & Equipment | 4,684 | 32 | 909 | (381) | (615) | - | - | 4,629 | |
| Furniture & Fittings | 108 | 7 | 3 | - | (15) | - | - | 103 | |
| Library books | 208 | - | 31 | - | (56) | - | - | 183 | |
| WIP | 5,052 | 372 | - | - | - | (5,052) | - | 372 | |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT | 155,359 | 5,911 | 2,438 | (3,351) | (4,303) | - | (2,067) | 153,987 | |
| Comparatives | 148,509 | 6,946 | 2,519 | (452) | (4,296) | - | 2,133 | 155,359 | |

This Note continues on the following pages.

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 7 (cont) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Valuation of Assets

General Valuation Principles

Accounting procedure: Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 *Fair Value Measurement*: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, fair value is taken to be the current replacement cost.

Highest and best use: For land which Council has an unfettered right to sell, the "highest and best use" recognises the possibility of the demolition or substantial modification of some or all of the existing buildings and structures affixed to the land.

Much of the land under Council's care and control is Crown land or has been declared as community land under the provisions of the Local Government Act 1999. Other types of restrictions also exist.

For land subject to these restrictions, the highest and best use is taken to be the "highest and best use" available to Council, with a rebuttable presumption that the current use is the "highest and best use". The reason for the current use of a large proportion of Council's assets being other than the "highest and best use" relates to Council's principal role as the provider of services to the community, rather than the use of those assets for the generation of revenue.

For buildings and other structures on and in the land, including infrastructure, "highest and best use" is determined in accordance with the land on and in which they are situated.

Transition to AASB 13: The requirements of AASB 13 *Fair Value Measurement* have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

Fair value hierarchy level 2 valuations: Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Fair value hierarchy level 3 valuations of land: Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets: There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

Wattle Range Council

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 7 – Property, Plant & Equipment (cont)

Capitalisation thresholds used by Council for a representative range of assets are shown below. No capitalisation threshold is applied to the acquisition of land or interests in land.

| | |
|---|---------|
| Office Furniture & Equipment | \$1,000 |
| Other Plant & Equipment | \$1,000 |
| Buildings - new construction/extensions | \$1,000 |
| Park & Playground Furniture & Equipment | \$1,000 |
| Road construction & reconstruction | \$1,000 |
| Paving & footpaths, Kerb & Gutter | \$1,000 |
| Drains & Culverts | \$1,000 |

Estimated Useful Lives: Useful lives are estimated for each individual asset. In estimating useful lives, regard is had to technical and commercial obsolescence, as well as legal and other limitations on continued use. The range of useful lives for a representative range of assets is shown below, although individual assets may have an estimated total useful life of greater or lesser amount:

| | |
|--------------------------------------|-----------------|
| Plant, Furniture & Equipment | |
| Office Equipment | 5 to 10 years |
| Office Furniture | 10 to 20 years |
| Vehicles and Road-making Equip | 5 to 8 years |
| Other Plant & Equipment | 5 to 15 years |
| Building & Other Structures | |
| Buildings – masonry | 50 to 100 years |
| Buildings – other construction | 20 to 40 years |
| Park Structures – masonry | 50 to 100 years |
| Park Structures – other construction | 20 to 40 years |
| Playground equipment | 5 to 15 years |
| Benches, seats, etc | 10 to 20 years |
| Infrastructure | |
| Sealed Roads – Surface | 15 to 25 years |
| Sealed Roads – Structure | 20 to 50 years |
| Unsealed Roads | 10 to 20 years |
| Bridges – Concrete | 80 to 100 years |
| Paving & Footpaths, Kerb & Gutter | 80 to 100 years |
| Drains | 80 to 100 years |
| Culverts | 50 to 75 years |
| Flood Control Structures | 80 to 100 years |
| Dams and Reservoirs | 80 to 100 years |
| Bores | 20 to 40 years |
| Reticulation Pipes – PVC | 70 to 80 years |
| Reticulation Pipes – other | 25 to 75 years |
| Pumps & Telemetry | 15 to 25 years |
| Other Assets | |
| Library Books | 10 to 15 years |

Land & Land Improvements

Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

Freehold land and land over which Council has control, but does not have title, is recognised on the cost basis. No capitalisation threshold is applied to the acquisition of land or interests in land.

