

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

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 13. 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.

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	5,544	15,348
Balance as per the Statement of Cash Flows		5,544	15,348
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,863	4,662
Adjust for non-cash items:			
Depreciation and amortisation		11,421	10,099
Net losses/(gains) on disposal of assets		1,201	653
Non-cash capital grants and contributions		(147)	–
Unwinding of discount rates on reinstatement provisions		–	(236)
Share of net (profits) or losses of associates/joint ventures		(41)	(50)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,192)	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	–

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Interests in other entities

\$ '000

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

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	385	344
Total carrying amounts – material joint ventures			385	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%	25%

(d) Summarised financial information for joint ventures

	Macquarie Regional Library	
	2018	2017
Statement of financial position		
Current assets		
Cash and cash equivalents	1,930	1,655
Other current assets	32	83
Non-current assets	1,128	991
Current liabilities		
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 15. Interests in other entities (continued)

\$ '000

Joint arrangements (continued)

(d) Summarised financial information for joint ventures (continued)

	Macquarie Regional Library	
	2018	2017
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 (\$)	385	344
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) for period	220	267
Share of income – Council (%)	18.8%	18.8%
Profit/(loss) – Council (\$)	41	50
Total comprehensive income – Council (\$)	41	50

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. 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	5,537	5,460
Plant and equipment	1,503	65
Bridges	359	659
Infrastructure	259	4,345
Total commitments	7,658	10,529
These expenditures are payable as follows:		
Within the next year	7,658	10,529
Total payable	7,658	10,529
Sources for funding of capital commitments:		
Unrestricted general funds	10	–
Future grants and contributions	7,087	7,530
Section 7.11 and 64 funds/reserves		20
Externally restricted reserves	23	86
Internally restricted reserves	538	2,893
Total sources of funding	7,658	10,529

(b) 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	98	7
Total non-cancellable operating lease commitments	98	7

b. Non-cancellable operating leases include the following assets:

Computer servers, photocopy machines

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.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. 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.

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of any 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 planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$ 155,268.09.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$ 161,648.64.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

* excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum
* Plus promotional increases	

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program, however any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.22% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(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 17. 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.

(iii) Potential liability relating to the TRRRC development

Council is currently engaged in the construction of the Three Rivers Regional Retirement Community. The construction contract for this work was terminated on 2 August 2018.

This action may lead to a future liability which at this stage is unable to be determined.

Warrumbungle Shire Council

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

Note 17. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED:

(i) 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.

(ii) Share in Southern Phones

Warrumbungle holds a share in Southern Phones which was acquired for a nominal amount.

Council is seeking a current valuation of this asset for recognition purposes.

When this valuation is acquired this asset will be recognised at fair value.

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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.

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.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
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 18. 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	2018	2017	2017
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	76%	59%	90%	86%
Overdue	24%	41%	10%	14%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges			2018	2017
Current			806	893
< 1 year overdue			254	100
			1,060	993
Other receivables				
Current			3,186	3,652
0 – 30 days overdue			1,308	99
31 – 60 days overdue			51	6
61 – 90 days overdue			649	344
> 91 days overdue			197	165
			5,391	4,266

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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	1,970	–	–	2,320	1,775
Loans and advances	4.70%	–	1,103	4,257	1,057	6,417	5,644
Total financial liabilities		350	3,073	4,257	1,057	8,737	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 19. 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
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 is due to a better than expected diesel rebate (by 171k).					
Operating grants and contributions	18,024	18,206	182	1%	F
Capital grants and contributions	2,090	6,285	4,195	201%	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 plant replaced.					
Joint ventures and associates - net profits	–	41	41	0%	F

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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
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	11,421	(984)	(9%)	U
Other expenses	7,751	8,516	(765)	(10%)	U
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.					

