

Pre Audit Draft

Warrumbungle Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"excellence in local government"



Warrumbungle Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

Warrumbungle Shire Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

14-22 John Street
Coonabarabran 2357

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: warrumbungle.nsw.gov.au.

Warrumbungle Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

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

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

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

Warrumbungle Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- 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,
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 16 August 2018.

Mayor Peter Shinton
Mayor
18 October 2018

Deputy Mayor Dennis Todd
Councillor
18 October 2018

Roger Bailey
General Manager
18 October 2018

Lawrence Amato
Responsible Accounting Officer
18 October 2018

Warrumbungle Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
12,148	Rates and annual charges	3a	12,076	11,928
7,273	User charges and fees	3b	8,357	8,218
482	Interest and investment revenue	3c	423	458
962	Other revenues	3d	1,214	1,237
18,024	Grants and contributions provided for operating purpose	3e,f	18,206	20,772
2,090	Grants and contributions provided for capital purposes	3e,f	6,812	4,397
Other income:				
297	Net gains from the disposal of assets	5	–	–
–	Net share of interests in joint ventures and associates using the equity method	17	41	50
41,276	Total income from continuing operations		47,129	47,060
Expenses from continuing operations				
14,997	Employee benefits and on-costs	4a	16,080	15,025
277	Borrowing costs	4b	335	361
5,310	Materials and contracts	4c	7,186	8,205
10,437	Depreciation and amortisation	4d	11,306	10,099
7,751	Other expenses	4e	8,516	8,055
–	Net losses from the disposal of assets	5	1,201	653
–	Revaluation decrement / impairment of IPP&E	4d	–	–
–	Net share of interests in joint ventures and associates using the equity method	17	–	–
38,772	Total expenses from continuing operations		44,624	42,398
2,504	Operating result from continuing operations		2,505	4,662
2,504	Net operating result for the year		2,505	4,662
2,504	Net operating result attributable to Council		2,505	4,662
414	Net operating result for the year before grants and contributions provided for capital purposes		(4,307)	265

Warrumbungle Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		2,505	4,662
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	(6,937)	4,377
Impairment (loss) reversal relating to IPP&E	10a	62	(731)
Other comprehensive income – joint ventures and associates	17b	–	–
Total items which will not be reclassified subsequently to the operating result		(6,875)	3,646
Total other comprehensive income for the year		(6,875)	3,646
Total comprehensive income for the year		(4,370)	8,308
Total comprehensive income attributable to Council		(4,370)	8,308

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Warrumbungle Shire Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	17,044	18,348
Investments	6b	–	–
Receivables	7	6,680	5,040
Inventories	8	738	911
Other	8	220	179
Non-current assets classified as 'held for sale'	9	–	–
Total current assets		24,682	24,478
Non-current assets			
Inventories	8	299	299
Infrastructure, property, plant and equipment	10	480,165	485,168
Investments accounted for using the equity method	17	385	344
Intangible assets	12	167	285
Other	8	–	–
Total non-current assets		481,018	486,096
TOTAL ASSETS		505,700	510,574
LIABILITIES			
Current liabilities			
Payables	13	1,775	1,769
Income received in advance	13	544	150
Borrowings	13	867	827
Provisions	14	4,438	4,579
Total current liabilities		7,624	7,325
Non-current liabilities			
Borrowings	13	4,777	5,645
Provisions	14	2,391	2,326
Total non-current liabilities		7,168	7,971
TOTAL LIABILITIES		14,792	15,296
Net assets		490,908	495,278
EQUITY			
Accumulated surplus	15	405,136	402,631
Revaluation reserves	15	85,772	92,647
Council equity interest		490,908	495,278
Total equity		490,908	495,278

Warrumbungle Shire Council

Statement of Changes in Equity
for the year ended 30 June 2018

\$ '000	Notes	2018				2017					
		Accumulated surplus	IPP&E revaluation reserve	Council interest	Non-controlling interest	Total equity	Accumulated surplus	IPP&E revaluation reserve	Council interest	Non-controlling interest	Total equity
Opening balance		402,631	92,647	495,278	–	495,278	397,969	89,001	486,970	–	486,970
Net operating result for the year prior to correction of errors and changes in accounting policies		2,505	–	2,505	–	2,505	4,662	–	4,662	–	4,662
Net operating result for the year		2,505	–	2,505	–	2,505	4,662	–	4,662	–	4,662
Other comprehensive income											
– Gain (loss) on revaluation of IPP&E	10a	–	(6,937)	(6,937)	–	(6,937)	–	4,377	4,377	–	4,377
– Impairment (loss) reversal relating to IPP&E	10a	–	62	62	–	62	–	(731)	(731)	–	(731)
– Joint ventures and associates	17b	–	–	–	–	–	–	–	–	–	–
Other comprehensive income		–	(6,875)	(6,875)	–	(6,875)	–	3,646	3,646	–	3,646
Total comprehensive income (c&d)		2,505	(6,875)	(4,370)	–	(4,370)	4,662	3,646	8,308	–	8,308
Equity – balance at end of the reporting period		405,136	85,772	490,908	–	490,908	402,631	92,647	495,278	–	495,278

Warrumbungle Shire Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
12,148	Rates and annual charges		12,009	11,965
7,274	User charges and fees		9,501	8,202
482	Investment and interest revenue received		351	467
20,115	Grants and contributions		25,135	25,169
961	Other		1,321	1,107
Payments:				
(14,997)	Employee benefits and on-costs		(16,202)	(15,334)
(5,310)	Materials and contracts		(7,666)	(8,438)
(277)	Borrowing costs		(341)	(368)
–	Bonds, deposits and retention amounts refunded		(32)	(206)
(7,751)	Other		(10,438)	(8,740)
12,645	Net cash provided (or used in) operating activities	16b	13,638	13,824
Cash flows from investing activities				
Receipts:				
897	Sale of infrastructure, property, plant and equipment		1,005	727
–	Deferred debtors receipts		–	10
–	Distributions received from joint ventures and associates		–	–
Payments:				
(13,665)	Purchase of infrastructure, property, plant and equipment		(15,119)	(11,138)
(12,768)	Net cash provided (or used in) investing activities		(14,114)	(10,401)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(827)	Repayment of borrowings and advances		(828)	(787)
(827)	Net cash flow provided (used in) financing activities		(828)	(787)
(950)	Net increase/(decrease) in cash and cash equivalents		(1,304)	2,636
10,981	Plus: cash and cash equivalents – beginning of year	16a	18,348	15,712
10,031	Cash and cash equivalents – end of the year	16a	17,044	18,348
Total cash, cash equivalents and investments			17,044	18,348

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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n/a – not applicable

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Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 16/08/2018.

Council has the power to amend and reissue these financial statements.

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 24 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 21 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (ii) estimated tip remediation provisions – refer Note 14,
- (iii) employee benefit provisions – refer Note 14.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Warrumbungle Water Fund
- Warrumbungle Sewerage Fund
- Warrumbungle Quarry

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets 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 other assets subject to Council's control have been included in these reports.

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

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Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority are presented as operating cash flows.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- AASB 9 *Financial Instruments*

This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects no impact from this change upon future published financial statements.