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 1997 at current replacement cost. Additions are recognised at cost.

Wattle Range Council

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 7 – Property, Plant & Equipment (cont)

Buildings & Other Structures

Buildings and other structures were revalued as at 30 June 2012 by Kate Tynan (BBus Property (Val) AAPI) Certified Practising Valuer from Maloney Field Services independent valuers.

Infrastructure

Transportation assets were valued by Council officers at depreciated current replacement cost during the reporting period ended 30 June 2014, based on actual costs incurred during the reporting periods ended 30 June 2012 and 2013. All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater drainage infrastructure was valued by Council officers as at 30 June 2014 at depreciated current replacement cost, based on actual costs incurred during the reporting period ended 30 June 2013. All acquisitions made after the respective dates of valuation are recorded at cost.

Community wastewater management system infrastructure was valued at depreciated current replacement cost during the reporting period ended 30 June 2012 by Louis Mapanzure (BEng MBA MRICS AAPI) Certified Practising Valuer from Maloney Field Services, independent valuers. All acquisitions made after the respective dates of valuation are recorded at cost.

Plant, Furniture & Equipment

These assets were valued at 30 June 2012 by Louis Mapanzure (BEng MBA MRICS AAPI) Certified Practising Valuer from Maloney Field Services, independent valuers. All acquisitions made after the respective dates of valuation are recorded at cost.

All other assets

These assets were revalued at 30 June 2012 by Kate Tynan (BBus Property (Val) AAPI) Certified Practising Valuer from Maloney Field Services independent valuers.

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 8 - LIABILITIES

| | | 2014 \$'000 | | 2013 \$'000 | |
|---|-------|----------------|--------------|----------------|--------------|
| | Notes | Current | Non-current | Current | Non-current |
| TRADE & OTHER PAYABLES | | | | | |
| Goods & Services | | 1,217 | | 1,918 | |
| Payments received in advance | | 142 | - | 102 | - |
| Accrued expenses - employee entitlements | | 235 | - | 200 | - |
| Accrued expenses - other | | 225 | - | 121 | - |
| Deposits, Retentions & Bonds | | 760 | - | 496 | - |
| | | <u>2,579</u> | <u>-</u> | <u>2,837</u> | <u>-</u> |
| BORROWINGS | | | | | |
| Loans | | 1,457 | 9,453 | 1,670 | 5,681 |
| | | <u>1,457</u> | <u>9,453</u> | <u>1,670</u> | <u>5,681</u> |
| PROVISIONS | | | | | |
| Employee entitlements (including oncosts) | | 1,582 | 171 | 1,595 | 146 |
| | | <u>1,582</u> | <u>171</u> | <u>1,595</u> | <u>146</u> |

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 9 - RESERVES

| ASSET REVALUATION RESERVE | 1/7/2013 | Net Increments (Decrements) | Transfers, Impairments | 30/6/2014 |
|------------------------------|---------------|--------------------------------|---------------------------|---------------|
| Notes | \$'000 | \$'000 | \$'000 | \$'000 |
| Land | 2,510 | - | - | 2,510 |
| Buildings & Other Structures | 16,285 | - | - | 16,285 |
| Infrastructure | 63,683 | (2,067) | - | 61,616 |
| Plant & Equipment | 2,201 | - | - | 2,201 |
| TOTAL | 84,679 | (2,067) | - | 82,612 |
| <i>Comparatives</i> | <i>82,546</i> | <i>2,133</i> | <i>-</i> | <i>84,679</i> |

| OTHER RESERVES | 1/7/2013 | Transfers to Reserve | Transfers from Reserve | 30/6/2014 |
|------------------------------------|--------------|-------------------------|---------------------------|------------|
| Specific Fund | 454 | 1,427 | (1,293) | 588 |
| Aged Accommodation | 13 | - | - | 13 |
| Other Reserves | 95 | - | - | 95 |
| Land Development | - | 92 | - | 92 |
| Mobil Service Station Sinking fund | - | 4 | - | 4 |
| TOTAL OTHER RESERVES | 562 | 1,523 | (1,293) | 792 |
| <i>Comparatives</i> | <i>1,825</i> | <i>1,842</i> | <i>(3,105)</i> | <i>562</i> |