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

Cash flows from operating activities	12,645	13,638	993	7.9%	F
Cash flows from investing activities	(12,768)	(22,614)	(9,846)	77.1%	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

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant 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	–	74	1,411	1,485
Land - Operational	30/06/18	–	2,721	3,017	5,738
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	–	–	36,316	36,316
Sewerage network	30/06/17	–	–	16,596	16,596
Tip assets	30/06/14	–	–	289	289
Quarry assets	30/06/14	–	–	843	843
Total infrastructure, property, plant and equipment		–	2,795	469,810	472,605

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant 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	30/06/18	–	–	5,524	5,524
Land improvements – depreciable	30/06/16	–	–	1,366	1,366
Buildings	30/06/18	–	–	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

(2) Transfers between levels of fair value hierarchies

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

The following transfers occurred between level 3 and level 2 fair value hierarchies during the year:

Details	Fair value hierarchy transfers			
	2018		2017	
	Level 2 Quoted prices in active mkts	Level 3 Significant observable inputs	Level 2 Quoted prices in active mkts	Level 3 Significant observable inputs
Infrastructure, property, plant and equipment				
Land – Community	20 (1)	74	(74)	–
Land – Operational	20 (1)	2,721	(2,721)	–
Total infrastructure, property, plant and equipment		2,795	(2,795)	–

Council's policy for determining transfers between fair value hierarchies which have occurred is:

– at the end of the reporting period.

Some operation and community land have been transferred from level 3 inputs to level 2 inputs as part of the revaluation by Asset Val in 2017/18.

Warrumbungle Shire Council

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

Note 20. Fair value measurement (continued)

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

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

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

Infrastructure, property, plant 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. Operational land has been valued by Assetval in 2017/18 using a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs). For community land, some are valued by Assetval in 2017/18 using observable inputs (level 2 inputs) while the majority is previously 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 20. Fair value measurement (continued)

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 20. 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	–	–	–	147	–	–	–	–	147
Revaluation increment	–	–	–	160	–	17,917	–	–	18,077
Revaluation decrement	–	–	–	–	–	(25,015)	–	–	(25,015)
Impairment	–	–	–	–	–	–	–	109	109
Transfers from level 3 to level 2	–	–	–	(2,795)	–	–	–	–	(2,795)
Closing balance – 30/6/18	8,781	28	95	4,428	1,505	36,162	13,655	200,873	265,527

Warrumbungle Shire Council

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

Note 20. 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)	(1,217)	(574)	(15)	(48)	(2,448)
FV gains – other comprehensive income	–	–	–	–	747	341	–	–	1,088
Remediation adjustment	–	–	–	–	–	–	(2)	8	6
Closing balance – 30/6/18	52,611	4,128	88,645	4,851	36,317	16,596	290	842	204,280

Warrumbungle Shire Council

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

Note 20. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/18)	Valuation techniques/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	3,016,400	Market approach	* Similar local property prices * Alternative use
Community land	1,411,060	Market approach	* Unimproved capital value from Valuer General

Warrumbungle Shire Council

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

Note 20. Fair value measurement (continued)

\$ '000

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

Class	Fair value (30/6/18)	Valuation techniques/s	Unobservable inputs
IPP&E (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 20. Fair value measurement (continued)

\$ '000

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

Class	Fair value (30/6/18)	Valuation technique/s	Unobservable inputs
IPP&E (continued)			
Water supply network	36,316,432	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Sewer supply network	16,596,175	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 20. Fair value measurement (continued)

\$ '000

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

c. 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 be utilised for their highest and best use.

Warrumbungle Shire Council

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

Note 21. 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:

	2018	2017
Compensation:		
Short-term benefits	1,150	809
Superannuation	87	86
Total	1,237	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.

Warrumbungle Shire Council

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

Note 22. 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	(47)	-	91	-
S64 contributions	127	-	-	2	-	-	129	-
Total contributions	255	39	-	5	(47)	-	252	-

Warrumbungle Shire Council

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

Note 22. Statement of developer contributions (continued)

\$ '000

**S7.11 CONTRIBUTIONS – UNDER A PLAN
CONTRIBUTION PLAN - WARRUMBUNGLE SHIRE COUNCIL**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	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	-

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					
Other	96	39	-	3	(47)	-	91	-
Total	96	39	-	3	(47)	-	91	-

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					
Water	96	-	-	2	-	-	98	-
Sewer	31	-	-	-	-	-	31	-
Total	127	-	-	2	-	-	129	-

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Financial result and financial position by fund