Effective for annual reporting periods beginning on or after 1 July 2019

- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

- AASB 16 Leases

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

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Notes to the Financial Statements

for the year ended 30 June 2018

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 and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	3,430	385	954	1,061	2,476	(676)	–	470	190	190
Administration	834	1,092	7,168	6,762	(6,334)	(5,670)	99	93	32,477	36,130
Public order and safety	4,367	5,352	4,696	4,413	(329)	939	4,361	5,213	7,956	7,327
Health	56	72	145	80	(89)	(8)	–	–	1,882	1,863
Environment	2,245	2,293	2,999	2,951	(754)	(658)	58	52	17,832	17,799
Community services and education	3,042	3,085	3,668	3,253	(626)	(168)	1,708	2,114	5,628	6,226
Housing and community amenities	341	313	1,187	991	(846)	(678)	–	7	5,472	5,116
Water supplies	4,008	3,212	3,950	3,768	58	(556)	1,104	411	42,502	42,160
Sewerage services	1,591	1,606	1,790	1,975	(199)	(369)	79	29	20,440	20,696
Recreation and culture	622	290	4,414	3,788	(3,792)	(3,498)	238	67	24,778	28,636
Fuel and energy	–	–	–	–	–	–	–	–	–	–
Agriculture	–	–	–	–	–	–	–	–	–	–
Mining, manufacturing and construction	1,157	1,164	1,444	1,242	(287)	(78)	–	–	1,468	2,158
Transport and communication	10,762	10,761	11,537	11,572	(775)	(811)	4,087	3,909	343,512	340,912
Economic affairs	84	59	717	549	(633)	(490)	23	3	1,222	1,017
General Purpose	14,594	17,379	–	46	14,594	17,333	10,463	10,068	–	–
Other	–	50	–	–	–	50	–	–	341	344
Total functions and activities	47,133	47,113	44,669	42,451	2,464	4,662	22,220	22,436	505,700	510,574

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

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

Includes costs relating to 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, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Public order and safety

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

Health

Includes immunisation, food control, health centres etc.

Environment

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

Community services and education

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

Housing and community amenities

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 2(b). Council functions/activities – component descriptions (continued)

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

Water supplies

Sewerage services

Recreation and culture

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

Mining, manufacturing and construction

Includes building control, quarries and pits, mineral resources, and abattoirs.

Transport and communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

Economic affairs

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

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Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	1,815	2,026
Farmland	4,984	4,884
Business	563	569
Total ordinary rates	7,362	7,479
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,545	1,430
Water supply services	1,412	1,302
Sewerage services	1,284	1,240
Waste management services (non-domestic)	358	360
Liquid trade waste	9	9
Stormwater levy	106	108
Total annual charges	4,714	4,449
TOTAL RATES AND ANNUAL CHARGES	12,076	11,928

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

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

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.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	1,449	1,369
Sewerage services	104	101
Liquid trade waste	56	102
Total specific user charges	1,609	1,572
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	52	53
Planning regulation	36	36
Private works – section 67	146	686
Registration fees	39	28
Regulatory fees	32	43
Section 149 certificates (EPA Act)	29	38
Section 603 certificates	24	23
Total fees and charges – statutory/regulatory	358	907

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Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care	239	213
Cemeteries	116	83
Child care	1,085	737
Lease rentals	11	12
Leaseback fees – Council vehicles	76	83
Quarry revenues	1,069	1,095
RMS (formerly RTA) charges (state roads not controlled by Council)	3,515	3,265
Swimming centres	120	124
Tourism	58	49
Waste disposal tipping fees	29	37
Other	72	41
Total fees and charges – other	6,390	5,739
TOTAL USER CHARGES AND FEES	8,357	8,218

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	97	113
– Cash and investments	314	321
Other	12	24
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>423</u>	<u>458</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	8	52
General Council cash and investments	322	245
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	–	4
– Section 64	2	3
Water fund operations	40	92
Sewerage fund operations	49	60
Domestic waste management operations	2	2
Total interest and investment revenue recognised	<u>423</u>	<u>458</u>

Accounting policy for interest and investment revenue

Interest income is recognised using the effective interest rate at the date that interest is earned.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – other council properties		169	303
Legal fees recovery – rates and charges (extra charges)		93	174
Commissions and agency fees		191	170
Diesel rebate		172	140
Insurance claim recoveries		137	–
Recycling income (non-domestic)		83	102
Container deposit Scheme		132	–
Other		237	348
<u>TOTAL OTHER REVENUE</u>		<u>1,214</u>	<u>1,237</u>

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	4,457	6,287	–	–
Financial assistance – local roads component	2,423	3,475	–	–
Other				
Pensioners' rates subsidies – general component	112	102	–	–
Other grants	61	204	–	–
Total general purpose	7,053	10,068	–	–
Specific purpose				
Nil				
Pensioners' rates subsidies:				
– Water	33	41	–	–
– Sewerage	24	29	–	–
– Domestic waste management	48	52	–	–
Water supplies	–	–	1,065	370
Sewerage services	–	–	51	–
Aged care	766	716	–	–
Bushfire and emergency services	3,649	3,598	713	1,615
Child care	812	1,288	–	–
Cobbora transition fund	–	–	3,250	375
Economic development	129	110	–	–
Employment and training programs	99	93	–	–
Heritage and cultural	23	3	–	–
Library	58	59	–	–
LIRS subsidy	130	148	–	–
Recreation and culture	–	–	179	8
Transport (roads to recovery)	2,191	1,272	–	–
Transport (other roads and bridges funding)	106	609	1,515	1,871
Secure Communities	94	–	–	–
Other	232	–	–	111
Total specific purpose	8,394	8,018	6,773	4,350
Total grants	15,447	18,086	6,773	4,350
Grant revenue is attributable to:				
– Commonwealth funding	10,506	13,040	–	–
– State funding	4,938	4,819	6,543	3,823
– Other funding	4	227	230	527
	15,447	18,086	6,773	4,350

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.12 – fixed development consent levies		–	–	39	47
Total developer contributions	26	–	–	39	47
Other contributions:					
Cash contributions					
RMS contributions (regional roads, block grant)		2,759	2,686	–	–
Total other contributions – cash		2,759	2,686	–	–
Non-cash contributions					
Nil					
Total contributions		2,759	2,686	39	47
TOTAL GRANTS AND CONTRIBUTIONS		18,206	20,772	6,812	4,397

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

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 un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	3,461	3,874
Add: operating grants recognised in the current period but not yet spent	379	536
Less: operating grants recognised in a previous reporting period now spent	(1,377)	(949)
Unexpended and held as restricted assets (operating grants)	<u>2,463</u>	<u>3,461</u>

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Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	12,742	12,156
Employee termination costs	249	–
Employee leave entitlements (ELE)	2,382	1,936
ELE on-costs	–	–
Superannuation	1,367	1,314
Workers' compensation insurance	647	641
Fringe benefit tax (FBT)	44	36
Training costs (other than salaries and wages)	137	148
Protective clothing	83	83
Total employee costs	17,651	16,314
Less: capitalised costs	(1,571)	(1,289)
TOTAL EMPLOYEE COSTS EXPENSED	16,080	15,025
Number of 'full-time equivalent' employees (FTE) at year end	175	192
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	204	216

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

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.