PURPOSES OF RESERVES

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non-current assets (less any subsequent impairment losses, where applicable).

Other Reserves

Specific Fund

The specific fund is used to record transactions related to rates for a specific purpose ie CWMS and waste collection/disposal. The funds in this reserve are available for future maintenance of CWMS and waste collection/disposal.

Medical / Aged Accommodation

The medical / aged accommodation reserve was originally for establishment of an Aged Care and Medical Facility at Beachport. There was a subsequent community agreement to use the reserve to purchase equipment for Beachport Medical Clinic.

Other Reserve

Other Reserve consists of a number of miscellaneous reserves that have been in existence for a number of years for a multitude of activities. Over the next twelve months these reserves will be reviewed and the number of specific items reduced.

Land Development

This reserve holds the funds received (net of expenditure) following the sale of Mount Burr House.

Service Station Sinking Fund

As per the Lease with the Service Station a contribution can be charged which will be used for future works associated with the Service Station.

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 10 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

| | Notes | 2014 \$'000 | 2013 \$'000 |
|----------------------------------|-------|----------------|----------------|
| Total cash & equivalent assets | 5 | <u>818</u> | <u>132</u> |
| Balances per Cash Flow Statement | | <u>818</u> | <u>132</u> |

(b) Reconciliation of Change in Net Assets to Cash from Operating Activities

| | | |
|---|---------------------|---------------------|
| Net Surplus (Deficit) | (2,070) | 2,865 |
| Non-cash items in Income Statement | | |
| Depreciation, amortisation & impairment | 4,303 | 4,296 |
| Net increase (decrease) in unpaid employee benefits | 47 | (108) |
| Change in allowances for under-recovery | 3 | (97) |
| Grants for capital acquisitions treated as Investing Activity | (358) | (1,923) |
| Net (Gain) Loss on Disposals | <u>2,887</u> | <u>144</u> |
| | <u>4,812</u> | <u>5,177</u> |
| Add (Less): Changes in Net Current Assets | | |
| Net (increase) decrease in receivables | 83 | (228) |
| Net (increase) decrease in inventories | 14 | 55 |
| Net increase (decrease) in trade & other payables | <u>(293)</u> | <u>1,115</u> |
| Net Cash provided by (or used in) operations | <u>4,616</u> | <u>6,119</u> |

(c) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

| | | |
|--------------------------------------|--------|--------|
| Corporate Credit Cards | 14 | - |
| LGFA Cash Advance Debenture facility | 11,800 | 11,941 |