Income Statement by fund \$ '000	2018	2018	2018
	Water	Sewer	General ¹
Continuing operations			
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	5,169
Other income			
Share of interests in joint ventures and associates using the equity method	–	–	41
Total income from continuing operations	4,008	1,591	41,003
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	1,275	596	9,550
Other expenses	969	541	7,006
Net losses from the disposal of assets	–	–	1,201
Total expenses from continuing operations	4,023	1,831	38,885
Operating result from continuing operations	(15)	(240)	2,118
Net operating result attributable to each council fund	(15)	(240)	2,118
Net operating result for the year before grants and contributions provided for capital purposes	(1,080)	(291)	(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 23. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	2,180	2,711	653
Investments	–	–	11,500
Receivables	905	456	4,957
Inventories	6	–	732
Other	–	–	220
Total current assets	3,091	3,167	18,062
Non-current assets			
Receivables	–	1,069	2
Inventories	–	–	299
Infrastructure, property, plant and equipment	40,057	17,732	423,349
Investments accounted for using the equity method	–	–	385
Intangible assets	–	–	167
Total non-current assets	40,057	18,801	424,202
TOTAL ASSETS	43,148	21,968	442,264
LIABILITIES			
Current liabilities			
Payables	6	–	1,934
Income received in advance	413	–	131
Borrowings	82	–	785
Provisions	181	73	4,184
Total current liabilities	682	73	7,034
Non-current liabilities			
Borrowings	451	–	5,395
Provisions	2	1	2,388
Total non-current liabilities	453	1	7,783
TOTAL LIABILITIES	1,135	74	14,817
Net assets	42,013	21,894	427,447
EQUITY			
Accumulated surplus	20,197	11,464	372,833
Revaluation reserves	21,816	10,430	54,614
Total equity	42,013	21,894	427,447

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 23. 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
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	1,230

Warrumbungle Shire Council

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

Note 24(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>(3,262)</u>	-8.10%	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>	47.40%	46.46%	45.94%	> 60.00%
Total continuing operating revenue ⁽¹⁾	46,561				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>13,977</u>	4.05x	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
Monthly 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 11 and 12.

⁽⁴⁾ Refer to Note 11(b) and 12(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 24(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							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	-5.28%	5.66%	-36.70%	-32.54%	-18.90%	-22.85%	> 0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	43.10%	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⁾	4.05x	4.27x	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 24a 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 24(b). Statement of performance measures – by fund (continued)

	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	7.16x	10.04x	4.46x	4.31x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	7.27%	6.69%	17.39%	16.91%	11.53%	9.11%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	4.63	5.42	9.45	10.06	26.34	22.47	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

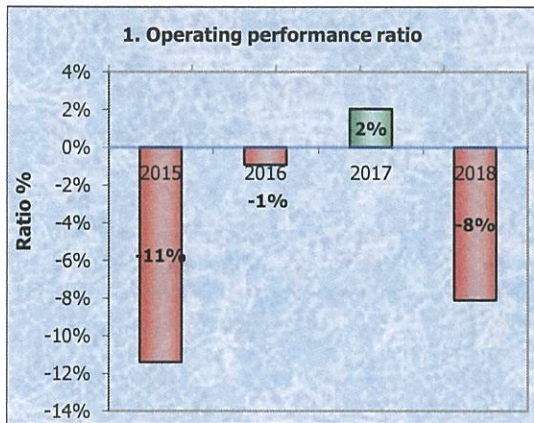
(1) Refer to Notes at Note 24a above.

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



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

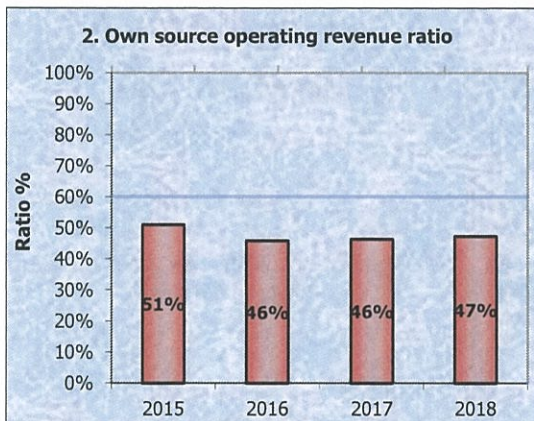
Commentary on 2017/18 result

2017/18 ratio -8.10%

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.