Superannuation 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.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		277	315
Total interest bearing liability costs expensed		277	315
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtor:			
– Remediation liabilities	14	58	46
Total other borrowing costs		58	46
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>335</u>	<u>361</u>

Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	3,845	6,066
Contractor and consultancy costs	13,191	11,714
Auditors remuneration ⁽²⁾	106	38
Legal expenses:		
– Legal expenses: planning and development	–	15
– Legal expenses: debt recovery	138	211
– Legal expenses: other	88	8
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	27	27
Other	571	578
Total materials and contracts	17,966	18,657
Less: capitalised costs	(10,780)	(10,452)
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>7,186</u>	<u>8,205</u>

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Computers	27	27
Other	–	–
	<u>27</u>	<u>27</u>

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts (continued)		
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	65	13
Remuneration for audit and other assurance services	65	13
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Audit and review of financial statements	–	25
Forensic Audit	41	–
Total remuneration of non NSW Auditor-General audit firms	41	25
Total Auditor remuneration	106	38

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		2,051	2,096
Office equipment		15	12
Furniture and fittings		39	38
Land improvements (depreciable)		43	43
Infrastructure:			
– Buildings – non-specialised		546	253
– Buildings – specialised		1,328	491
– Other structures		630	588
– Roads		4,193	4,119
– Bridges		361	361
– Footpaths		127	121
– Stormwater drainage		106	106
– Water supply network		1,145	1,143
– Sewerage network		531	531
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10 & 14	14	77
– Quarry assets	10 & 14	47	–
Intangible assets	12	130	120
Total gross depreciation and amortisation costs		11,306	10,099
Total depreciation and amortisation costs		11,306	10,099
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>11,306</u>	<u>10,099</u>

Accounting policy for depreciation, amortisation and impairment expenses**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 12 for intangible assets.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Impairment of financial assets

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	151	114
Bad and doubtful debts	179	(113)
Bank charges	48	44
Conferences	56	76
– Noxious weeds	–	101
– NSW fire brigade levy	–	45
– NSW rural fire service levy	3,596	3,529
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	103	97
Councillors' expenses (incl. mayor) – other (excluding fees above)	20	23
Donations, contributions and assistance to other organisations (Section 356)	1,049	377
– Regional library contributions	–	549
Election expenses	–	72
Electricity and heating	583	569
Insurance	850	856
Postage	43	49
Printing and stationery	158	104
Quarry product cost of goods sold	311	310
Registration and licences	508	422
Street lighting	120	124
Subscriptions and publications	141	114
Telephone and communications	172	215
Valuation fees	–	83
Other	402	270
Total other expenses	8,516	8,055
Less: capitalised costs	–	–
TOTAL OTHER EXPENSES	8,516	8,055

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Plant and equipment	10		
Proceeds from disposal – plant and equipment		1,005	727
Less: carrying amount of plant and equipment assets sold/written off		<u>(650)</u>	<u>(532)</u>
Net gain/(loss) on disposal		<u>355</u>	<u>195</u>
Infrastructure	10		
Less: carrying amount of infrastructure assets sold/written off		<u>(1,556)</u>	<u>(848)</u>
Net gain/(loss) on disposal		<u>(1,556)</u>	<u>(848)</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(1,201)</u>	<u>(653)</u>

Accounting policy for disposal of assets

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

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	362	502
Cash-equivalent assets		
– Deposits at call	5,182	7,846
– Short-term deposits	11,500	10,000
Total cash and cash equivalents	17,044	18,348

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Note 6(b). Investments

Investments

Nil

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Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 6(c). Restricted cash, cash equivalents and investments – details

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	17,044	–	18,348	–
attributable to:				
External restrictions (refer below)	13,115	–	8,730	–
Internal restrictions (refer below)	9,211	–	8,278	–
Unrestricted	(5,282)	–	1,340	–
	17,044	–	18,348	–
Details of restrictions				
External restrictions – included in liabilities				
Trust			293	382
EPA grant (underground derelict tanks)			–	133
Barking owl habitat			–	15
Emergency Water Grants			97	–
Coonabarabran Netball Courts			89	–
Other			–	–
External restrictions – included in liabilities			479	530
External restrictions – other				
Developer contributions – general			140	127
Developer contributions – water fund			99	98
Developer contributions – sewer fund			30	30
Specific purpose unexpended grants			2,406	3,138
Specific purpose unexpended grants-water fund			33	41
Specific purpose unexpended grants-sewer fund			24	29
Water supplies			2,047	2,064
Sewerage services			2,657	2,628
Domestic waste management			(46)	(26)
Stormwater levy			33	71
Other			5,213	–
External restrictions – other			12,636	8,200
Total external restrictions			13,115	8,730

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 6(c). Restricted cash, cash equivalents and investments – details (continued)

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement (fleet fund)	3,297	3,134
Employees leave entitlement	1,400	1,400
Carry over works (excl fleet carry overs)	757	146
FAG's 1st and 2nd qtr. prepayment	3,485	3,321
L.E.P.	48	54
Quarry remediation fund	224	223
Other	–	–
Total internal restrictions	9,211	8,278
TOTAL RESTRICTIONS	22,326	17,008

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Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	1,060	–	993	–
Interest and extra charges	213	–	175	–
User charges and fees	791	–	841	–
Accrued revenues				
– Interest on investments	34	–	–	–
– Other income accruals	2,270	–	1,520	–
Bonds & Deposits	–	2	–	–
Other debtors	2,608	–	1,730	–
Total	6,976	2	5,259	–
Less: provision for impairment				
Rates and annual charges	(116)	–	(116)	–
Other debtors	(180)	–	(103)	–
Total provision for impairment – receivables	(296)	–	(219)	–
TOTAL NET RECEIVABLES	6,680	2	5,040	–
Externally restricted receivables				
Water supply				
– Specific purpose grants	–	–	–	–
– Rates and availability charges	233	–	220	–
– Other	672	–	661	–
Sewerage services				
– Specific purpose grants	–	–	–	–
– Rates and availability charges	142	–	113	–
– Other	314	1,059	210	–
Domestic waste management	2	–	258	–
Total external restrictions	1,363	1,059	1,462	–
Unrestricted receivables	5,317	(1,057)	3,578	–
TOTAL NET RECEIVABLES	6,680	2	5,040	–
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			219	246
+ new provisions recognised during the year			180	103
– amounts already provided for and written off this year			–	(17)
– previous impairment losses reversed			(103)	(113)
Balance at the end of the year			296	219

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 7. Receivables (continued)

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quote in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	–	299	–	299
Stores and materials	400	–	422	–
Loose tools	22	–	22	–
Other (quarry product)	316	–	467	–
Total inventories at cost	738	299	911	299
(ii) Inventories at net realisable value (NRV)				
Nil				
TOTAL INVENTORIES	738	299	911	299
(b) Other assets				
Prepayments	220	–	179	–
TOTAL OTHER ASSETS	220	–	179	–
Externally restricted assets				
Water				
Stores and materials	6	–	6	–
Total water	6	3,682	6	–
Sewerage				
Nil				
Domestic waste management				
Nil				
Other				
Nil				
Total externally restricted assets	6	4,791	6	–
Total unrestricted assets	952	(4,492)	1,084	299
TOTAL INVENTORIES AND OTHER ASSETS	958	299	1,090	299

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
(a) Details for real estate development					
Industrial/commercial		–	299	–	299
Total real estate for resale		–	299	–	299
(Valued at the lower of cost and net realisable value)					
Represented by:					
Other properties – book value		–	299	–	299
Total costs		–	299	–	299
Movements:					
Real estate assets at beginning of the year		–	299	–	299
Total real estate for resale		–	299	–	299