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

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 11 - FUNCTIONS

| INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES | | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|-----------------------------|--------------|---------------------------|--------------|---|----------------|
| | INCOME | | EXPENSES | | OPERATING SURPLUS (DEFICIT) | | GRANTS INCLUDED IN INCOME | | TOTAL ASSETS HELD (CURRENT & NON-CURRENT) | |
| | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | 2014 | 2013 | 2014 | 2013 |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | \$'000 | \$'000 | \$'000 | \$'000 |
| Business Undertakings | 794 | 762 | 1,461 | 1,370 | (667) | (608) | - | - | 11,222 | 11,183 |
| Community Services | 789 | 866 | 1,608 | 1,725 | (819) | (859) | 63 | 43 | 10,183 | 10,097 |
| Culture | 19 | 12 | 94 | 88 | (75) | (76) | - | - | 94 | 93 |
| Library Services | 40 | 56 | 678 | 641 | (638) | (585) | 35 | 33 | 78 | 77 |
| Economic Development | 126 | 114 | 539 | 423 | (413) | (309) | - | - | - | - |
| Environment | 123 | 84 | 573 | 609 | (450) | (525) | 114 | 73 | 204 | 202 |
| Recreation | 54 | 44 | 1,666 | 1,897 | (1,612) | (1,853) | - | - | 22,011 | 21,825 |
| Regulatory Services | 285 | 255 | 692 | 651 | (407) | (396) | 1 | - | 579 | 575 |
| Transport | 886 | 1,279 | 4,610 | 4,363 | (3,724) | (3,084) | 857 | 1,253 | 76,754 | 78,193 |
| Governance & Support Services | 16,661 | 16,887 | 6,706 | 6,555 | 9,955 | 10,332 | 1,002 | 1,648 | 33,036 | 32,761 |
| Unclassified Activities | 181 | 92 | 872 | 1,043 | (691) | (951) | - | - | 2,445 | 2,424 |
| TOTALS | 19,958 | 20,451 | 19,499 | 19,365 | 459 | 1,086 | 2,072 | 3,050 | 156,606 | 157,430 |

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets and amounts received specifically for new or upgraded assets.

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 11 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows

Business Undertakings:

Effluent Drainage, Caravan Parks, Council Housing, Saleyards, Land Development, Private Works.

Community Services:

Childcare Centre, Community Halls, Public Toilets (Clean and Maintain), Community Grant Scheme, Community Event Support, Community and Youth Development, Civic and Arts Centre.

Culture:

Local History and Galleries

Library Services:

Millicent and Branch Libraries

Economic Development:

Millicent, Beachport and Penola Visitor Centres Operation, Limestone Coast Tourism Regional and Promotional Marketing.

Environment:

Storm Water Drainage (Construct and Maintain), Street Lighting, Street Cleaning, Coastal Protection, Operate and Maintain Domestic Waste Disposal and Collection Dumps and Transfer Stations.

Recreation:

Parks and Gardens Maintenance, Sport Facilities, Sport and Recreation Grant Scheme, Swimming Lake and Pools.

Regulatory:

Development, Planning and Building Services, Dog Regulation and Control, Health Inspection, Fire Prevention and Parking Control.

Transport:

Sealed and Unsealed Road Construction and Maintenance, Footpaths and Kerbing.

Governance and Support Services:

Elected Member Support, Council Offices, Legislative Compliance and Reporting, Risk Management, Corporate Services, Engineering Administration.

Unclassified Activities:

Public Debt Transactions, Plant and Machinery Operations, Depot Expenses.

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 12 - FINANCIAL INSTRUMENTS

All financial instruments are categorised as *loans and receivables*.

Accounting Policies - Recognised Financial Instruments

| | |
|---|---|
| Bank, Deposits at Call, Short Term Deposits | Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned. |
| | Terms & conditions: Deposits are returning fixed interest rates between 2.5% and 2.75% (2013: 2.75% and 3.5%). |
| | Carrying amount: approximates fair value due to the short term to maturity. |
| Receivables - Rates & Associated Charges (including legals & penalties for late payment) Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures. | Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable. |
| | Terms & conditions: Secured over the subject land, arrears attract interest of 0.667% (2012: 0.70%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State. |
| | Carrying amount: approximates fair value (after deduction of any allowance). |
| Receivables - Fees & other charges | Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable. |
| | Terms & conditions: Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries. |
| | Carrying amount: approximates fair value (after deduction of any allowance). |
| Receivables - other levels of government | Accounting Policy: Carried at nominal value. |
| | Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments. |
| | Carrying amount: approximates fair value. |
| Liabilities - Creditors and Accruals | Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council. |
| | Terms & conditions: Liabilities are normally settled on 30 day terms. |
| | Carrying amount: approximates fair value. |
| Liabilities - Interest Bearing Borrowings | Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues. |
| | Terms & conditions: secured over future revenues, borrowings are repayable; interest is charged at fixed or variable rates between 4.75% and 8.25% (2013: 4.75% and 8.25%) |
| | Carrying amount: approximates fair value. |