Benchmark: — Minimum $\geq 0.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

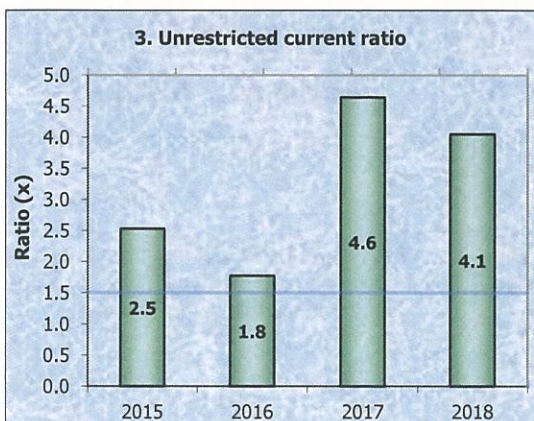
Commentary on 2017/18 result

2017/18 ratio 47.40%

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.

Benchmark: — Minimum $\geq 60.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2017/18 result

2017/18 ratio 4.05x

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.

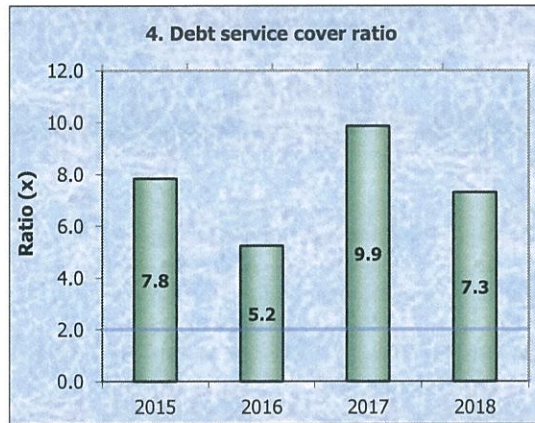
Benchmark: — Minimum ≥ 1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Warrumbungle Shire Council

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

Note 24(c). Statement of performance measures – consolidated results (graphs)



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

Purpose of debt service cover ratio

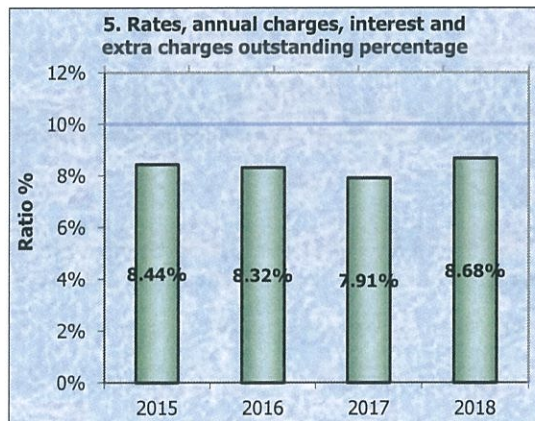
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

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.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: Maximum $< 10.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

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.

Ratio is within Benchmark
 Ratio is outside Benchmark



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

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.

Ratio achieves benchmark
 Ratio is outside benchmark

Warrumbungle Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Council information and contact details

Principal place of business:

14-22 John Street
Coonabarabran 2357

Contact details

Mailing address:

PO Box 191
Coonabarabran NSW 2357

Opening hours:

Monday to Friday 8.30am to 4.30pm

Telephone: 02 6378 2000

Facsimile: 02 6842 1337

Internet: warrumbungle.nsw.gov.au

Email: Info@warrumbungle.nsw.gov.au

Officers

GENERAL MANAGER

Roger Bailey

RESPONSIBLE ACCOUNTING OFFICER

Lawrence Amato

AUDITORS

Audit Office of NSW
GPO Box 12, Sydney NSW 2001, Australia
Telephone 02 9275 7100

Elected members

MAYOR

Mayor Peter Shinton

COUNCILLORS

Dennis Todd
Anne - louise Capel
Kodi Brady
Ray Lewis
Fred Clancy
Wendy Hill
lanello Ianuzzi
Ambrose Doolan

Other information

ABN: 63 348 671 239