Accounting policy**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000																
Capital work in progress	8,702	–	8,702	1,298	4,646	–	–	(48)	–	(5,902)	(164)	–	–	8,532	–	8,532
Plant and equipment	25,461	17,261	8,200	46	3,020	(650)	(2,051)	–	–	216	–	–	–	26,585	17,804	8,781
Office equipment	1,665	1,622	43	–	–	–	(15)	–	–	–	–	–	–	1,665	1,637	28
Furniture and fittings	737	603	134	–	–	–	(39)	–	–	–	–	–	–	738	643	95
Land:																
– Operational land	5,523	–	5,523	–	–	–	–	–	–	–	147	–	64	5,734	–	5,734
– Community land	1,393	–	1,393	–	–	–	–	–	–	–	–	–	96	1,489	–	1,489
Land improvements – non-depreciable	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Land improvements – depreciable	1,680	314	1,366	5	5	–	(43)	–	–	171	–	–	–	1,862	357	1,505
Infrastructure:																
– Buildings – non-specialised	21,308	6,225	15,083	–	39	–	(546)	–	–	362	–	(8,294)	4,419	26,128	15,064	11,064
– Buildings – specialised	43,287	14,010	29,277	40	237	–	(1,328)	–	–	96	–	(16,720)	13,498	57,157	32,058	25,099
– Other structures	21,612	7,618	13,994	93	116	–	(630)	–	–	82	–	–	–	21,903	8,248	13,655
– Roads	251,479	52,120	199,359	3,377	532	(944)	(4,193)	–	110	2,632	–	–	–	256,543	55,670	200,873
– Bridges	54,876	3,942	50,934	790	–	(564)	(361)	–	–	1,812	–	–	–	56,540	3,929	52,611
– Footpaths	5,637	1,790	3,847	94	156	(48)	(127)	–	–	206	–	–	–	6,019	1,891	4,128
– Bulk earthworks (non-depreciable)	88,458	–	88,458	139	–	–	–	–	–	49	–	–	–	88,646	–	88,646
– Stormwater drainage	8,145	3,460	4,685	14	172	–	(106)	–	–	87	–	–	–	8,419	3,567	4,852
– Water supply network	65,411	29,084	36,327	242	36	–	(1,145)	–	–	183	–	–	–	65,872	30,229	35,643
– Sewerage network	32,093	15,439	16,654	169	–	–	(531)	–	–	6	–	–	–	32,269	15,971	16,298
– Other	91	91	–	–	–	–	–	–	–	–	–	–	–	91	91	–
Reinstatement, rehabilitation and restoration assets (refer Note 14):																
– Tip assets	361	54	307	–	–	–	(14)	–	–	–	(2)	–	–	359	69	290
– Quarry assets	1,327	445	882	–	–	–	(47)	–	–	–	8	–	–	1,334	492	842
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	639,246	154,078	485,168	6,307	8,959	(2,206)	(11,176)	(48)	110	–	(11)	(25,014)	18,077	667,885	187,720	480,165

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

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least 5 yearly, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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 recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment (continued)

Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

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.

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 to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

Under section 119 of the *Rural Fire Services Act 1997 (NSW)*, "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".

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, but Council will not recognise plant and vehicles.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	1,898	–	1,898	897	–	897
Plant and equipment	178	119	59	391	212	179
Office equipment	33	33	–	33	35	(2)
Land						
– Operational land	377	–	377	364	–	364
Buildings	1,961	823	1,138	1,415	384	1,031
Other structures	390	122	268	390	109	281
Infrastructure	65,871	30,229	35,642	65,411	29,084	36,327
Other assets	–	–	–	–	–	–
Total water supply	70,708	31,326	39,382	68,901	29,824	39,077
Sewerage services						
WIP	529	–	529	325	–	325
Plant and equipment	230	204	26	257	198	59
Office equipment	7	5	2	7	1	6
Land						
– Operational land	446	–	446	428	–	428
Buildings	204	171	33	179	70	109
Other structures	175	73	102	175	68	107
Infrastructure	32,268	15,972	16,296	32,093	15,439	16,654
Other assets	–	–	–	–	–	–
Total sewerage services	33,859	16,425	17,434	33,464	15,776	17,688
TOTAL RESTRICTED IPP&E	104,567	47,751	56,816	102,365	45,600	56,765

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018Note 10(c). Infrastructure, property, plant and equipment – current year
impairments

\$ '000	Notes	2018	2017
(i) Impairment losses recognised in the Income Statement:			
<u>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</u>	4(d)	<u>–</u>	<u>–</u>
(iii) Impairment losses recognised direct to equity (ARR):			
Buildings (Roof of Coonabarbran Office)		–	(38)
Flood Damaged Roads		–	(693)
Work In Progress		(45)	–
Total impairment losses		(45)	(731)
(iv) Reversals of impairment losses previously recognised direct to equity (ARR):			
Flood Damaged Roads		109	–
Total impairment reversals		109	–
<u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u>		<u>64</u>	<u>(731)</u>

EXCLUDED - Note . Investment property

Council has not classified any land or buildings as 'investment property'.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 11. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	697	645
Accumulated amortisation (1/7)	(412)	(292)
Net book value – opening balance	285	353
Movements for the year		
– Purchases	–	19
– Development costs	13	34
– Amortisation charges	(131)	(120)
Closing values:		
Gross book value (30/6)	710	697
Accumulated amortisation (30/6)	(543)	(412)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	167	285
¹ The net book value of intangible assets represent:		
Software	167	285
	167	285

Accounting policy for intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

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

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	649	–	583	–
Goods and services – capital expenditure	–	–	–	–
Accrued expenses:				
– Borrowings	42	–	48	–
– Salaries and wages	82	–	–	–
– Other expenditure accruals	630	–	740	–
Security bonds, deposits and retentions	350	–	382	–
Other	22	–	16	–
Total payables	1,775	–	1,769	–
Income received in advance				
Payments received in advance	544	–	150	–
Total income received in advance	544	–	150	–
Borrowings				
Loans – secured ¹	867	4,777	827	5,645
Total borrowings	867	4,777	827	5,645
TOTAL PAYABLES AND BORROWINGS	3,186	4,777	2,746	5,645

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Payables and borrowings (continued)

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Payables and borrowings relating to restricted assets				
	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	499	451	274	536
Sewer	–	–	77	1
Domestic waste management			–	–
Other	293		530	–
Payables and borrowings relating to externally restricted assets	792	451	881	537
Internally restricted assets				
Nil				
Payables and borrowings relating to internally restricted assets	–	–	–	–
Total payables and borrowings relating to restricted assets	792	451	881	537
Total payables and borrowings relating to unrestricted assets	2,394	4,326	1,865	5,108
TOTAL PAYABLES AND BORROWINGS	3,186	4,777	2,746	5,645

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Payables and borrowings (continued)

\$ '000	2018	2017				
(b) Current payables and borrowings not anticipated to be settled within the next twelve months						
Nil						
The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.						
Payables – security bonds, deposits and retentions	37	–				
	37	–				
(c) Changes in liabilities arising from financing activities						
Class of borrowings	2017 Opening balance as at 1/7/17	Cash flows	Non-cash changes			2018 Closing balance as at 30/6/18
			Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	6,472	(828)	–	–	–	5,644
TOTAL	6,472	(828)	–	–	–	5,644
(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					79	79
Total financing arrangements					579	579
Drawn facilities as at balance date:						
– Bank overdraft facilities					–	–
– Credit cards/purchase cards					19	26
Total drawn financing arrangements					19	26
Undrawn facilities as at balance date:						
– Bank overdraft facilities					500	500
– Credit cards/purchase cards					60	53
Total undrawn financing arrangements					560	553

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,420	–	1,458	–
Long service leave	2,561	79	2,491	77
Other leave	112	–	99	–
ELE on-costs	345	13	531	13
Sub-total – aggregate employee benefits	4,438	92	4,579	90
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,299	–	2,236
Sub-total – asset remediation/restoration	–	2,299	–	2,236
Other provisions:				
Other	–	–	–	–
Sub-total – other provisions	–	–	–	–
TOTAL PROVISIONS	4,438	2,391	4,579	2,326

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	181	2	191	2
Sewer	73	1	77	1
Provisions relating to externally restricted assets	254	3	268	3
Internally restricted assets				
Nil				
Total provisions relating to restricted assets	254	3	268	3
Total provisions relating to unrestricted assets	4,184	2,388	4,311	2,323
TOTAL PROVISIONS	4,438	2,391	4,579	2,326

(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	3,091	3,099
	3,091	3,099

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

\$ '000

	Other provisions	
	Asset remediation	Total
2018		
At beginning of year	2,236	2,236
Changes to provision:		
Additional provisions	58	58
Remeasurement effects	5	5
Other	-	-
Total other provisions at end of year	2,299	2,299
	Other provisions	
	Asset remediation	Total
2017		
At beginning of year	2,472	2,472
Changes to provision:		
Additional provisions	47	47
Remeasurement effects	(283)	(283)
Other	-	-
Total other provisions at end of year	2,236	2,236

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the Council tips and private gravel quarries it has used.

Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 13. Provisions (continued)

\$ '000

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 13. Provisions (continued)

\$ '000

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

(b) Correction of errors relating to a previous reporting period

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

(c) Voluntary changes in accounting policies

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

(d) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Pre Audit Draft

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	17,044	18,348
Balance as per the Statement of Cash Flows		17,044	18,348
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		2,505	4,662
Adjust for non-cash items:			
Depreciation and amortisation		11,306	10,099
Net losses/(gains) on disposal of assets		1,201	653
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L		–	–
Unwinding of discount rates on reinstatement provisions		–	(236)
Share of net (profits) or losses of associates/joint ventures		(41)	(50)
Net loss/(gain) on Council restructure/amalgamations (excluding cash)		–	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,719)	17
Increase/(decrease) in provision for doubtful debts		77	(27)
Decrease/(increase) in inventories		173	(126)
Decrease/(increase) in other assets		(41)	(71)
Increase/(decrease) in payables		66	(107)
Increase/(decrease) in accrued interest payable		(6)	(7)
Increase/(decrease) in other accrued expenses payable		(28)	(218)
Increase/(decrease) in other liabilities		368	(456)
Increase/(decrease) in employee leave entitlements		(139)	(309)
Increase/(decrease) in other provisions		63	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		13,638	13,824
(c) Non-cash investing and financing activities			
Gift of land		147	–
Total non-cash investing and financing activities		147	–
(d) Net cash flows attributable to discontinued operations			

Please refer to Note 22 for details of cash flows that relate to discontinued operations

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
Joint ventures	41	50	385	344
Total	41	50	385	344

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

Pre Audit Draft

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

\$ '000

(b) Joint arrangements

(i) Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Macquarie Regional Library	Joint venture	Equity	384	344
Total carrying amounts – material joint ventures			384	344

(b) Details

Name of entity	Principal activity
Macquarie Regional Library	Community library services
Place of Business:	Dubbo, Coolah, Dunedoo, Coonabarabran, Narromine and Wellington

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017	2018	2017
Macquarie Regional Library	n/a	n/a	19%	19%	19%	19%	25%	

(d) Summarised financial information for joint ventures

Statement of financial position	Macquarie Regional Library	
	2018	2017
Current assets		
Cash and cash equivalents	1,930	1,655
Other current assets	32	83
Non-current assets	1,128	991
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	–	–
Other current liabilities	1,009	871
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	32	29
Net assets	2,049	1,829

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

\$ '000

Reconciliation of the carrying amount

Opening net assets (1 July)	1,829	1,562
Profit/(loss) for the period	220	267
Closing net assets	2,049	1,829
Council's share of net assets (%)	18.8%	18.8%
Council's share of net assets (\$)	384	344

Macquarie Regional Library

	2018	2017
Statement of comprehensive income		
Income	2,666	2,921
Interest income	45	37
Depreciation and amortisation	(331)	(313)
Other expenses	(2,160)	(2,378)
Profit/(loss) from continuing operations	220	267
Profit/(loss) from discontinued operations		
Profit/(loss) for period	220	267
Share of income – Council (%)	18.8%	18.8%
Profit/(loss) – Council (\$)	41	50
Total comprehensive income – Council (\$)	41	50

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

\$ '000

(f) The nature and extent of significant restrictions relating to joint ventures

Council is contractually unable to access or use the assets of the Macquarie Regional Library in any capacity due to being part of the joint venture.

(g) Unrecognised share of losses

The unrecognised share of losses of joint ventures due to council's interest being reduced to zero under the equity methods are \$41k for the reporting period, and \$384k on a cumulative basis.

(h) Risk associated with the interests in joint ventures

	2018	2017
Commitments relating to joint ventures held	–	–
Contingent liabilities incurred jointly with other investments over joint ventures held	–	–

(i) County Councils

Council is not a member of any county councils.

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Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

\$ '000

(b) Joint arrangements (continued)

(ii) Joint operations

Council has no interest in any joint operations.

Accounting policy for joint arrangements

The Council has determined that it has joint ventures only

Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in *Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

\$ '000

(c) Associates

Council has no interest in any associates.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

None.

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Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17. Commitments for expenditure

\$ '000	2018	2017
(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 and equipment		
Land and buildings	2,527	5,460
Plant and equipment	1,348	65
Bridges – timber bridge replacement program	–	659
Infrastructure	5,672	4,345
Other	42	–
Total payable	9,589	10,529
Sources for funding of capital commitments:		
Future grants and contributions	7,092	7,530
Section 7.11 and 64 funds/reserves	5	20
Externally restricted reserves	886	86
Internally restricted reserves	1,606	2,893
Total sources of funding	9,589	10,529

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Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17. Commitments for expenditure (continued)

\$ '000	2018	2017
(b) Finance lease commitments		
Nil		
(c) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	27	7
Total non-cancellable operating lease commitments	27	7
b. Non-cancellable operating leases include the following assets:		
Computer servers		
Conditions relating to operating leases:		
– All operating lease agreements are secured only against the leased asset.		
– No lease agreements impose any financial restrictions on Council regarding future debt etc.		
(d) Investment property commitments		
Nil		

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

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

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

Council's share of this deficit has been broadly estimated to be \$261,000 as at 30 June 2018.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

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.

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) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's 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.

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Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – price risk and interest rate risk

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 the interest rates applicable.

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

2018	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 1% movement in interest rates	170	170	(170)	(170)
2017				
Possible impact of a 1% movement in interest rates	183	183	(183)	(183)

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and 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 and annual charges at higher than market rates which further encourages the payment of debt.

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	86%	51%	90%	86%
Overdue	14%	49%	10%	14%
	100%	100%	100%	100%
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
Current			1,060	893
< 1 year overdue				100
			1,060	993
Other receivables				
Current			3,007	3,652
0 – 30 days overdue			1,221	99
31 – 60 days overdue			48	6
61 – 90 days overdue			918	344
> 91 days overdue			724	165
			5,918	4,266

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and 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 and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	350	1,497	-	-	1,847	1,775
Loans and advances	4.70%	-	867	3,754	1,023	5,644	5,644
Total financial liabilities		350	2,364	3,754	1,023	7,491	7,419
2017							
Trade/other payables	0.00%	382	1,539	-	-	1,921	1,769
Loans and advances	4.70%	-	1,103	4,410	2,007	7,520	6,472
Total financial liabilities		382	2,642	4,410	2,007	9,441	8,241

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 20. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 21 June 2018 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* 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	2018 Budget	2018 Actual	2018 Variance* -----		
REVENUES					
Rates and annual charges	12,148	12,076	(72)	(1%)	U
No budget variation details are required - variance is < 10%					
User charges and fees	7,273	8,357	1,084	15%	F
The increased User Charges Revenue is primarily due to increased RMS ordered works.					
Interest and investment revenue	482	423	(59)	(12%)	U
This variance is due to Southern Phones not paying a dividend as well as lower overall returns on cash & equivalents.					
Other revenues	962	1,214	252	26%	F
The majority of this variance (171k) is due to the Diesel rebate being greater than expected.					
Operating grants and contributions	18,024	18,206	182	1%	F
No budget variation details are required - variance is < 10%					
Capital grants and contributions	2,090	6,812	4,722	226%	F
Variance due to deferral of TRRRC project and new Water Capital, and Sporting Facility grants.					
Net gains from disposal of assets	297	-	(297)	(100%)	U
Council failed to achieve expected trade in values for paint replaced.					
Fair value increment on investment property	-	-	-	0%	F
No budget variation details are required					