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 12 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

| 2014 | Due < 1 year | Due > 1 year; ≤ 5 years | Due > 5 years | Total Contractual Cash Flows | Carrying Values |
|------------------------------|------------------------|---------------------------------------|-------------------------|---|----------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Assets | | | | | |
| Cash & Equivalents | 818 | | | 818 | 818 |
| Receivables | 406 | 110 | 366 | 882 | 876 |
| Total | 1,224 | 110 | 366 | 1,700 | 1,694 |
| Financial Liabilities | | | | | |
| Payables | 2,154 | | | 2,154 | 2,097 |
| Current Borrowings | 1,457 | | | 1,457 | 1,457 |
| Non-Current Borrowings | | 4,783 | 4,670 | 9,453 | 9,453 |
| Total | 3,611 | 4,783 | 4,670 | 13,064 | 13,007 |
| 2013 | Due < 1 year | Due > 1 year; ≤ 5 years | Due > 5 years | Total Contractual Cash Flows | Carrying Values |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Assets | | | | | |
| Cash & Equivalents | 132 | | | 132 | 132 |
| Receivables | 251 | 79 | 425 | 755 | 755 |
| Total | 383 | 79 | 425 | 887 | 887 |
| Financial Liabilities | | | | | |
| Payables | 2,516 | | | 2,516 | 2,516 |
| Current Borrowings | 1,670 | | | 1,670 | 1,670 |
| Non-Current Borrowings | | 2,565 | 3,116 | 5,681 | 5,681 |
| Total | 4,186 | 2,565 | 3,116 | 9,867 | 9,867 |

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

| | 30 June 2014 | | 30 June 2013 | |
|----------------------|--------------------------------------|----------------|--------------------------------------|----------------|
| | Weighted Average Interest Rate | Carrying Value | Weighted Average Interest Rate | Carrying Value |
| | % | \$'000 | % | \$'000 |
| Other Variable Rates | | - | 5.5% | 859 |
| Fixed Interest Rates | 6.52% | 10,910 | 6.66% | 6,492 |
| | | 10,910 | | 7,351 |

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any allowance for doubtful debts. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 13 - COMMITMENTS FOR EXPENDITURE

| | Notes | 2014 \$'000 | 2013 \$'000 |
|--|-------|----------------|----------------|
| Capital Commitments | | | |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | | |
| Infrastructure | | - | 4,602 |
| | | - | 4,602 |
| These expenditures are payable: | | | |
| Not later than one year | | - | 4,602 |
| | | - | 4,602 |
| Other Expenditure Commitments | | | |
| Audit Services | | 21 | 40 |
| Waste Management Services | | 1,823 | 237 |
| Employee Remuneration Contracts | | 2,411 | 2,172 |
| Cleaning Contracts | | 92 | 132 |
| | | 4,347 | 2,581 |
| Not later than one year | | | |
| | | 1,740 | 832 |
| Later than one year and not later than 5 years | | 2,607 | 1,749 |
| Later than 5 years | | - | - |
| | | 4,347 | 2,581 |

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 14 - FINANCIAL INDICATORS

| | 2014 | 2013 | 2012 |
|--|------|------|------|
|--|------|------|------|

These Financial Indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia. Detailed methods of calculation are set out in the SA Model Statements.

Operating Surplus Ratio

| | | | |
|---------------------------------------|----|----|------|
| <u>Operating Surplus</u> | 3% | 7% | (1%) |
| Rates - general & other less NRM levy | | | |

This ratio expresses the operating surplus as a percentage of general and other rates, net of NRM levy.

Adjusted Operating Surplus Ratio

| | | | |
|--|----|----|------|
| | 3% | 7% | (5%) |
|--|----|----|------|

In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. The Adjusted Operating Surplus Ratio adjusts for the resulting distortion in the disclosed operating result for each year.