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	14,997	16,080	(1,083)	(7%)	U
No budget variation details are required - variance is < 10%					
Borrowing costs	277	335	(58)	(21%)	U
Borrowing costs includes not only costs associated with loans but also has a component relating to rehabilitation of Tips and Quarries. It is this component that has caused the variance.					
Materials and contracts	5,310	7,186	(1,876)	(35%)	U
Due to increase in Capital projects as well as repairs and maintenance.					
Depreciation and amortisation	10,437	11,306	(869)	(8%)	U
No budget variation details are required - variance is < 10%					
Other expenses	7,751	8,516	(765)	(10%)	U
No budget variation details are required - variance is < 10%					
Net losses from disposal of assets	-	1,201	(1,201)	0%	U
This item not only includes the net value of plant disposals but also other assets such as roads renewals where the book value of roads is written off when they are renewed. This variance has increased due to the write off of the book value of roads renewed.					
Joint ventures and associates – net losses	-	-	-	0%	F
No budget variation details are required					

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	12,645	13,638	993	7.9%	F
No budget variation details are required - variance is < 10%					
Cash flows from investing activities	(12,768)	(14,114)	(1,346)	10.5%	U
Investing activities includes not only cash, equivalents and investments but also infrastructure and other asset acquisitions. It is these acquisitions that has created this variance.					
Cash flows from financing activities	(827)	(828)	(1)	0.1%	U
No budget variation details are required - variance is < 10%					

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Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	N/A			8,781	8,781
Office equipment	N/A			28	28
Furniture and fittings	N/A			95	95
Land - Community	30/06/16			5,734	5,734
Land - Operational	30/06/18			1,489	1,489
Land improvements – depreciable	30/06/16			1,505	1,505
Buildings	30/06/18			36,164	36,164
Other structures	30/06/16			13,655	13,655
Roads	30/06/15			200,873	200,873
Bridges	30/06/15			52,611	52,611
Footpaths	30/06/15			4,128	4,128
Bulk earthworks	30/06/15			88,645	88,645
Stormwater drainage	30/06/15			4,852	4,852
Water supply network	30/06/17			35,642	35,642
Sewerage network	30/06/17			16,299	16,299
Tip assets	30/06/14			289	289
Quarry assets	30/06/14			843	843
Total infrastructure, property, plant and equipment		–	–	471,633	471,633

Fair value measurement hierarchy

2017		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	N/A			8,200	8,200
Office equipment	N/A			43	43
Furniture and fittings	N/A			134	134
Land – Community	30/06/16			1,393	1,393
Land – Operational	30/06/13			5,524	5,524
Land improvements – depreciable	30/06/16			1,366	1,366
Buildings	30/06/13			44,360	44,360
Other structures	30/06/16			13,994	13,994
Roads	30/06/15			199,358	199,358
Bridges	30/06/15			50,934	50,934
Footpaths	30/06/15			3,847	3,847
Bulk earthworks	30/06/15			88,458	88,458
Stormwater drainage	30/06/15			4,685	4,685
Water supply network	30/06/17			36,327	36,327
Sewerage network	30/06/17			16,654	16,654
Tip assets	30/06/14			307	307
Quarry assets	30/06/14			882	882
Total infrastructure, property, plant and equipment		-	-	476,466	476,466

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Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

(2) Transfers between level 1 and level 2 fair value hierarchies

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

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Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

(3) Valuation techniques used to derive level 2 and level 3 fair values

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

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

(3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

Infrastructure, property, plant and equipment

Plant and equipment, office equipment and furniture, fixtures and fittings

Plant and equipment, office equipment and furniture, and fixtures and fittings are all valued at depreciated cost (original purchase price) as this assessment is considered to approximate fair value.

Roads, bulk earthworks, bridges, footpaths and stormwater drainage

The values currently displayed are based on the following:

The current replacement cost for these asset classes has been derived from a 2014/15 valuation survey undertaken, for this purpose, by APV Valuers. Roads are componentised into road pavement and road seal assets and differentiated between long and short life components, with pavements split into sealed and unsealed road pavements. A distinction is also made between road pavements on various soil types.

Bridges are componentised into bridges Long Life and Short Life and major culverts, and culverts and drainage assets include both pits and pipes. All asset components are assigned long and short life components and useful lives and are condition rated at the time of valuation. Council has increased significantly the amount of available information on its road network, but still lacks some historical information such as rehabilitation dates for components such as road seals and pavements, and is in the final processes of segmenting its local road network. Other information that is currently being sourced includes traffic volumes, more accurate dimensions and topography information, and better information on soil types.

Quarry and tip remediation liabilities

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

Operational and community land

Land has been valued at market value, having regard to the "highest and best use", after identifying elements that would be taken into account by buyers and sellers in settling the price. These elements include: land description and dimensions, planning and other constraints on development and the potential for alternative use (Valued by Assetval in 2017/18). Community land is valued at Valuer General unimproved capital value (UCV) which takes into account highest and best use values

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

Other structures and land improvements (depreciable)

The value of structures and depreciable land improvements have been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for preliminaries and professional fees. These values have been derived from a valuation by Australis Asset Advisory Group for 30/6/2016.

This asset class includes Aerodromes, Pools, landscaping, gardens, sport change rooms, grand stands etc., Major components include pool structures, walls, roofs, pumps, fences, sheds, garden beds etc. Each component is assigned a useful life and long life component, based on engineering estimates and are condition rated at the time of valuation. In some cases Council has limited data for this asset class in relation to original construction date, age, and past maintenance and renewals history.

Water and sewer network

This asset class is currently undergoing a valuation being conducted externally by Australis Asset Advisory Group.

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

Buildings

Buildings are valued by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost. These rates are derived from substantial analysis of construction costs from over 120 Councils across NSW by Council's valuer (Valued by Assetval in 2017/18). Buildings assets are componentised into Super structure, Sub structure, Finishes, Fittings and Services. Each component is assigned a useful life and remaining useful life with the remaining useful life based on the condition assessment at the time of valuation. Further improvements to the valuation could be achieved with further details on the level of componentisation, as well as more in-depth maintenance history.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes.

	Plant and equipment	Office equipment	Furniture and fittings	Land	Land imp depreciable	Buildings	Other structures	Roads	Total
Opening balance – 1/7/16	9,033	43	136	6,916	1,403	41,995	13,114	203,048	275,688
Purchases (GBV)	1,794	13	35	–	6	3,148	1,468	3,480	9,944
Disposals (WDV)	(532)	–	–	–	–	–	–	(848)	(1,380)
Depreciation and impairment	(2,095)	(13)	(37)	–	(43)	(783)	(588)	(4,812)	(8,371)
Revaluation increment	–	–	–	–	–	–	–	(1,508)	(1,508)
Closing balance – 30/6/17	8,200	43	134	6,916	1,366	44,360	13,994	199,360	274,373
Purchases (GBV)	3,282	–	–	–	182	774	291	6,541	11,070
Disposals (WDV)	(650)	–	–	–	(43)	(1,874)	(630)	(944)	(4,141)
Depreciation and impairment	(2,051)	(15)	(39)	–	–	–	–	(4,193)	(6,298)
FV gains – other comprehensive income	–	–	–	150	–	–	–	–	150
Revaluation increment	–	–	–	157	–	17,917	–	–	18,074
Revaluation decrement	–	–	–	–	–	(25,015)	–	–	(25,015)
Impairment	–	–	–	–	–	–	–	109	109
Closing balance – 30/6/18	8,781	28	95	7,223	1,505	36,162	13,655	200,873	268,322

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Tip asset	Quarry asset	Total
Opening balance – 1/7/16	51,295	3,613	87,998	4,758	27,829	21,251	387	1,161	198,292
Purchases (GBV)	–	355	–	34	136	13	–	–	538
Disposals (WDV)	–	–	–	–	–	–	–	–	–
Depreciation and impairment	(361)	(121)	–	(107)	(1,143)	(530)	(16)	(62)	(2,340)
Remediation adjustment	–	–	–	–	–	–	(64)	(217)	(281)
Revaluation movement	–	–	460	–	9,505	(4,080)	–	–	5,885
Closing balance – 30/6/17	50,934	3,847	88,458	4,685	36,327	16,654	307	882	202,094
Purchases (GBV)	2,602	456	187	272	460	175	–	–	4,152
Disposals (WDV)	(564)	(48)	–	–	–	–	–	–	(612)
Depreciation and impairment	(361)	(127)	–	(106)	(1,145)	(531)	(15)	(48)	(2,333)
Remediation adjustment	–	–	–	–	–	–	(2)	8	6
Closing balance – 30/6/18	52,611	4,128	88,645	4,851	35,642	16,298	290	842	203,307

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Plant and equipment	8,780,153	Cost approach	* Gross Replacement Cost (purchase price) * Remaining Useful Life
Office equipment	27,562	Cost approach	* Gross Replacement Cost (purchase price) * Remaining Useful Life
Furniture and fittings	94,182	Cost approach	* Gross Replacement Cost (purchase price) * Remaining Useful Life
Operational land	5,733,500	Market approach	* Similar local property prices * Alternative use
Community land	1,488,660	Market approach	* Unimproved capital value from Valuer General

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

Land Imp (depreciable)	1,505,139	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Buildings	36,163,871	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Other structures	13,654,939	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Roads	200,872,785	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Bridges	52,611,200	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Footpaths	4,128,110	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Bulk earthworks	88,645,349	Cost approach (Replacement Cost)	* Gross Replacement Cost
Stormwater drainage	4,850,864	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

Water supply network	35,642,095	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Sewer supply network	16,297,641	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Other	–	Cost approach	* Asset Condition * Remaining Useful Life
Tip assets	289,823	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes
Quarry assets	842,512	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

d. The valuation process for level 3 fair value measurements

Warrumbungle Shire Council undertakes to recognise its assets at fair value. Whilst this method does not suit some asset categories such as Plant & Equipment or Office furniture it is the best available method to determine the value of assets such as roads and Buildings.

The process by council determines is through:

- * A re examination of the fair value of the relevant asset classes as specified by the OLG on a five year rotation;
- * Seek an external valuer with good knowledge and reputation to undertake the valuation;
- * The "Valuer" selects a sample of assets and in conjunction with Council Staff will then examine the sample to determine any adjustments required;
- * During this process the adequacy and accuracy of costing and usage assumptions are analysed and addressed as required;
- * After the physical examination the Valuer goes over the findings with Council and invites questions and feedback;
- * In conjunction with Council's input the Valuer will then make a determination on which Council will act.

(5). Highest and best use

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

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Related party transactions

\$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

Compensation:	2018	2017
Short-term benefits	1,021	809
Superannuation	87	86
Total	1,108	895

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Note 23. Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 24. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	5	-	-	-	-	-	5	-
Open space	7	-	-	-	-	-	7	-
Community facilities	5	-	-	-	-	-	5	-
Bushfire	12	-	-	-	-	-	12	-
Other	2	-	-	-	-	-	2	-
S7.11 contributions – under a plan	32	-	-	-	-	-	32	-
Total S7.11 and S7.12 revenue under plans	32	-	-	-	-	-	32	-
S7.11 not under plans	96	39	-	3	(30)	-	108	-
S64 contributions	127	-	-	2	-	-	129	-
Total contributions	255	39	-	5	(30)	-	269	-

S7.11 CONTRIBUTIONS – UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	5	-	-	-	-	-	5	-
Open space	7	-	-	-	-	-	7	-
Community facilities	5	-	-	-	-	-	5	-
Bushfire	12	-	-	-	-	-	12	-
Other	2	-	-	-	-	-	2	-
Total	32	-	-	-	-	-	32	-

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	-	-	-	-	-	-	-	-
Open space	-	-	-	-	-	-	-	-
Community facilities	-	-	-	-	-	-	-	-
Other	96	39	-	3	(30)	-	108	-
Total	96	39	-	3	(30)	-	108	-

S64 contributions

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	-	-	-	-	-	-	-	-
Community facilities	-	-	-	-	-	-	-	-
Water	96	-	-	2	-	-	98	-
Sewer	31	-	-	-	-	-	31	-
Other	-	-	-	-	-	-	-	-
Total	127	-	-	2	-	-	129	-

Warrumbungle Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Financial result and financial position by fund

\$ '000			
Income Statement by fund			
\$ '000	2018	2018	2018
<u>Continuing operations</u>	<u>Water</u>	<u>Sewer</u>	<u>General¹</u>
Income from continuing operations			
Rates and annual charges	1,340	1,232	9,504
User charges and fees	1,475	168	6,714
Interest and investment revenue	79	106	238
Other revenues	10	6	1,198
Grants and contributions provided for operating purposes	39	28	18,139
Grants and contributions provided for capital purposes	1,065	51	5,696
Other income			
Net gains from disposal of assets	–	–	–
Share of interests in joint ventures and associates using the equity method	–	–	41
Total income from continuing operations	4,008	1,591	41,530
Expenses from continuing operations			
Employee benefits and on-costs	1,108	531	14,441
Borrowing costs	28	–	307
Materials and contracts	643	163	6,380
Depreciation and amortisation	1,202	554	9,550
Other expenses	969	541	7,006
Revaluation decrement / impairment of IPPE	–	–	–
Share of interests in joint ventures and associates using the equity method	–	–	–
Total expenses from continuing operations	3,950	1,789	38,885
Operating result from continuing operations	58	(198)	2,645
Net operating result for the year	58	(198)	2,645
Net operating result attributable to each council fund	–	58	(198)
Net operating result for the year before grants and contributions provided for capital purposes	–	(1,007)	(249)
		(3,051)	

¹ General fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

Warrumbungle Shire Council

Notes to the Financial Statements

as at 30 June 2018

Note 25. Financial result and financial position by fund (continued)

\$ '000

Statement of Financial Position by fund

\$ '000	2018	2018	2018	2018
ASSETS		Water	Sewer	General¹
Current assets				
Cash and cash equivalents	2,176	2,711	12,157	
Receivables	909	455	5,515	
Inventories	6	–	732	
Other	–	–	220	
Total current assets	3,091	3,166	18,624	
Non-current assets				
Receivables	–	1,059	(461)	
Inventories	–	–	299	
Infrastructure, property, plant and equipment	39,382	17,434	423,349	
Investments accounted for using the equity method	–	–	385	
Intangible assets	–	–	167	
Total non-current assets	39,382	18,493	423,739	
TOTAL ASSETS	42,473	21,659	442,363	
LIABILITIES				
Current liabilities				
Payables	5	–	1,969	
Income received in advance	413	–	131	
Borrowings	82	–	785	
Provisions	181	73	4,184	
Total current liabilities	681	73	7,069	
Non-current liabilities				
Borrowings	451	–	4,922	
Provisions	2	1	2,388	
Investments accounted for using the equity method	–	–	–	
Total non-current liabilities	453	1	7,310	
TOTAL LIABILITIES	1,134	74	14,379	
Net assets	41,339	21,585	427,984	
EQUITY				
Accumulated surplus	20,270	11,497	373,369	
Revaluation reserves	21,069	10,088	54,615	
Council equity interest	41,339	21,585	427,984	
Total equity	41,339	21,585	427,984	

¹ General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Warrumbungle Shire Council

Notes to the Financial Statements
as at 30 June 2018

Note 25. Financial result and financial position by fund (continued)

\$ '000

Details of individual internal loans for the year ended 30 June 2018
(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Internal loan 1	Council ID / Ref	Council ID / Ref
Borrower (by purpose)	General		
Lender (by purpose)	Sewer fund		
Date of minister's approval	23/12/12		
Date raised	1/7/12		
Term (years)	10		
Dates of maturity	30/6/21		
Rate of interest	5.80%		
Amount originally raised	1,500		
Total repaid during year (principal and interest)	199		
Principal outstanding at end of year	857		

Pre Audit Draft

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>(3,147)</u>	-7.81%	2.04%	-0.92%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	40,276				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>22,070</u>	46.87%	46.46%	45.94%	> 60.00%
Total continuing operating revenue ⁽¹⁾	47,088				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>10,197</u>	2.96x	4.64x	1.78x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	3,450				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>8,494</u>	7.30x	9.87x	5.24x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,163				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>1,157</u>	8.68%	7.91%	8.32%	< 10% regional & rural
Rates, annual and extra charges collectible	13,318				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>17,044</u>	5.76 mths	6.5 mths	5.9 mths	> 3 mths
Payments from cash flow of operating and financing activities	2,959				

Notes

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

(2) Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

(3) Refer to Notes 13 and 14.