Net Financial Liabilities Ratio

| | | | |
|---------------------------------------|-----|-----|-----|
| <u>Net Financial Liabilities</u> | 65% | 50% | 42% |
| Total Operating Revenue less NRM levy | | | |

Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue (excluding NRM levy).

Asset Sustainability Ratio

| | | | |
|---|-----|-----|-----|
| <u>Net Asset Renewals</u> | 50% | 56% | 33% |
| Infrastructure & Asset Management Plan required expenditure | | * | * |

Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

Amounts shown above an asterisk () indicate that depreciation expense has been used as a proxy, pending finalisation of the Infrastructure & Asset Management Plan.*

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 15 - UNIFORM PRESENTATION OF FINANCES

The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances

| | 2014 \$'000 | 2013 \$'000 |
|--|-----------------------|-----------------------|
| Income | 19,958 | 20,451 |
| less Expenses | <u>19,499</u> | <u>19,365</u> |
| Operating Surplus / (Deficit) | 459 | 1,086 |
| less Net Outlays on Existing Assets | | |
| Capital Expenditure on renewal and replacement of Existing Assets | 2,438 | 2,519 |
| Depreciation, Amortisation and Impairment | (4,303) | (4,296) |
| Proceeds from Sale of Replaced Assets | <u>(202)</u> | <u>(134)</u> |
| | (2,067) | (1,911) |
| less Net Outlays on New and Upgraded Assets | | |
| Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments) | 5,911 | 6,946 |
| Amounts received specifically for New and Upgraded Assets | (358) | (1,923) |
| Proceeds from Sale of Surplus Assets (including investment property and real estate developments) | <u>(262)</u> | <u>(174)</u> |
| | 5,291 | 4,849 |
| Net Lending / (Borrowing) for Financial Year | <u>(2,765)</u> | <u>(1,852)</u> |

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 16 – SUPERANNUATION

The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly Local Government Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to Marketlink and/or Salarylink. All other employees (including casuals) have all contributions allocated to Marketlink.

Marketlink (Accumulation Fund) Members

Marketlink receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation (9.25% in 2013/14; 9% in 2012/13). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2012/13) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of salary for Salarylink members to their Marketlink account. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Scheme's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2011. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

WATTLE RANGE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 17 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

The following assets and liabilities do not qualify for recognition in the Balance Sheet but knowledge of those items is considered relevant to user of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. LAND UNDER ROADS

As reported elsewhere in these Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in these reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

2. "CARBON" TAX

From 1 July 2012 a new tax on emissions of certain "greenhouse" gases commenced operation. Council has a number of garbage landfill facilities which emit, and will continue for many years to emit, gases of this type.

Using current calculation methods, emissions from Council's landfill facilities are substantially below current taxable thresholds. This situation is expected to continue while thresholds remain at current levels.

Information currently available provides assurances that "legacy emissions" from garbage placed in landfills prior to commencement of the tax will not subsequently become liable to the tax. However, should taxable thresholds be substantially reduced Council may be subject to taxation on landfill deposits made after 1 July 2013. No liability has been recognised in these reports.

3. BANK GUARANTEES

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$290,000 (2013: \$0) at reporting date.

Council does not expect to incur any loss arising from these guarantees.

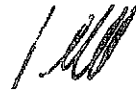
WATTLE RANGE COUNCIL

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

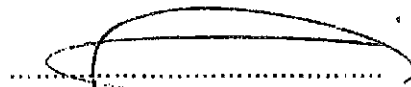
CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Wattle Range Council for the year ended 30 June 2014, the Council's Auditor, Galpins Accountants, Auditors and Business Advisors, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.



.....
Peter Harriott
CHIEF EXECUTIVE OFFICER



.....
Michael Schultz
**PRESIDING MEMBER
AUDIT COMMITTEE**

Date: 9th September 2014

WATTLE RANGE COUNCIL
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

STATEMENT BY AUDITOR

I confirm that, for the audit of the financial statements of Wattle Range Council for the year ended 30 June 2014, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.



Simon Smith

Galpins, Accountants, Auditors & Business Advisors

Dated this 8th day of October 2014