(4) Refer to Note 13(b) and 14(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>(3,147)</u>	-7.81%	2.04%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	40,276			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>22,070</u>	46.87%	46.46%	> 60.00%
Total continuing operating revenue ⁽¹⁾	47,088			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>10,197</u>	2.96x	4.64x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	3,450			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>8,494</u>	7.30x	9.87x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,163			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>1,157</u>	8.68%	7.91%	< 10% regional & rural
Rates, annual and extra charges collectible	13,318			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>17,044</u>	5.76 mths	6.5 mths	> 3 mths
Payments from cash flow of operating and financing activities	2,959			

Notes

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

(2) Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

(3) Refer to Notes 13 and 14.

(4) Refer to Note 13(b) and 14(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	-5.28%	5.66%	-34.22%	-32.54%	-16.17%	-22.85%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	42.55%	41.39%	72.46%	87.21%	95.03%	98.19%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	2.96x	4.64x	4.35x	10.76x	42.63x	40.29x	> 1.5x
Current liabilities less specific purpose liabilities ^(3,4)							

Notes

(1) - (4) Refer to Notes at Note 28a above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
<hr/>							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
	7.16x	10.04x	4.48x	4.31x	0.00x	0.00x	> 2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding							
<hr/>							
Rates, annual and extra charges collectible							
	7.27%	6.69%	17.39%	16.91%	11.53%	9.11%	< 10% regional & rural
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits							
<hr/>							
Payments from cash flow of operating and financing activities							
	4.11	5.42	0.00	10.06	0.00	22.47	> 3 months
	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 28a above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

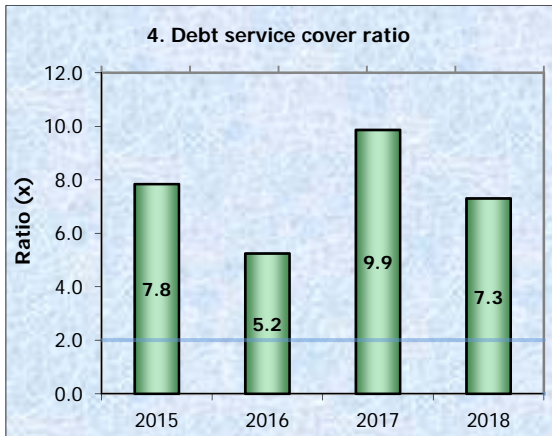
Note 26(c). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p> <table border="1"> <caption>Operating performance ratio data</caption> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>-11%</td> </tr> <tr> <td>2016</td> <td>-1%</td> </tr> <tr> <td>2017</td> <td>2%</td> </tr> <tr> <td>2018</td> <td>-8%</td> </tr> </tbody> </table> <p>Benchmark: Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio %	2015	-11%	2016	-1%	2017	2%	2018	-8%	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio -7.81%</p> <p>This ratio has dramatically since last year. This is due to a combination of the early payment of the FAG's last year coupled with high Capital Purpose Grants.</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>
Year	Ratio %											
2015	-11%											
2016	-1%											
2017	2%											
2018	-8%											
<p>2. Own source operating revenue ratio</p> <table border="1"> <caption>Own source operating revenue ratio data</caption> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>51%</td> </tr> <tr> <td>2016</td> <td>46%</td> </tr> <tr> <td>2017</td> <td>46%</td> </tr> <tr> <td>2018</td> <td>47%</td> </tr> </tbody> </table> <p>Benchmark: Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio %	2015	51%	2016	46%	2017	46%	2018	47%	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 46.87%</p> <p>This ratio, whilst important, by its nature will worsen as a council receives more grant monies. Ironically it has been Council's success in attracting Grant monies that is reflected in this result.</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>
Year	Ratio %											
2015	51%											
2016	46%											
2017	46%											
2018	47%											
<p>3. Unrestricted current ratio</p> <table border="1"> <caption>Unrestricted current ratio data</caption> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>2.5</td> </tr> <tr> <td>2016</td> <td>1.8</td> </tr> <tr> <td>2017</td> <td>4.6</td> </tr> <tr> <td>2018</td> <td>3.0</td> </tr> </tbody> </table> <p>Benchmark: Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio (x)	2015	2.5	2016	1.8	2017	4.6	2018	3.0	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 2.96x</p> <p>This ratio is well the benchmark. The 2017 spike was due to the initial prepayment of FAG's in that year. This will ultimately see a down spike when the prepayment is stopped.</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>
Year	Ratio (x)											
2015	2.5											
2016	1.8											
2017	4.6											
2018	3.0											

Warrumbungle Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 26(c). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

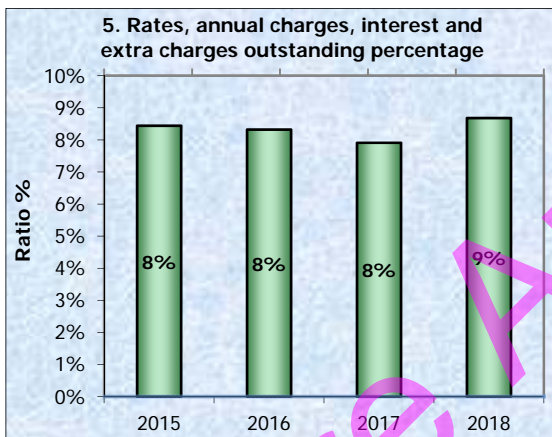
Commentary on 2017/18 result

2017/18 ratio 7.30x

This ratio is well above the OLG benchmark and reflects Council's commitment to use debt only as required and without reliance.

Benchmark: Minimum ≥ 2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

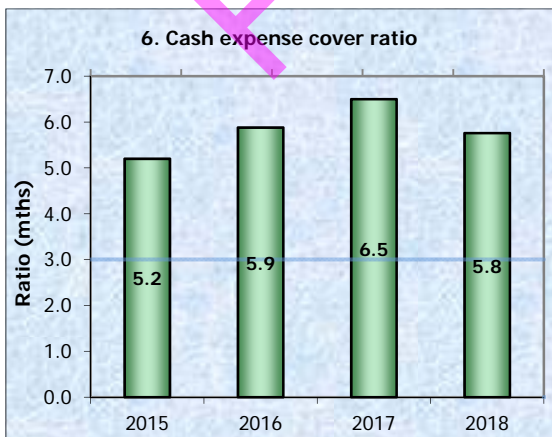
Commentary on 2017/18 result

2017/18 ratio 8.68%

Changed Debt collection process has seen this ratio increase.

Benchmark: Maximum $\leq 10\%$ region:
Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio is within Benchmark
Ratio is outside Benchmark



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2017/18 result

2017/18 ratio 5.76 mths

Well above the OLG benchmark but a slight drop on last year which was high due to the initial FAG's prepayment.

Benchmark: Minimum ≥ 3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark