

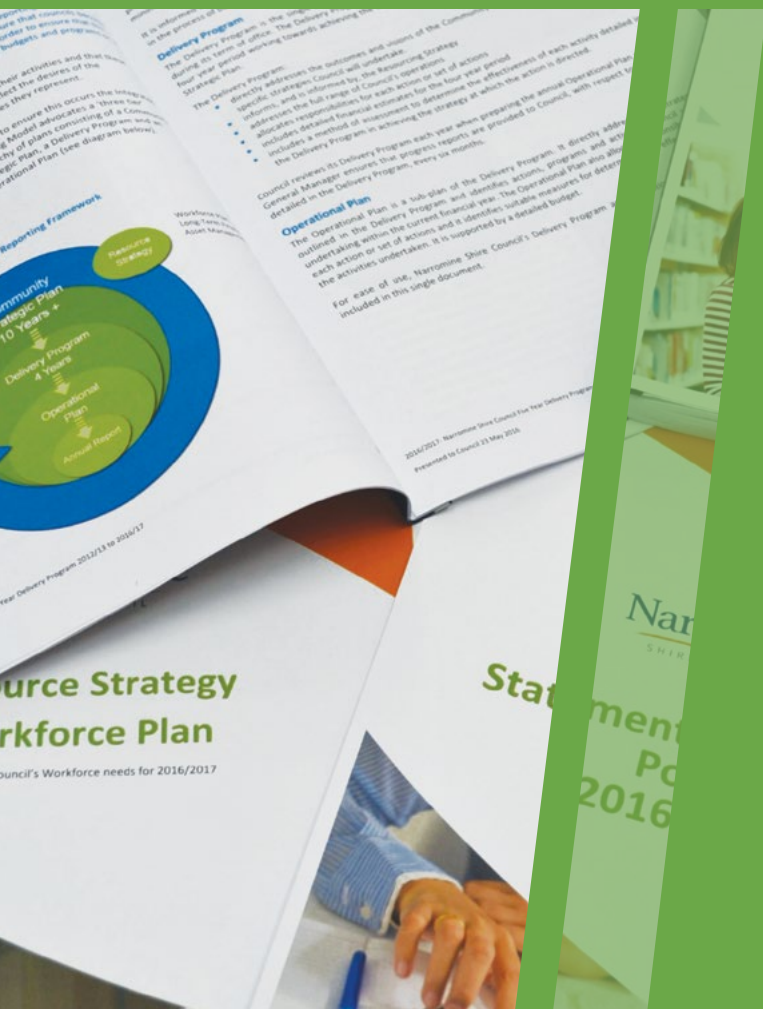


# Narromine

SHIRE

# ANNEXURE ONE

## Audited Financial Statements 2016-2017



# Narrromine Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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*To enhance our Shire's image, lifestyle and  
environment through effective leadership, community  
involvement and commitment to service.*



# Narromine Shire Council

## General Purpose Financial Statements for the year ended 30 June 2017

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Narromine Shire Council.
- (ii) Narromine Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 26 October 2017. Council has the power to amend and reissue these financial statements.

Narromine Shire Council  
General Purpose Financial Statements

For the year ended 30 June 2017

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 professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

**To the best of our knowledge and belief, these financial statements:**

- present fairly the Council's operating result and financial position for the year, and
- 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 21/08/17.**



Craig Davies  
**Mayor**



Dawn Collins  
**Deputy Mayor**



Jane Redden  
**General Manager**



John Sevil  
**Responsible Accounting Officer**

## Narromine Shire Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
8,320	Rates and annual charges	3a	7,986	7,664
2,525	User charges and fees	3b	2,602	2,555
772	Interest and investment revenue	3c	631	698
517	Other revenues	3d	465	454
8,664	Grants and contributions provided for operating purposes	3e,f	11,519	8,128
2,192	Grants and contributions provided for capital purposes	3e,f	1,197	2,291
<i>Other income:</i>				
50	Net gains from the disposal of assets	5	76	74
–	Net share of interests in joint ventures and associates using the equity method	19	34	4
<b>23,042</b>	<b>Total income from continuing operations</b>		<b>24,510</b>	<b>21,868</b>
<b>Expenses from continuing operations</b>				
6,457	Employee benefits and on-costs	4a	6,962	7,060
152	Borrowing costs	4b	134	154
4,149	Materials and contracts	4c	4,236	3,199
4,851	Depreciation and amortisation	4d	4,991	4,664
–	Impairment	4d	–	–
2,695	Other expenses	4e	2,537	2,134
<b>18,304</b>	<b>Total expenses from continuing operations</b>		<b>18,860</b>	<b>17,211</b>
<b>4,738</b>	<b>Operating result from continuing operations</b>		<b>5,650</b>	<b>4,657</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>4,738</b>	<b>Net operating result for the year</b>		<b>5,650</b>	<b>4,657</b>
4,738	Net operating result attributable to Council		5,650	4,657
–	Net operating result attributable to non-controlling interests		–	–
<b>2,545</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>4,453</b>	<b>2,366</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Narromine Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>5,650</b>	<b>4,657</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	4,660	389
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>4,660</b>	<b>389</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>4,660</b>	<b>389</b>
<b>Total comprehensive income for the year</b>		<b>10,310</b>	<b>5,046</b>
<b>Total comprehensive income attributable to Council</b>		<b>10,310</b>	<b>5,046</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## Narromine Shire Council

Statement of Financial Position  
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	3,833	2,026
Investments	6b	21,000	18,500
Receivables	7	1,188	1,348
Inventories	8	771	874
Other	8	7	10
Non-current assets classified as 'held for sale'	22	–	–
<b>Total current assets</b>		<b>26,799</b>	<b>22,758</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	609	508
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	298,774	292,422
Investments accounted for using the equity method	19	251	217
Investment property	14	–	–
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>299,634</b>	<b>293,147</b>
<b>TOTAL ASSETS</b>		<b>326,433</b>	<b>315,905</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	1,094	447
Income received in advance	10	166	132
Borrowings	10	351	342
Provisions	10	1,774	1,888
<b>Total current liabilities</b>		<b>3,385</b>	<b>2,809</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Income received in advance	10	–	–
Borrowings	10	2,691	3,040
Provisions	10	53	62
<b>Total non-current liabilities</b>		<b>2,744</b>	<b>3,102</b>
<b>TOTAL LIABILITIES</b>		<b>6,129</b>	<b>5,911</b>
<b>Net assets</b>		<b>320,304</b>	<b>309,994</b>
<b>EQUITY</b>			
Retained earnings	20	129,845	124,195
Revaluation reserves	20	190,459	185,799
<b>Council equity interest</b>		<b>320,304</b>	<b>309,994</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>320,304</b>	<b>309,994</b>

This statement should be read in conjunction with the accompanying notes.

## Narromine Shire Council

Statement of Changes in Equity  
for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		124,195	185,799	–	309,994	–	309,994	119,538	184,721	–	304,259	–	304,259
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	689	–	689	–	689
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>124,195</b>	<b>185,799</b>	<b>–</b>	<b>309,994</b>	<b>–</b>	<b>309,994</b>	<b>119,538</b>	<b>185,410</b>	<b>–</b>	<b>304,948</b>	<b>–</b>	<b>304,948</b>
<b>c. Net operating result for the year</b>		<b>5,650</b>	<b>–</b>	<b>–</b>	<b>5,650</b>	<b>–</b>	<b>5,650</b>	4,657	–	–	4,657	–	4,657
<b>d. Other comprehensive income</b>													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	4,660	–	4,660	–	4,660	–	389	–	389	–	389
– Revaluations: other reserves	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–	–	–	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>4,660</b>	<b>–</b>	<b>4,660</b>	<b>–</b>	<b>4,660</b>	<b>–</b>	<b>389</b>	<b>–</b>	<b>389</b>	<b>–</b>	<b>389</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>5,650</b>	<b>4,660</b>	<b>–</b>	<b>10,310</b>	<b>–</b>	<b>10,310</b>	<b>4,657</b>	<b>389</b>	<b>–</b>	<b>5,046</b>	<b>–</b>	<b>5,046</b>
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>129,845</b>	<b>190,459</b>	<b>–</b>	<b>320,304</b>	<b>–</b>	<b>320,304</b>	<b>124,195</b>	<b>185,799</b>	<b>–</b>	<b>309,994</b>	<b>–</b>	<b>309,994</b>



## Narromine Shire Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
8,268	Rates and annual charges		7,895	7,675
2,417	User charges and fees		2,666	2,569
774	Investment and interest revenue received		559	682
10,844	Grants and contributions		12,977	10,475
–	Bonds, deposits and retention amounts received		–	20
570	Other		1,439	1,845
<b>Payments:</b>				
(6,444)	Employee benefits and on-costs		(7,110)	(7,425)
(4,133)	Materials and contracts		(4,225)	(3,432)
(152)	Borrowing costs		(136)	(158)
–	Bonds, deposits and retention amounts refunded		–	(22)
(2,695)	Other		(3,138)	(3,270)
<u>9,450</u>	<b>Net cash provided (or used in) operating activities</b>	11b	<u>10,927</u>	<u>8,959</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
1,224	Sale of investment securities		35,500	42,500
100	Sale of real estate assets		201	195
–	Sale of infrastructure, property, plant and equipment		31	235
<b>Payments:</b>				
–	Purchase of investment securities		(38,000)	(43,000)
(11,437)	Purchase of infrastructure, property, plant and equipment		(6,511)	(9,321)
(10)	Purchase of real estate assets		–	(51)
<u>(10,123)</u>	<b>Net cash provided (or used in) investing activities</b>		<u>(8,779)</u>	<u>(9,442)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
400	Proceeds from borrowings and advances		–	–
<b>Payments:</b>				
(395)	Repayment of borrowings and advances		(340)	(333)
<u>5</u>	<b>Net cash flow provided (used in) financing activities</b>		<u>(340)</u>	<u>(333)</u>
<u>(668)</u>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>1,807</u>	<u>(816)</u>
743	Plus: cash and cash equivalents – beginning of year	11a	2,026	2,842
<u>75</u>	<b>Cash and cash equivalents – end of the year</b>	11a	<u>3,833</u>	<u>2,026</u>
Additional Information:				
	plus: Investments on hand – end of year	6b	21,000	18,500
	<b>Total cash, cash equivalents and investments</b>		<u>24,833</u>	<u>20,526</u>

Please refer to Note 11 for additional cash flow information

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies

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

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

##### **(a) Basis of preparation**

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.

##### **(i) New and amended standards adopted by Council**

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

##### **(ii) Early adoption of standards**

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

##### **(iii) 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 property, plant and equipment and investment property.

##### **(iv) 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.

##### ***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,

##### ***Significant judgements in applying the Council's accounting policies***

- (i) Impairment of Receivables

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

##### **(b) Revenue recognition**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the 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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

##### **(i) Rates, annual charges, grants and contributions**

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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.

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

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

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

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.

#### (ii) User charges and fees

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

#### (iii) Sale of infrastructure, property, plant and equipment

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

#### (iv) Interest

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

#### (v) Rent

Rental income is accounted for on a straight-line basis over the lease term.

#### (vi) Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### (vii) Other income

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

### (c) Principles of consolidation

#### (i) The Consolidated Fund

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

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

- General purpose operations
- Water supply
- Sewerage service
- Macquarie Valley Family Day Care

#### (ii) 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 property received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from 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.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (iii) County Councils

Council is not a member of any county councils.

##### (iv) Interests in other entities

###### Joint Ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

###### Subsidiaries

Council has no interest in any subsidiaries.

###### Joint arrangements

Council has no interest in any joint arrangements.

###### Associates

Council has no interest in any associates.

###### Unconsolidated Structured Entities

Council has no interest in any unconsolidated structured entities.

##### (d) 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.

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.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

##### (e) Impairment of 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.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (f) 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.

##### (g) Inventories

###### (i) 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.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on 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.

###### (ii) Inventory held for distribution

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

###### (iii) 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.

##### (h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (i) Investments and other financial assets

###### Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

###### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which that 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.

###### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant

amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

###### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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

###### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

###### **Subsequent measurement**

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

##### Impairment

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.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

##### (i) Assets carried at amortised cost

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. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an ongoing 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. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

##### Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

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

##### (j) Fair value estimation – financial instruments

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

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



## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### (k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

##### Externally valued:

- Operational land
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Community land
- Water and sewerage networks

##### Internally valued:

- Swimming pools
- Other open space/recreational assets
- Other infrastructure

##### As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

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.

#### Depreciation

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

- Office equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer equipment	4 years
- Vehicles	5 to 8 years

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

- Heavy plant/ road making equipment	5 to 8 years
- Other plant and equipment	5 to 15 years
<b>Other Equipment</b>	
- Playground equipment	5 to 15 years
- Benches, seats etc.	10 to 20 years
<b>Buildings</b>	
- Buildings: masonry	50 to 100 years
- Buildings: other	20 to 40 years
<b>Water and Sewer Assets</b>	
- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: other	25 to 75 years
- Pumps and telemetry	15 to 20 years
<b>Stormwater Assets</b>	
- Drains	80 to 100 years
- Culverts	50 to 80 years
<b>Transportation Assets</b>	
- Sealed roads: surface	15 to 25 years
- Sealed roads: structure	20 to 50 years
- Unsealed roads	10 to 25 years
- Bridge: concrete	80 to 100 years
<b>Other infrastructure assets</b>	
- Bulk earthworks	Infinite

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.

#### (l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

#### (m) 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.

#### (n) 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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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.

##### (o) 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.

##### (p) 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.

##### (q) Employee benefits

###### (i) 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.

###### (ii) 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.

###### (iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

##### Defined Benefit Plans

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council 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.

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

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

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

The last valuation of the scheme was performed by Mr Richard Boyfield (FIAA) on 2/12/2016 and covers the year ended 30/06/2016.

However the position is monitored annually and the actuary has estimated that as at 30 June 2017 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2017 was \$ 154,780.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$234,000 as at 30 June 2017.

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

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

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

#### Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (r) Land under roads

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

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.

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

#### (s) Self-insurance

Council does not self-insure.

#### (t) Intangible assets

Council has not classified any assets as intangible.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (u) 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.

##### (v) 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 not recognise rural fire service assets including land, buildings, plant and vehicles.

##### (w) 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 that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

##### (x) New accounting standards and interpretations issued

###### New standards adopted during the year

AASB 124 Related Party Disclosures was adopted during the year. The impact of this standard had no impact on reporting financial position or performance. However, Note 28 has been added.

###### New standards 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.

###### AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

###### AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

#### **AASB16 – Leases**

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash

flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

#### **AASB1058 – Income of NFP Entities**

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contribution. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

AASB 1058 applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives". In cases where the council enters into other transactions, the council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

Upon initial recognition of the asset, this Standard requires Council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable Accounting Standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument
- (e) a provision.

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable Council to acquire or construct a recognisable nonfinancial asset to be controlled by Council, then any excess of the initial

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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carrying amount of the recognised asset over the related amounts is recognised as income.

##### **(y) Rounding of amounts**

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

##### **(z) Comparative figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

##### **(aa) Disclaimer**

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

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	–	–	23	1,635	1,889	1,484	(1,635)	(1,889)	(1,461)	45	3	0	–
Administration	–	–	250	1,658	1,306	1,005	(1,658)	(1,306)	(755)	–	–	27,522	27,688
Public Order & Safety	196	183	186	153	355	393	44	(172)	(207)	82	114	270	277
Environment & Health	84	159	59	517	383	460	(432)	(224)	(401)	52	318	1,594	1,622
Community & Cultural Services	192	231	281	903	782	751	(712)	(551)	(470)	37	45	378	339
Planning & Development	143	206	158	268	254	244	(125)	(48)	(86)	–	–	307	307
Waste Management	1,442	1,333	1,578	1,357	1,330	1,282	86	3	296	27	28	654	465
Infrastructure	7,188	5,879	4,163	6,681	7,229	6,550	507	(1,350)	(2,387)	3,756	2,811	234,739	231,235
Recreational Facilities	104	107	247	1,460	1,419	1,470	(1,356)	(1,312)	(1,223)	21	32	15,507	14,617
Economic Development	206	123	648	570	475	492	(363)	(352)	156	–	–	142	143
Family Day Care	1,085	1,172	722	1,077	1,111	756	8	61	(34)	857	604	468	234
Water Supplies	1,747	1,985	2,769	1,185	1,257	1,213	562	728	1,556	307	1,085	19,980	14,751
Sewerage Services	1,367	1,423	1,365	842	1,070	1,111	525	353	254	21	20	24,621	24,010
<b>Total functions and activities</b>	<b>13,755</b>	<b>12,801</b>	<b>12,449</b>	<b>18,304</b>	<b>18,860</b>	<b>17,211</b>	<b>(4,549)</b>	<b>(6,059)</b>	<b>(4,762)</b>	<b>5,205</b>	<b>5,060</b>	<b>326,182</b>	<b>315,688</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	34	4	–	–	–	–	34	4	–	–	251	217
General purpose income <sup>1</sup>	9,287	11,675	9,415	–	–	–	9,287	11,675	9,415	5,990	3,943	–	–
<b>Operating result from continuing operations</b>	<b>23,042</b>	<b>24,510</b>	<b>21,868</b>	<b>18,304</b>	<b>18,860</b>	<b>17,211</b>	<b>4,738</b>	<b>5,650</b>	<b>4,657</b>	<b>11,195</b>	<b>9,003</b>	<b>326,433</b>	<b>315,905</b>

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.



## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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.

##### Organisational Services

- Executive services - provision of effective and efficient support to councillors, Council and the community
- Legal advice and services for Council, its delegates and officers, procure adequate and appropriate insurance coverage at a minimum cost; manage claims made against Council and manage litigation by and against Council
- Provision of management accounting, financial reporting, rates, payroll, creditors, accounts receivable, cashiering, debt recovery and investments
- Computing and support services to Council
- Management and improvement of the quality, performance, opportunities & safety conditions of Council's staff
- Civic administration building

##### Public Order & Safety

- Co-operation and liaison with the Rural Fire Service and other Emergency Service organisations

##### Environment & Health

- Protection of the environment, its enhancement and the promotion of environmental sustainability
- Maintenance of the health standards and safety of premises that are accessible to and impact upon the community
- Development of an innovative best practice policy to control the incidence of noxious plants
- Companion animal management and issues in relation to straying livestock

##### Community & Cultural Services

- Provision of community, cultural and educational services and facilities to enhance the community's way of life
- Provision of programs and services for young people between 12-24 years of age
- Active participation in and co-operation with community organisations in the delivery of Aged & Disability Services
- Provision for the development and management of a range of community facilities
- Provision of effective public library lending, information and referral services
- Provision of quality cemetery services and memorial facilities
- Advocate for a strong cultural role in community revitalisation and identity by the encouragement & promotion of local historical, cultural and art organisations and activities

##### Planning & Development

- Creation of a quality environment for the community in which land use and development is planned and assessed and the social, environmental, economic, agricultural, heritage and physical wellbeing of the community is enhanced and protected
- Planning the Shire's future whilst embracing the principles of Ecologically Sustainable Development
- Assessment and determination of development applications
- Regulatory inspections

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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:

##### Waste Management

- Effective management of waste collection, minimise waste whilst encouraging commercial and residential recycling
- Collection & recycling
- Disposal

##### Infrastructure

- Provision of well constructed, maintained and functional roads, drains, public buildings and associated engineering structures; including operational support, construction and maintenance, design, stormwater management and aerodromes

##### Recreational Facilities

- Provision of equitable access to social, cultural, sporting and recreational services and facilities
- Parks, playing fields and reserves
- Recreational buildings and infrastructure
- Swimming Pools

##### Economic Development

- Development and assistance in the implementation of strategies, programs and policies that will provide employment and a positive environment for the local economy
- Tourism & area promotion
- Real estate development
- Saleyards and markets
- External partnerships
- Camping areas

##### Family Day Care

- Licensee of Macquarie Valley Family Day Care Centre

##### Water Supplies

- Provision of a cost effective, environmentally sensitive and ecologically sustainable water supply service. Including business plan, service delivery, customer service, demand management, infrastructure management.

##### Sewerage Services

- Provision of a cost effective, environmentally sensitive & ecologically sustainable sewerage service. Including business plan, service delivery, customer service, demand management, infrastructure management.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		1,331	1,254
Farmland		3,116	2,961
Mining		261	248
Business		536	513
<b>Total ordinary rates</b>		<b>5,244</b>	<b>4,976</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		870	861
Stormwater management services		51	56
Water supply services		467	442
Sewerage services		1,054	1,030
Waste management services (non-domestic)		300	299
<b>Total annual charges</b>		<b>2,742</b>	<b>2,688</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>7,986</b>	<b>7,664</b>

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Water supply services		1,098	1,124
Sewerage services		247	222
Waste management services (non-domestic)		15	14
<b>Total user charges</b>		<b>1,360</b>	<b>1,360</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Impounding fees		10	9
Lifetime animal registrations		12	11
Planning and building regulation		47	86
Private works – section 67		235	196
Section 149 certificates (EPA Act)		18	19
Section 603 certificates		11	12
<b>Total fees and charges – statutory/regulatory</b>		<b>333</b>	<b>333</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Building and planning		24	35
Cemeteries		89	40
Community centres		–	1
Macquarie family day care		175	104
Plant income – private works		8	1
Plant income – RTA		309	302
Recycling income (non-domestic)		28	28
Saleyards		29	88
Sport and fitness centre		15	17
Swimming centres		84	76
Waste disposal tipping fees		101	103
Water connection fees		5	2
Showgrounds		40	58
Other		2	7
<b>Total fees and charges – other</b>		<b>909</b>	<b>862</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>2,602</b>	<b>2,555</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		54	62
– Interest earned on investments (interest and coupon payment income)		576	634
– Interest (other)		1	2
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>631</u></b>	<b><u>698</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		54	36
General Council cash and investments		387	453
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		5	3
– Section 64		5	2
Water fund operations		103	103
Sewerage fund operations		73	91
Domestic waste management operations		1	8
Other externally restricted assets		3	2
<b><u>Total interest and investment revenue recognised</u></b>		<b><u>631</u></b>	<b><u>698</u></b>
<b>(d) Other revenues</b>			
Rental income – other council properties		233	241
Diesel rebate		56	58
Family day care		6	8
Insurance rebates		48	35
Refunds of contributions		54	51
Sales – general		19	34
Other		49	27
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>465</u></b>	<b><u>454</u></b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	2,577	2,585	–	–
Financial assistance – local roads component	1,348	1,317	–	–
<b>FAG Grant amounts received in advance:</b>				
Financial assistance – general component	1,332	–	–	–
Financial assistance – local roads component	692	–	–	–
Pensioners' rates subsidies – general component	41	41	–	–
<b>Total general purpose</b>	<b>5,990</b>	<b>3,943</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	21	21	–	–
– Sewerage	20	20	–	–
– Domestic waste management	28	29	–	–
Water supplies	–	–	288	1,064
Bushfire and emergency services	83	114	–	–
Community infrastructure grant	49	–	–	11
Economic development	42	–	–	–
Family day care – child assistance	816	494	–	–
Family day care – operational	169	110	–	–
Flood restoration	1,010	–	–	–
Library	36	31	–	–
LIRS subsidy	78	86	–	–
Noxious weeds	53	58	–	–
Recreation and culture	–	–	–	34
Street lighting	44	43	–	–
Transport (roads to recovery)	969	1,787	–	–
Transport (other roads and bridges funding)	–	–	792	895
Black Spot Grant Funding	623	–	–	–
Other	84	3	–	–
<b>Total specific purpose</b>	<b>4,125</b>	<b>2,797</b>	<b>1,080</b>	<b>2,263</b>
<b>Total grants</b>	<b>10,115</b>	<b>6,740</b>	<b>1,080</b>	<b>2,263</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	8,029	6,293	–	–
– State funding	2,086	447	1,080	2,263
	<b>10,115</b>	<b>6,740</b>	<b>1,080</b>	<b>2,263</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 93F – contributions using planning agreements	–	–	117	28
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>117</b>	<b>28</b>
<b>Other contributions:</b>				
Dedications (other than by S94)	129	127	–	–
Employment and training	–	2	–	–
Motor vehicle leaseback	26	35	–	–
Other councils – joint works/services	144	138	–	–
RMS contributions (regional roads, block grant)	1,105	1,086	–	–
<b>Total other contributions</b>	<b>1,404</b>	<b>1,388</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>	<b>1,404</b>	<b>1,388</b>	<b>117</b>	<b>28</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>11,519</b>	<b>8,128</b>	<b>1,197</b>	<b>2,291</b>

\$ '000	Actual 2017	Actual 2016
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	1,246	1,072
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	2,613	640
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(340)	(466)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>2,273</b>	<b>174</b>
<b>Unexpended and held as restricted assets</b>	<b>3,519</b>	<b>1,246</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	3,099	953
– Developer contributions	420	293
	<b>3,519</b>	<b>1,246</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		5,005	5,298
Travel expenses		118	108
Employee leave entitlements (ELE)		1,164	1,070
Superannuation		638	694
Workers' compensation insurance		179	149
Fringe benefit tax (FBT)		39	49
Training costs (other than salaries and wages)		167	149
Other		99	91
<b>Total employee costs</b>		<b>7,409</b>	<b>7,608</b>
Less: capitalised costs		(447)	(548)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>6,962</b>	<b>7,060</b>
Number of 'full-time equivalent' employees (FTE) at year end		79	79
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		134	154
<b>Total interest bearing liability costs expensed</b>		<b>134</b>	<b>154</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>134</b>	<b>154</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		4,042	2,901
Contractor and consultancy costs		89	193
Auditors remuneration <sup>(1)</sup>		48	43
Legal expenses:			
– Legal expenses: other		17	22
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		39	40
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>4,236</b>	<b>3,199</b>



## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		48	–
<b>Remuneration for audit and other assurance services</b>		<b>48</b>	<b>–</b>
<b>Total Auditor-General remuneration</b>		<b>48</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
<b>Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		–	43
<b>Total remuneration of other Council's Auditors</b>		<b>–</b>	<b>43</b>
<b>Total Auditor remuneration</b>		<b>48</b>	<b>43</b>
<b>2. Operating lease payments are attributable to:</b>			
Other		39	40
		<b>39</b>	<b>40</b>
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		348	382
Office equipment		46	29
Furniture and fittings		18	18
Infrastructure:			
– Buildings – non-specialised		153	185
– Buildings – specialised		620	592
– Other structures		98	44
– Roads		2,286	2,058
– Bridges		243	242
– Footpaths		79	76
– Stormwater drainage		202	204
– Water supply network		140	85
– Sewerage network		337	324
– Swimming pools		41	44
– Other open space/recreational assets		123	141
Other assets			
– Aerodrome		257	240
<b>Total depreciation and amortisation costs</b>		<b>4,991</b>	<b>4,664</b>
<b>Impairment</b>			
Nil			
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>4,991</b>	<b>4,664</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		33	36
Bad and doubtful debts		(27)	3
Child care – carers payments		805	477
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		9	13
– NSW fire brigade levy		34	29
– NSW rural fire service levy		223	206
– Macquarie regional library		371	338
Councillor expenses – mayoral fee		19	18
Councillor expenses – councillors' fees		95	94
Councillors' expenses (incl. mayor) – other (excluding fees above)		25	27
Donations, contributions and assistance to other organisations (Section 356)		19	30
Election expenses		42	–
Electricity and heating		242	245
Insurance		323	331
Office expenses (including computer expenses)		114	84
Street lighting		140	116
Telephone and communications		62	59
Other		8	28
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>2,537</u></b>	<b><u>2,134</u></b>

## Note 5. Gains or losses from the disposal of assets

<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		31	235
Less: carrying amount of plant and equipment assets sold/written off		(39)	(261)
<b>Net gain/(loss) on disposal</b>		<b>(8)</b>	<b>(26)</b>
<b>Real estate assets held for sale</b>			
Proceeds from disposal – real estate assets		201	195
Less: carrying amount of real estate assets sold/written off		(117)	(95)
<b>Net gain/(loss) on disposal</b>		<b>84</b>	<b>100</b>
<b>Financial assets *</b>			
Proceeds from disposal/redemptions/maturities – financial assets		35,500	42,500
Less: carrying amount of financial assets sold/redeemed/matured		(35,500)	(42,500)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>76</u></b>	<b><u>74</u></b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		587	–	123	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		3,246	–	1,903	–
<b>Total cash and cash equivalents</b>		<b>3,833</b>	<b>–</b>	<b>2,026</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		21,000	–	18,500	–
<b>Total investments</b>		<b>21,000</b>	<b>–</b>	<b>18,500</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>24,833</b>	<b>–</b>	<b>20,526</b>	<b>–</b>

<sup>1</sup> Those investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:**

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'

	3,833	–	2,026	–
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**Investments**

a. 'Held to maturity'

Investments

	21,000	–	18,500	–
	21,000	–	18,500	–

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	24,833	–	20,526	–
<b>attributable to:</b>				
External restrictions (refer below)	13,958	–	12,653	–
Internal restrictions (refer below)	7,539	–	5,968	–
Unrestricted	3,336	–	1,905	–
	<b>24,833</b>	<b>–</b>	<b>20,526</b>	<b>–</b>

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

## Details of restrictions

## External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	225	–	(218)	7
<b>External restrictions – included in liabilities</b>	<b>225</b>	<b>–</b>	<b>(218)</b>	<b>7</b>

## External restrictions – other

Developer contributions – general (D)	156	54	–	210
Developer contributions – water fund (D)	137	–	–	137
Developer contributions – sewer fund (D)	–	73	–	73
Specific purpose unexpended grants (F)	806	2,129	–	2,935
Specific purpose unexpended grants-water fund (F)	147	17	–	164
Water supplies (G)	4,502	–	(967)	3,535
Sewerage services (G)	5,419	187	–	5,606
Domestic waste management (G)	999	274	(272)	1,001
Board of control	78	46	(39)	85
OROC	184	21	–	205
<b>External restrictions – other</b>	<b>12,428</b>	<b>2,801</b>	<b>(1,278)</b>	<b>13,951</b>
<b>Total external restrictions</b>	<b>12,653</b>	<b>2,801</b>	<b>(1,496)</b>	<b>13,958</b>

A Loan moneys which must be applied for the purposes for which the loans were raised.

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	732	1,502	(1,257)	977
Employees leave entitlement	600	30	–	630
Carry over works	646	1,889	(649)	1,886
Depot improvements	60	15	(23)	52
Administration building	18	15	–	33
Aerodrome development	357	50	(4)	403
Alkane community contributions	47	58	(23)	83
Alkane environmental monitoring	31	22	(6)	47
Alkane roads contribution	141	49	–	190
Alkane Tomingley water tank project	20	20	–	40
Cemetery improvements	20	14	–	34
Community hall upgrades	17	25	(8)	34
Council buildings	28	14	–	42
Drainage construction	103	–	(30)	73
Economic development reserve	14	–	(2)	12
Election expenses	41	–	(32)	9
Employees leave entitlement – family day care	50	4	–	54
Family day care	117	1,172	(1,116)	173
Industrial land planning	32	–	–	32
IT strategy	522	156	(519)	159
Kerb and gutter	155	96	(105)	146
Land development	417	204	(128)	493
Library improvements	83	61	–	144
Medical centre	370	55	–	425
Natfly	4	–	–	4
Office equipment	16	5	–	21
OHS	59	23	(11)	71
Playground equipment/fencing	140	46	(17)	169
Pound improvements	38	33	(55)	16
Public amenities upgrade	27	8	–	35
Quarries	512	431	(363)	580
RFS – tanker replacement	70	–	(70)	–
Roads contingency	188	–	–	188
Saleyards	50	39	(74)	15
Showground improvements	12	6	(9)	9
Sprinkler/sofffall replacement/sporting facilities	79	46	(13)	112
Sports centre upgrades	21	2	(8)	15
Stormwater – levy bank	2	–	–	2
Street tree planting/irrigation	20	16	(5)	31
Street lighting	15	–	(6)	9
Swimming facilities upgrades	30	11	(14)	27
Wetlands development	46	–	–	46
Youth education activities	18	–	–	18
<b>Total internal restrictions</b>	<b>5,968</b>	<b>6,116</b>	<b>(4,545)</b>	<b>7,539</b>
<b>TOTAL RESTRICTIONS</b>	<b>18,621</b>	<b>8,916</b>	<b>(6,040)</b>	<b>21,497</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		306	345	267	309
Interest and extra charges		86	65	61	70
User charges and fees		239	191	282	128
Accrued revenues					
– Interest on investments		192	–	151	–
– Other income accruals		6	–	36	–
Government grants and subsidies		57	–	220	–
Net GST receivable		141	–	181	–
Other debtors		161	8	177	1
<b>Total</b>		<b>1,188</b>	<b>609</b>	<b>1,375</b>	<b>508</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		–	–	(16)	–
Interest and extra charges		–	–	(11)	–
<b>Total provision for impairment – receivables</b>		<b>–</b>	<b>–</b>	<b>(27)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>1,188</b>	<b>609</b>	<b>1,348</b>	<b>508</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Specific purpose grants		56	–	220	–
– Rates and availability charges		44	28	42	24
– Other		212	162	124	193
<b>Sewerage services</b>					
– Rates and availability charges		95	52	93	47
– Other		155	–	151	–
<b>Domestic waste management</b>		<b>51</b>	<b>36</b>	<b>80</b>	<b>6</b>
<b>Stormwater management</b>		<b>4</b>	<b>3</b>	<b>4</b>	<b>1</b>
<b>Total external restrictions</b>		<b>617</b>	<b>281</b>	<b>714</b>	<b>271</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>571</b>	<b>328</b>	<b>634</b>	<b>237</b>
<b>TOTAL NET RECEIVABLES</b>		<b>1,188</b>	<b>609</b>	<b>1,348</b>	<b>508</b>

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		439	–	556	–
Stores and materials		331	–	318	–
<b>Total inventories at cost</b>		<b>771</b>	<b>–</b>	<b>874</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>771</b>	<b>–</b>	<b>874</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		7	–	10	–
<b>TOTAL OTHER ASSETS</b>		<b>7</b>	<b>–</b>	<b>10</b>	<b>–</b>
<b>Externally restricted assets</b>					
There are no restrictions applicable to the above assets.					
<b>(i) Other disclosures</b>					
<b>(a) Details for real estate development</b>					
Residential		372	–	489	–
Industrial/commercial		67	–	67	–
<b>Total real estate for resale</b>		<b>439</b>	<b>–</b>	<b>556</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		67	–	67	–
Development costs		372	–	489	–
<b>Total costs</b>		<b>439</b>	<b>–</b>	<b>556</b>	<b>–</b>
<b>Total real estate for resale</b>		<b>439</b>	<b>–</b>	<b>556</b>	<b>–</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		556	–	600	–
– Purchases and other costs		0	–	51	–
– WDV of sales (expense)	5	(117)	–	(95)	–
<b>Total real estate for resale</b>		<b>439</b>	<b>–</b>	<b>556</b>	<b>–</b>

## Narromine Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 8. Inventories and other assets (continued)

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\$ '000

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**(i) Other disclosures (continued)**

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

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2017	2016
Real estate for resale	316	456
	<u>316</u>	<u>456</u>

**(c) Inventories recognised as an expense for the year included:**

– Stores and materials	499	484
------------------------	-----	-----

**(d) Inventory write downs**

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.



## Narromine Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period						as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>												
Capital work in progress	2,136	–	2,136	1,019	874	–	–	(538)	–	3,491	–	3,491
Plant and equipment	7,465	3,870	3,595	408	–	(39)	(348)	(27)	–	7,684	4,095	3,589
Office equipment	752	341	411	–	254	–	(46)	(2)	–	1,003	387	616
Furniture and fittings	301	219	82	–	8	–	(18)	(9)	–	300	237	63
<b>Land:</b>												
– Operational land	4,479	–	4,479	–	1	–	–	(662)	–	3,818	–	3,818
– Community land	1,874	–	1,874	–	0	–	–	–	–	1,874	–	1,874
<b>Infrastructure:</b>												
– Buildings – non-specialised	5,182	2,486	2,696	–	20	–	(153)	1	–	5,202	2,638	2,564
– Buildings – specialised	28,876	12,452	16,424	21	46	–	(620)	(31)	–	28,880	13,040	15,840
– Other structures	3,145	883	2,262	172	72	–	(98)	(238)	–	3,074	905	2,169
– Roads	222,840	31,369	191,471	2,140	781	–	(2,286)	153	–	226,031	33,772	192,259
– Bridges	24,712	5,886	18,826	–	–	–	(243)	7	–	24,719	6,129	18,590
– Footpaths	3,314	1,465	1,849	–	12	–	(79)	73	–	3,398	1,543	1,855
– Stormwater drainage	20,591	6,713	13,878	–	0	–	(202)	(2)	–	20,385	6,711	13,674
– Water supply network	17,117	9,995	7,122	540	179	–	(140)	756	4,491	24,433	11,486	12,947
– Sewerage network	29,129	11,348	17,781	103	25	–	(337)	499	169	26,308	8,068	18,240
– Swimming pools	2,606	988	1,618	–	–	–	(41)	1	–	2,601	1,023	1,578
– Other open space/recreational assets	3,582	1,716	1,866	17	–	–	(123)	(1)	–	3,529	1,770	1,759
– Other infrastructure	325	67	258	–	–	–	–	(11)	–	386	139	247
<b>Other assets:</b>												
– Aerodrome	15,618	11,824	3,794	26	4	–	(257)	32	–	15,681	12,082	3,599
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>394,044</b>	<b>101,622</b>	<b>292,422</b>	<b>4,446</b>	<b>2,276</b>	<b>(39)</b>	<b>(4,991)</b>	<b>(0)</b>	<b>4,660</b>	<b>402,799</b>	<b>104,025</b>	<b>298,774</b>

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000	Actual			Actual		
	2017			2016		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	1,975	–	<b>1,975</b>	1,719	–	<b>1,719</b>
Plant and equipment	137	131	<b>6</b>	56	34	<b>22</b>
Land						
– Operational land	673	–	<b>673</b>	442	–	<b>442</b>
Other structures	118	77	<b>41</b>	118	57	<b>61</b>
Infrastructure	24,433	11,486	<b>12,947</b>	17,117	9,995	<b>7,122</b>
<b>Total water supply</b>	<b>27,336</b>	<b>11,694</b>	<b>15,642</b>	<b>19,452</b>	<b>10,086</b>	<b>9,366</b>
<b>Sewerage services</b>						
WIP	–	–	<b>–</b>	118	–	<b>118</b>
Plant and equipment	110	45	<b>65</b>	110	46	<b>64</b>
Land						
– Operational land	226	–	<b>226</b>	226	–	<b>226</b>
Buildings	125	49	<b>76</b>	125	48	<b>77</b>
Other structures	59	25	<b>34</b>	59	25	<b>34</b>
Infrastructure	26,307	8,068	<b>18,239</b>	29,129	11,348	<b>17,781</b>
<b>Total sewerage services</b>	<b>26,827</b>	<b>8,187</b>	<b>18,640</b>	<b>29,767</b>	<b>11,467</b>	<b>18,300</b>
<b>Domestic waste management</b>						
WIP	–	–	<b>–</b>	2	–	<b>2</b>
Plant and equipment	401	344	<b>57</b>	407	343	<b>64</b>
Land						
– Community land	98	–	<b>98</b>	98	–	<b>98</b>
Buildings	215	49	<b>166</b>	214	5	<b>209</b>
Other assets	445	111	<b>334</b>	240	108	<b>132</b>
<b>Total DWM</b>	<b>1,159</b>	<b>504</b>	<b>655</b>	<b>961</b>	<b>456</b>	<b>505</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>55,322</b>	<b>20,385</b>	<b>34,937</b>	<b>50,180</b>	<b>22,009</b>	<b>28,171</b>

## Note 9c. Infrastructure, property, plant and equipment – current year impairments

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

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		668	–	220	–
Goods and services – capital expenditure		400	–	189	–
Accrued expenses:					
– Borrowings		6	–	8	–
– Salaries and wages		1	–	11	–
Security bonds, deposits and retentions		3	–	3	–
Other		16	–	16	–
<b>Total payables</b>		<b>1,094</b>	<b>–</b>	<b>447</b>	<b>–</b>
<b>Income received in advance</b>					
Payments received in advance		166	–	132	–
<b>Total income received in advance</b>		<b>166</b>	<b>–</b>	<b>132</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		351	2,691	342	3,040
<b>Total borrowings</b>		<b>351</b>	<b>2,691</b>	<b>342</b>	<b>3,040</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		632	–	657	–
Long service leave		1,104	53	1,187	62
Other leave		37	–	44	–
<b>Total provisions</b>		<b>1,774</b>	<b>53</b>	<b>1,888</b>	<b>62</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>3,385</b>	<b>2,744</b>	<b>2,809</b>	<b>3,102</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		–	–	3	–
Liabilities relating to externally restricted assets		–	–	3	–
<b>Internally restricted assets</b>					
Nil		–	–	–	–
<b>Total liabilities relating to restricted assets</b>		<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>3,385</b>	<b>2,744</b>	<b>2,806</b>	<b>3,102</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>3,385</b>	<b>2,744</b>	<b>2,809</b>	<b>3,102</b>

<sup>1</sup> 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 15.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
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**(ii) Current liabilities not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	1,173	1,220
	<u>1,173</u>	<u>1,220</u>

## Note 10b. Description of and movements in provisions

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	657	(25)	–	–	–	632
Long service leave	1,249	(92)	–	–	–	1,157
Other leave	44	(7)	–	–	–	37
<b>TOTAL</b>	<b>1,950</b>	<b>(123)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,827</b>

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	3,833	2,026
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>3,833</b>	<b>2,026</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>5,650</b>	<b>4,657</b>
Adjust for non-cash items:			
Depreciation and amortisation		4,991	4,664
Net losses/(gains) on disposal of assets		(76)	(74)
Share of net (profits) or losses of associates/joint ventures		(34)	(4)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		86	26
Increase/(decrease) in provision for doubtful debts		(27)	2
Decrease/(increase) in inventories		(13)	139
Decrease/(increase) in other assets		3	25
Increase/(decrease) in payables		448	(141)
Increase/(decrease) in accrued interest payable		(2)	(4)
Increase/(decrease) in other accrued expenses payable		(10)	(273)
Increase/(decrease) in other liabilities		34	21
Increase/(decrease) in employee leave entitlements		(123)	(79)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>10,927</b>	<b>8,959</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Credit cards/purchase cards		56	56
<b>Total financing arrangements</b>		<b>56</b>	<b>56</b>
<b>(ii) Secured loan liabilities</b>			

Loans are secured by a mortgage over future years rate revenue only.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Plant and equipment		767	–
<b>Total commitments</b>		<b>767</b>	<b>–</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		767	–
Later than one year and not later than 5 years		–	–
Later than 5 years		–	–
<b>Total payable</b>		<b>767</b>	<b>–</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		767	–
<b>Total sources of funding</b>		<b>767</b>	<b>–</b>

**Details of capital commitments**

Orders are in place for the replacement of Plant, Equipment and Vehicles.

**(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	18	26
Later than one year and not later than 5 years	7	25
Later than 5 years	–	–
<b>Total non-cancellable operating lease commitments</b>	<b>25</b>	<b>51</b>

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

Council utilises computer and copier equipment assets under operating lease.

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

**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.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>4,343</u>	<b>18.72%</b>	11.73%	4.56%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>23,203</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>11,684</u>	<b>47.89%</b>	52.18%	57.86%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>24,400</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>11,909</u>	<b>5.38x</b>	5.63x	4.20x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>2,212</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>9,468</u>	<b>19.96x</b>	14.59x	18.61x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>474</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>802</u>	<b>9.20%</b>	8.10%	8.45%	< 5% Metro
Rates, annual and extra charges collectible	<u>8,720</u>				<10% Rural
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>24,833</u>	<b>19.93 mths</b>	16.8 mths	19.2 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>1,246</u>				

## 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.

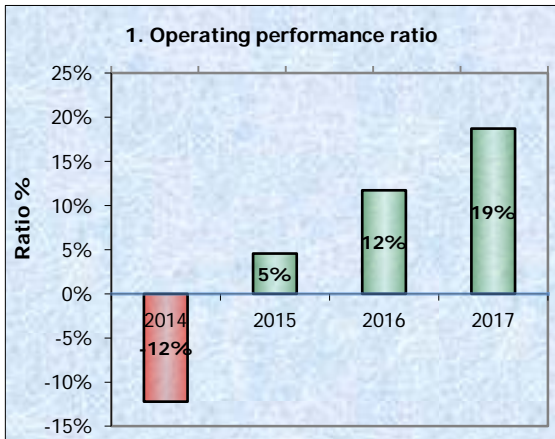
(3) Refer to Note 10(a).

(4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

# Narromine Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of operating performance ratio**

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



**Commentary on 2016/17 result**

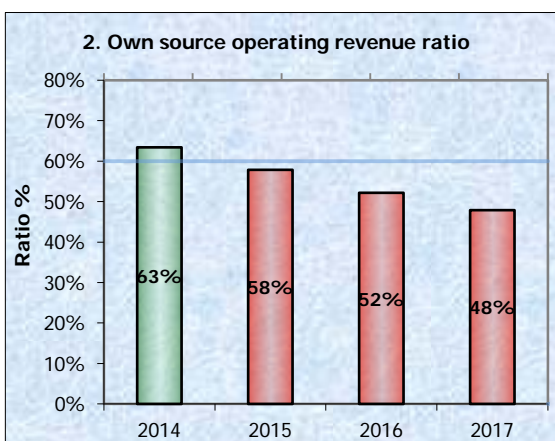
**2016/17 ratio 18.72%**

Council continues to improve its operating result for all funds providing greater scope for asset renewals. This result was aided by the advance grant received from the Federal Government.

Benchmark: ——— Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 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 2016/17 result**

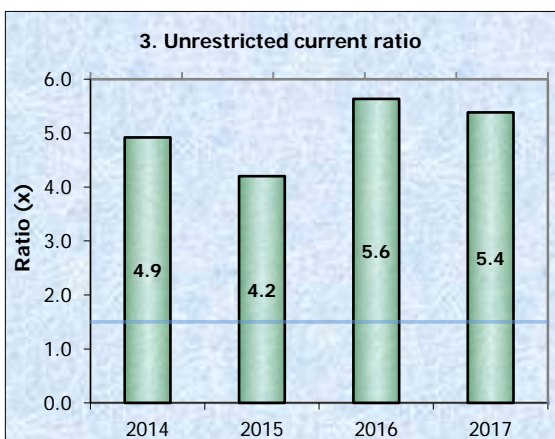
**2016/17 ratio 47.89%**

Council remains marginally under the notional benchmark of 60% indicating its reliance on external funding sources to supplement operations.

Benchmark: ——— Minimum >=60.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 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 2016/17 result**

**2016/17 ratio 5.38x**

Council is well positioned to meet current liabilities. Council is required to hold a range of cash reserves for future needs as disclosed by internal reserves note 6.

Benchmark: ——— Minimum >=1.50

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

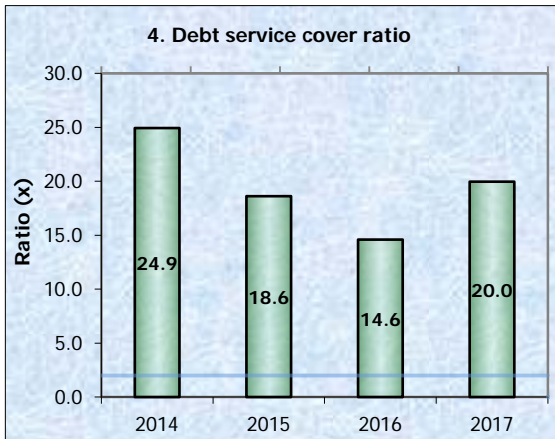
 Ratio achieves benchmark  
 Ratio is outside benchmark



# Narromine Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**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 2016/17 result**

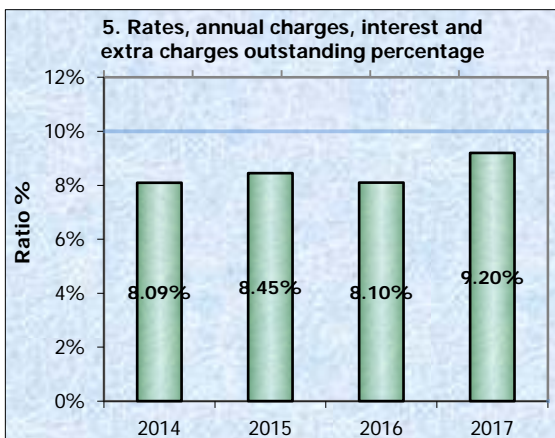
**2016/17 ratio 19.96x**

Council is well above industry benchmark and indicates capacity for Council to fund future capital programs through borrowings.

Benchmark: Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result**

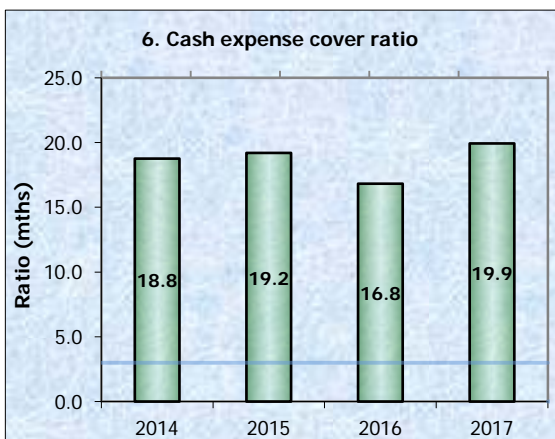
**2016/17 ratio 9.20%**

Council is favourably below the industry benchmark and indicates Council is continuing to assist ratepayers and debtors to manage balances through our debt recovery and hardship policies.

Benchmark: Maximum <10.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result**

**2016/17 ratio 19.93 mths**

Council continues to be in a sound position for cashflows. As shown in note 6 most of Council's cash reserves are externally restricted for designated future needs.

Benchmark: Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
<b>Local government industry indicators – by fund</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>17.75%</b>	9.18%	<b>25.87%</b>	29.78%	<b>23.91%</b>	19.81%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>40.98%</b>	47.19%	<b>84.43%</b>	60.83%	<b>98.60%</b>	98.55%	>60.00%
Total continuing operating revenue <sup>(1)</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions <sup>(2)</sup>	<b>5.38x</b>	5.63x	<b>No liabilities</b>	1,662.67x	<b>No liabilities</b>	No liabilities	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>							

## Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

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

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 13b. Statement of performance measurement – indicators (by fund) (continued)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
<b>Local government industry indicators – by fund (continued)</b>							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>17.33x</b>	12.12x	<b>0.00x</b>	0.00x	<b>0.00x</b>	0.00x	>2x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>8.13%</b>	6.87%	<b>14.91%</b>	14.44%	<b>13.84%</b>	13.46%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	<b>17.97 months</b>	13.71 months	<b>14.92 months</b>	25.61 months	<b>61.86 months</b>	55.06 months	> 3 months

## Notes

(1) Refer to Notes at Note 13a(i) above.

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 14. Investment properties

\$ '000

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

#### Note 15. Financial risk management

##### 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.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	3,833	2,026	3,833	2,026
Investments				
– 'Held to maturity'	21,000	18,500	21,000	18,500
Receivables	1,797	1,856	1,797	1,856
<b>Total financial assets</b>	<b>26,630</b>	<b>22,382</b>	<b>26,630</b>	<b>22,382</b>
<b>Financial liabilities</b>				
Payables	1,094	447	1,094	447
Loans/advances	3,042	3,382	3,042	3,382
<b>Total financial liabilities</b>	<b>4,136</b>	<b>3,829</b>	<b>4,136</b>	<b>3,829</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. 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 Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

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 either the price of a financial asset or the interest rates applicable.

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2017</b>				
Possible impact of a 1% movement in interest rates	212	212	(212)	(212)
<b>2016</b>				
Possible impact of a 1% movement in interest rates	215	215	(215)	(215)

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. 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.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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:

		2017	2017	2016	2016
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(i) Ageing of receivables – %</b>					
Current (not yet overdue)		0%	34%	0%	34%
Overdue		100%	66%	100%	66%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>					
Rates and annual charges	Other receivables	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	–	–	–	–
< 1 year overdue	0 – 30 days overdue	393	583	343	922
1 – 2 years overdue	31 – 60 days overdue	258	151	233	27
2 – 5 years overdue	61 – 90 days overdue	–	355	–	132
> 5 years overdue	> 91 days overdue	–	57	–	226
		<b>651</b>	<b>1,146</b>	<b>576</b>	<b>1,307</b>
<b>(iii) Movement in provision for impairment of receivables</b>				<b>2017</b>	<b>2016</b>
Balance at the beginning of the year				27	25
– amounts provided for but recovered during the year				(27)	2
<b>Balance at the end of the year</b>				<b>–</b>	<b>27</b>

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. 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.

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2017</b>									
Trade/other payables	3	1,091	–	–	–	–	–	1,094	1,094
Loans and advances	–	471	471	471	439	439	1,239	3,530	3,042
<b>Total financial liabilities</b>	<b>3</b>	<b>1,562</b>	<b>471</b>	<b>471</b>	<b>439</b>	<b>439</b>	<b>1,239</b>	<b>4,624</b>	<b>4,136</b>
<b>2016</b>									
Trade/other payables	3	444	–	–	–	–	–	447	447
Loans and advances	–	477	473	473	473	441	1,642	3,979	3,382
<b>Total financial liabilities</b>	<b>3</b>	<b>921</b>	<b>473</b>	<b>473</b>	<b>473</b>	<b>441</b>	<b>1,642</b>	<b>4,426</b>	<b>3,829</b>

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 through the diversification of borrowing types, maturities and interest rate structures.

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,094	0.00%	447	0.00%
Loans and advances – fixed interest rate	3,042	3.47%	3,382	4.24%
	<u>4,136</u>		<u>3,829</u>	

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 29 June 2016.

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	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>REVENUES</b>					
Rates and annual charges	8,320	7,986	(334)	(4%)	<b>U</b>
User charges and fees	2,525	2,602	77	3%	<b>F</b>
Interest and investment revenue	772	631	(141)	(18%)	<b>U</b>
Lower due to lowering of investment rates of return.					
Other revenues	517	465	(52)	(10%)	<b>U</b>
Operating grants and contributions	8,664	11,519	2,855	33%	<b>F</b>
Higher due to Federal Government advance payment to NSW Councils in June this year of half their 2017/18 Financial Assistance Grants. Unbudgeted flood restoration grants also received.					
Capital grants and contributions	2,192	1,197	(995)	(45%)	<b>U</b>
Lower due to less black spot grants received, levy bank grant not received.					
Net gains from disposal of assets	50	76	26	52%	<b>F</b>
Higher due to additional lot sale at Skypark residential area.					



## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance* -----		
<b>EXPENSES</b>					
Employee benefits and on-costs	6,457	6,962	(505)	(8%)	<b>U</b>
Borrowing costs	152	134	18	12%	<b>F</b>
Costs are lower due to budgeted additional debt not being incurred.					
Materials and contracts	4,149	4,236	(87)	(2%)	<b>U</b>
Depreciation and amortisation	4,851	4,991	(140)	(3%)	<b>U</b>
Other expenses	2,695	2,537	158	6%	<b>F</b>

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

Cash flows from operating activities	9,450	10,927	1,477	15.6%	<b>F</b>
Higher due to unbudgeted receipt of Federal Assistance Grant 2017/18 advance payment.					
Cash flows from investing activities	(10,123)	(8,779)	1,344	(13.3%)	<b>F</b>
More funds were invested which were made available by the advance payment to Council of half the 2017/18 Federal Assistance Grant.					
Cash flows from financing activities	5	(340)	(346)	(6347.0%)	<b>U</b>
Lower due budgeted new loans not taken out during the year.					

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

**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					
Drainage	10	–	–	–	–	–	10	–
Roads	8	–	–	–	–	–	8	–
Open space	26	–	–	–	–	–	26	–
Community facilities	43	117	–	5	–	–	165	–
<b>S94 contributions – under a plan</b>	<b>87</b>	<b>117</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>209</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>87</b>	<b>117</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>209</b>	<b>–</b>
S64 contributions	206	–	–	5	–	–	211	–
<b>Total contributions</b>	<b>293</b>	<b>117</b>	<b>–</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>420</b>	<b>–</b>

**S94 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					
Drainage	10	–	–	–	–	–	10	–
Roads	8	–	–	–	–	–	8	–
Open space	26	–	–	–	–	–	26	–
Community facilities	43	117	–	5	–	–	165	–
<b>Total</b>	<b>87</b>	<b>117</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>209</b>	<b>–</b>

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge 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.

###### (ii) Statewide Limited

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

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

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

###### (iii) StateCover Limited

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

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

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

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

###### (iv) Other guarantees

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities

###### (i) Third party claims

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

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

###### (ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

###### (iii) Potential land acquisitions due to planning restrictions imposed by Council

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

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

At reporting date, reliable estimates as to the value of any potential liability (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.

###### (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.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 19. Interests in other entities

\$ '000

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

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

##### Controlled entities (subsidiaries)

*Note 19(a)*

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

##### Joint ventures and associates

*Note 19(b)*

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

##### Joint operations

*Note 19(c)*

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

##### Unconsolidated structured entities

*Note 19(d)*

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

##### Subsidiaries, joint arrangements and associates not recognised

*Note 19(e)*

#### Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	34	4	251	217
Associates	—	—	—	—
<b>Total</b>	<b>34</b>	<b>4</b>	<b>251</b>	<b>217</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 19. Interests in other entities (continued)

\$ '000

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

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

## (b) Joint ventures and associates

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

## (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017	2016
Macquarie Regional Library	Joint Venture	Equity Method	251	217
<b>Total carrying amounts – material joint ventures and associates</b>			<b>251</b>	<b>217</b>

## (b) Details

Name of entity	Principal activity	Place of business
Macquarie Regional Library	Provision of Library Services	Narromine

## (c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016
Macquarie Regional Library	13%	13%	13%	14%	25%	25%

## (d) Summarised financial information for joint ventures and associates

	Macquarie Regional Library	
	2017	2016
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,653	1,355
Other current assets	83	81
<b>Non-current assets</b>	<b>992</b>	<b>982</b>
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	189	–
Other current liabilities	682	826
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	<b>29</b>	<b>30</b>
<b>Net assets</b>	<b>1,828</b>	<b>1,562</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	1,561	1,527
Profit/(loss) for the period	267	34
<b>Closing net assets</b>	<b>1,828</b>	<b>1,561</b>
<b>Council's share of net assets (%)</b>	<b>13.7%</b>	<b>13.9%</b>
<b>Council's share of net assets (\$)</b>	<b>251</b>	<b>217</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 19. Interests in other entities (continued)

\$ '000

## (b) Joint ventures and associates (continued)

## (d) Summarised financial information for joint ventures and associates (continued)

	<b>Macquarie Regional Library</b>	
	2017	2016
<b>Statement of comprehensive income</b>		
Income	2,921	2,643
Interest income	37	36
Depreciation and amortisation	(313)	(289)
Other expenses	(2,378)	(2,356)
<b>Profit/(loss) from continuing operations</b>	<b>267</b>	<b>34</b>
<b>Profit/(loss) for period</b>	<b>267</b>	<b>34</b>
<b>Total comprehensive income</b>	<b>267</b>	<b>34</b>
<b>Share of income – Council (%)</b>	<b>12.6%</b>	<b>13.1%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>34</b>	<b>4</b>
<b>Total comprehensive income – Council (\$)</b>	<b>34</b>	<b>4</b>

## (c) Joint operations

Council has no interest in any joint operations.

## (d) Unconsolidated structured entities

Council has no unconsolidated structured entities

## (e) Subsidiaries, joint arrangements and associates not recognised

None.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		124,195	119,538
a. Net operating result for the year		5,650	4,657
<b>Balance at end of the reporting period</b>		<b>129,845</b>	<b>124,195</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		190,459	185,799
<b>Total</b>		<b>190,459</b>	<b>185,799</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		185,799	184,721
– Revaluations for the year	9(a)	4,660	389
– Correction of prior period errors	20(c)	–	689
<b>– Balance at end of year</b>		<b>190,459</b>	<b>185,799</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>190,459</b>	<b>185,799</b>

**(iii) 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.

**(c) Correction of error/s relating to a previous reporting period**

Change to the valuation approach for community land.

**(d) Voluntary changes in accounting policies**

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



## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	469	1,054	6,463
User charges and fees	1,097	266	1,239
Interest and investment revenue	106	77	448
Other revenues	4	9	452
Grants and contributions provided for operating purposes	21	20	11,478
Grants and contributions provided for capital purposes	288	–	909
<b>Other income</b>			
Net gains from disposal of assets	–	–	76
Share of interests in joint ventures and associates using the equity method	–	–	34
<b>Total income from continuing operations</b>	<b>1,985</b>	<b>1,426</b>	<b>21,099</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	192	159	6,611
Borrowing costs	–	–	134
Materials and contracts	830	538	2,868
Depreciation and amortisation	130	337	4,524
Impairment	–	–	–
Other expenses	106	51	2,380
<b>Total expenses from continuing operations</b>	<b>1,258</b>	<b>1,085</b>	<b>16,517</b>
<b>Operating result from continuing operations</b>	<b>727</b>	<b>341</b>	<b>4,582</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>727</b>	<b>341</b>	<b>4,582</b>
<b>Net operating result attributable to each council fund</b>	<b>727</b>	<b>341</b>	<b>4,582</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>439</b>	<b>341</b>	<b>3,673</b>

<sup>1</sup> 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.

## Narromine Shire Council

## Notes to the Financial Statements

as at 30 June 2017

## Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	1,405	3,856	578
Investments	2,431	1,823	14,740
Receivables	312	250	626
Inventories	–	–	771
Other	–	–	7
<b>Total current assets</b>	<b>4,148</b>	<b>5,929</b>	<b>16,722</b>
<b>Non-current assets</b>			
Investments	–	–	–
Receivables	190	52	369
Inventories	–	–	–
Infrastructure, property, plant and equipment	15,642	18,640	264,492
Investments accounted for using the equity method	–	–	251
Investment property	–	–	–
Intangible assets	–	–	–
<b>Total non-current assets</b>	<b>15,832</b>	<b>18,692</b>	<b>265,112</b>
<b>TOTAL ASSETS</b>	<b>19,980</b>	<b>24,621</b>	<b>281,834</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	–	–	1,094
Income received in advance	–	–	166
Borrowings	–	–	351
Provisions	–	–	1,774
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>	<b>3,385</b>
<b>Non-current liabilities</b>			
Payables	–	–	–
Income received in advance	–	–	–
Borrowings	–	–	2,693
Provisions	–	–	53
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>2,746</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–</b>	<b>6,131</b>
<b>Net assets</b>	<b>19,980</b>	<b>24,621</b>	<b>275,703</b>
<b>EQUITY</b>			
Retained earnings	10,988	9,813	109,044
Revaluation reserves	8,992	14,808	166,659
<b>Total equity</b>	<b>19,980</b>	<b>24,621</b>	<b>275,703</b>

<sup>1</sup> 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.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 22. 'Held for sale' non-current assets and disposal groups

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\$ '000

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Council did not classify any non-current assets or disposal groups as 'held for sale'.

#### Note 23. Events occurring after the reporting date

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Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 23 October 2017.

Events that occur after the reporting period represent one of two types:

##### **(i) Events that provide evidence of conditions that existed at the reporting period**

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

##### **(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

#### Note 24. Discontinued operations

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Council has not classified any of its operations as 'discontinued'.

## Narromine Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 25. Intangible assets

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\$ '000

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Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

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Council has various garbage centres and transfer stations situated around the community. These all have useful lives, which on being reached will result in Council having to reinstate these areas through restoration and remediation works.

These future liabilities have however, not been brought to account due to;

- the remaining useful lives of these assets being estimated at beyond 20 years and accordingly the effects of discounting the future cash outflows to present values deems the amounts immaterial,
- preliminary estimates of the individual amounts required to undertake the future restoration works do not materially affect either Council's financial results or financial position as at 30/6/17.

Accordingly, no provision amounts have been brought to account in these financial statements for such future reinstatement and restoration costs.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

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	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/14	–	–	3,589	3,589
Office equipment	30/06/14	–	–	616	616
Furniture and fittings	30/06/14	–	–	63	63
Operational land	30/06/13	–	–	3,818	3,818
Community land	30/06/16	–	–	1,874	1,874
Buildings – non-specialised	30/06/12	–	–	2,564	2,564
Buildings – specialised	30/06/12	–	–	15,840	15,840
Other structures	30/06/14	–	–	2,169	2,169
Roads	30/06/15	–	–	192,259	192,259
Bridges	30/06/15	–	–	18,590	18,590
Footpaths	30/06/15	–	–	1,855	1,855
Stormwater drainage	30/06/15	–	–	13,674	13,674
Water supply network	30/06/17	–	–	12,947	12,947
Sewerage network	30/06/17	–	–	18,240	18,240
Swimming pools	30/06/14	–	–	1,578	1,578
Other open space/recreational assets	30/06/14	–	–	1,759	1,759
Other infrastructure	30/06/15	–	–	247	247
Aerodrome	30/06/14	–	–	3,599	3,599
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>295,281</b>	<b>295,281</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

2016	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	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/14	—	—	3,595	3,595
Office equipment	30/06/14	—	—	411	411
Furniture and fittings	30/06/14	—	—	82	82
Operational land	30/06/13	—	—	4,479	4,479
Community land	30/06/16	—	—	1,874	1,874
Buildings – non-specialised	30/06/12	—	—	2,696	2,696
Buildings – specialised	30/06/12	—	—	16,424	16,424
Other structures	30/06/14	—	—	2,262	2,262
Roads	30/06/15	—	—	191,471	191,471
Bridges	30/06/15	—	—	18,826	18,826
Footpaths	30/06/15	—	—	1,849	1,849
Stormwater drainage	30/06/15	—	—	13,878	13,878
Water supply network	30/06/12	—	—	7,122	7,122
Sewerage network	30/06/12	—	—	17,781	17,781
Swimming pools	30/06/14	—	—	1,618	1,618
Other open space/recreational assets	30/06/14	—	—	1,866	1,866
Other infrastructure	30/06/15	—	—	258	258
Aerodrome	30/06/14	—	—	3,794	3,794
<b>Total infrastructure, property, plant and equipment</b>		<b>—</b>	<b>—</b>	<b>290,286</b>	<b>290,286</b>

## (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.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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##### **(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 (IPP&E)**

###### **Plant and equipment, office equipment and furniture and fittings**

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

- Plant and Equipment - Graders, trucks, rollers, tractors, mowers and motor vehicles.
- Office Equipment - Computer Servers, surveillance equipment, Software, photocopiers, radio equipment etc.
- Furniture & Fittings - Desks, Cabinets, Ergonomic chairs

###### **Operational and community land**

Operational Land is based on the Land Value provided by an external Valuer in 2013.

It is based on average unit rate based on the Land Value for similar properties, having regard to the highest and best use for the land. Operational Land is based on the Valuer land value of the actual market values in the Narromine Shire LGA. Community Land has been valued in 2016 using valuations of the Valuer General.

###### **Buildings – non-specialised and specialised**

Non-Specialised & Specialised Buildings values were provided by an external Valuer in 2012. The approach estimated the replacement cost for each building by componentising the building into significant parts. While all buildings were physically inspected and the unit rates based on square metres no market based evidence (Level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs.

###### **Other structures**

Other Structures comprise of Telemetry Systems, and components related to Cemetery, sale yards, waste facilities, and the family day care etc. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors. No market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using Level 3 valuation inputs.

###### **Roads**

Roads Externally valued during 14/15 by AssetVal Pty Ltd, major changes include giving road pavement and Seal a long life and a short life component, and seperating the floodways which have shorter lives  
Market based evidence (level 2) were used for Gravel pavement, Seal, Culverts, Footpath, and K&G

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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

###### Bridges

Bridges Externally valued during 14/15 by AssetVal Pty Ltd, major changes include compositing bridges from one asset into components, Substructure, superstructure, abutments ect  
Major Culverts over 6m long were considered bridges and transferred from stormwater into bridges.

###### Footpaths

Footpaths Externally valued during 14/15 by AssetVal Pty Ltd,  
Market based evidence (level 2) were used for concrete Footpaths and cycleways

###### Stormwater drainage

Stormwater externally valued during 14/15 by AssetVal Pty Ltd, with previously unaccounted for assets now valued  
Market based evidence (level 2) were used for culverts, and K&G

###### Water supply network

Assets in this class comprise of pipes, valves, pumps, bores, and reservoirs. The Water Network values were provided by an external Valuer in 2017. The unit rates are based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. This asset class is indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

###### Sewerage network

Assets in this class comprise of Treatment Plants, Pumping stations, sewerage pipelines and Manholes. The Sewerage Network values were provided by an external Valuer in 2017. The unit rates are based on linear metres of certain diameter pipes and prices per treatment item or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. This asset class is indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

###### Open space recreation

Assets within this class comprise playground equipment, softfall surfaces, shade structures, irrigation, fencing, lighting, furniture, sculptures and monuments etc. All assets were valued in-house based on actual costs where known or estimates based on material, size, condition, and linear length and prices per item or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.



## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

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

##### Aerodrome

Assets within this class comprise the Aerodrome sealed runways at Narromine, and the unsealed airstrip at Trangie along with associated furniture, signage, lighting, fencing, and control structures. All assets were valued in-house based on actual costs where known or estimates based on material, size, condition, and linear length and prices per item or if similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

##### Swimming pools

Assets within this class comprise the 50m 8 lane outdoor pool, and childrens pool at Narromine, and the 25m outdoor pool at Trangie with associated furniture, filtration systems etc. All assets were valued in-house based on actual costs where known or estimates based on material, size, condition, and linear length and prices per item or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

#### (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	Operational land	Total
<b>Opening balance – 1/7/15</b>	3,427	347	87	4,478	8,339
Purchases (GBV)	728	96	24	1	849
Disposals (WDV)	(261)	–	–	–	(261)
Depreciation and impairment	(382)	(32)	(18)	–	(432)
Other movement ( Reclassifications)	83	–	(11)	–	72
<b>Closing balance – 30/6/16</b>	<b>3,595</b>	<b>411</b>	<b>82</b>	<b>4,479</b>	<b>8,567</b>
Purchases (GBV)	408	254	8	–	670
Disposals (WDV)	(48)	–	–	–	(48)
Depreciation and impairment	(348)	(46)	(18)	–	(412)
Other movement ( Reclassifications)	(18)	(3)	(9)	(661)	(692)
<b>Closing balance – 30/6/17</b>	<b>3,589</b>	<b>616</b>	<b>63</b>	<b>3,818</b>	<b>8,085</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Community Land	Land under roads	Buildings - Non- specialised	Buildings Specialised	Total
<b>Opening balance – 1/7/15</b>	1,832	–	2,806	16,878	21,516
Purchases (GBV)	–	–	35	245	280
Depreciation and impairment	–	–	(146)	(617)	(763)
FV gains – other comprehensive income	42	–	–	–	42
Other movement ( Reclassifications)	–	–	–	(82)	(82)
<b>Closing balance – 30/6/16</b>	<b>1,874</b>	<b>–</b>	<b>2,696</b>	<b>16,424</b>	<b>20,994</b>
Purchases (GBV)	–	–	20	116	136
Depreciation and impairment	–	–	(152)	(620)	(772)
FV gains – other comprehensive income	–	–	–	–	–
Other movement ( Reclassifications)	–	–	–	(80)	(80)
<b>Closing balance – 30/6/17</b>	<b>1,874</b>	<b>–</b>	<b>2,564</b>	<b>15,840</b>	<b>20,278</b>
	Other Structures	Roads	Bridges	Footpaths	Total
<b>Opening balance – 1/7/15</b>	1,605	187,808	19,028	1,855	210,296
Purchases (GBV)	600	5,750	40	–	6,390
Depreciation and impairment	(78)	(2,051)	(241)	(76)	(2,446)
Other movement ( Reclassifications)	135	(36)	–	70	169
<b>Closing balance – 30/6/16</b>	<b>2,262</b>	<b>191,471</b>	<b>18,826</b>	<b>1,849</b>	<b>214,408</b>
Purchases (GBV)	201	3,092	–	12	3,305
Depreciation and impairment	(98)	(2,278)	(242)	(78)	(2,696)
Other movement ( Reclassifications)	(196)	(26)	5	72	(145)
<b>Closing balance – 30/6/17</b>	<b>2,169</b>	<b>192,259</b>	<b>18,590</b>	<b>1,855</b>	<b>214,873</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Stormwater drainage	Water supply network	Sewerage network	Swimming pools	Total
<b>Opening balance – 1/7/15</b>	14,221	6,262	17,312	1,664	39,459
Purchases (GBV)	10	851	537	–	1,398
Depreciation and impairment	(204)	(85)	(320)	(42)	(651)
FV gains – other comprehensive income	–	93	255	–	348
Other movement ( Reclassifications)	(149)	–	(3)	(4)	(156)
<b>Closing balance – 30/6/16</b>	<b>13,878</b>	<b>7,122</b>	<b>17,781</b>	<b>1,618</b>	<b>40,399</b>
Purchases (GBV)	31	887	289	–	1,207
Depreciation and impairment	(202)	(140)	(337)	(41)	(719)
Other movement ( Reclassifications)	(33)	5,079	506	1	5,553
<b>Closing balance – 30/6/17</b>	<b>13,674</b>	<b>12,947</b>	<b>18,240</b>	<b>1,579</b>	<b>46,440</b>

	Other open space/re- creational	Other infra- structure	Aerodrome	Total
<b>Opening balance – 1/7/15</b>	2,007	178	3,999	6,184
Purchases (GBV)	–	–	109	109
Depreciation and impairment	(132)	–	(240)	(372)
Other movement ( Reclassifications)	(9)	80	(74)	(3)
<b>Closing balance – 30/6/16</b>	<b>1,866</b>	<b>258</b>	<b>3,794</b>	<b>5,918</b>
Purchases (GBV)	17	(0)	4	20
Depreciation and impairment	(123)	(10)	(257)	(391)
Other movement ( Reclassifications)	–	–	58	58
<b>Closing balance – 30/6/17</b>	<b>1,759</b>	<b>247</b>	<b>3,599</b>	<b>5,605</b>

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

No Transfers were made in or out of the Level 3 Hierarchy

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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

##### c. The valuation process for level 3 fair value measurements

###### Fair Value- Valuation techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

'Cost Approach': A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost)

Income Approach: Valuation technique that converts future amounts (cash flows inflows/outflows) to signal the current (i.e. discounted) amount.

The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

'Market Approach': A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

###### 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 (i.e. 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: Level 2 valuation process for some asset classes where the basis was Cost Approach under level 2 input which were determined based on, whereby maximising observable inputs and minimising unobservable inputs as below:

- Quoted prices for similar asset in active markets
- Current replacement cost concept
- Purchase price
- Useful life

Level 3 valuation process for some asset classes where the basis was Cost Approach, The inputs used for this technique were:

- Pattern of consumption
- Residual Value
- Asset Condition
- Unit rates
- Useful life

#### (5). Highest and best use

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures

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\$ '000

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##### 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:

	Actual 2017
<b>Compensation:</b>	
Short-term benefits	858,142
Post-employment benefits	75,101
Other long-term benefits	14,642
Termination benefits	264,803
<b>Total</b>	<b><u>1,212,688</u></b>

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures (continued)

\$ '000

##### 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.

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
		\$'000	\$'000		\$'000	\$'000
Office Supplies	1	11	–	30 days	–	–
Plant Hire	2	110	–	30 days	–	–

##### c. Other related party transactions

###### Nature of the transaction

Library Services	3	317	–	30 days	–	–
------------------	---	-----	---	---------	---	---

- 1 Council makes ad hoc purchases from Stationery Store Online, a company which is controlled by a member of the KMP of the council. The total annual contract value is around \$11,000 and purchases are made in accordance with the Procurement policy and based on market rates.
- 2 Council hired plant and equipment during the year from McCutcheon Agri Trust, a trust which has a KMP has an interest. Amounts were billed based on normal rates for such supplies and services and were due and payable under normal payment terms following the Council's procurement process.
- 3 Council has joined with Western Plains Regional Council and Warrumbungle Shire Council to form a Joint Venture arrangement called Macquarie Regional Library. Council contributes a proportion of the costs of the entity and receives a share of profits and net assets.

## Narromine Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 29. Council information and contact details

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**Principal place of business:**

120 Dandaloo Street  
Narromine NSW 2821

**Contact details****Mailing address:**

PO Box 115  
Narromine NSW 2821

**Opening hours:**

M-F 8:30 am to 5:00 pm

**Telephone:** 02 6889 9999

**Facsimile:** 02 6889 9998

**Internet:** [www.council.nsw.gov.au](http://www.council.nsw.gov.au)

**Email:** [council@council.nsw.gov.au](mailto:council@council.nsw.gov.au)

**Officers****GENERAL MANAGER**

Jane Redden

**RESPONSIBLE ACCOUNTING OFFICER**

John Sevil

**PUBLIC OFFICER****AUDITORS**

Audit Office of NSW  
Level 15  
1 Margaret Street  
Sydney  
NSW 2000

**Elected members****MAYOR**

Cr Craig Davies

**COUNCILLORS**

Cr Dawn Collins  
Cr Colin Hamilton  
Cr James Craft  
Cr Les Lambert  
Cr Lyn Jablonsk  
Cr Mark Munro  
Cr Robert McCutcheon

**Other information**

**ABN:** 99 352 328 405



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Narromine Shire Council

To the Councillors of Narromine Shire Council

### Opinion

I have audited the accompanying financial statements of Narromine Shire Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.



Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **The Councillors' Responsibility for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

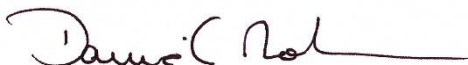
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



David Nolan  
Director, Financial Audit Services

26 October 2017  
SYDNEY

Mr Craig Davies  
Mayor  
Narromine Shire Council  
PO Box 115  
NARROMINE NSW 2821

Contact: David Nolan  
Phone no: 9275 7377  
Our ref: D1728103/1769

26 October 2017

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2017  
Narromine Shire Council**

I have audited the general purpose financial statements of Narromine Shire Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

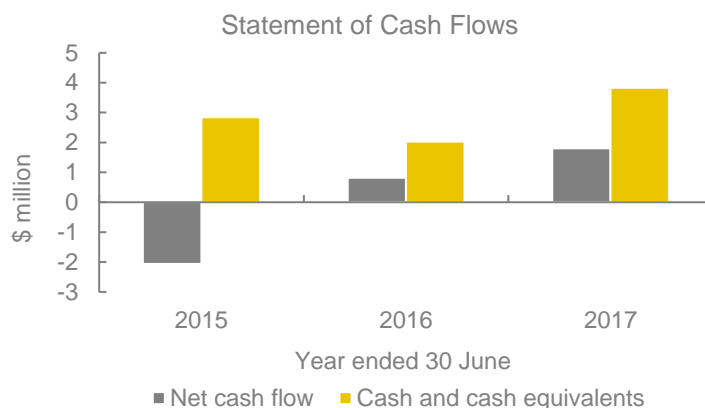
	<b>2017</b>	<b>2016</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
<b>Rates and annual charges revenue</b>	7.99	7.66	4.3 ↑
<b>Grants and contributions revenue</b>	12.72	10.42	22.1 ↑
<b>Operating result for the year</b>	5.65	4.66	21.2 ↑
<b>Net operating result before capital amounts</b>	4.45	2.37	87.8 ↑

The operating result for the year was a surplus of \$5.7 million (2016: \$4.7 million) and included a depreciation expense of \$5 million (2016: \$4.7 million). The higher operating result for this year is mainly due to increased grants and contributions, including a prepayment of the Financial Assistance Grant relating to 2017–18.

Rates and annual charges represent 33 per cent of Council's total revenues.

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$1.8 million to \$3.8 million at the close of the year. The increase can be attributed to the receipt of the prepayment of the Financial Assistance Grant.



In addition to operating activities which contributed net cash of \$10.9 million were the proceeds from the sale of investment securities (\$35.5 million) and sale of assets (\$232,000). Cash outflows other than operating activities were used to purchase investment securities (\$38 million), repay borrowings (\$340,000) and to purchase and construct assets (\$6.5 million).

## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	14	12.7	Cash and investments amounted to \$24.8 million at 30 June 2017 (2016: \$20.5 million). The increase is mainly due to the Council's surplus for the year.
Internal restrictions	7.5	6	
Unrestricted	3.3	1.9	
Cash and investments	24.8	20.5	

Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent grants and contributions and domestic waste, water and sewerage funds.

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These totalled \$7.5 million and their purpose is fully disclosed in Note 6 of the financial statements.

The Council's unrestricted cash and investments amounted to \$3.3 million, which is available to provide liquidity for day to day operations.

### Debt

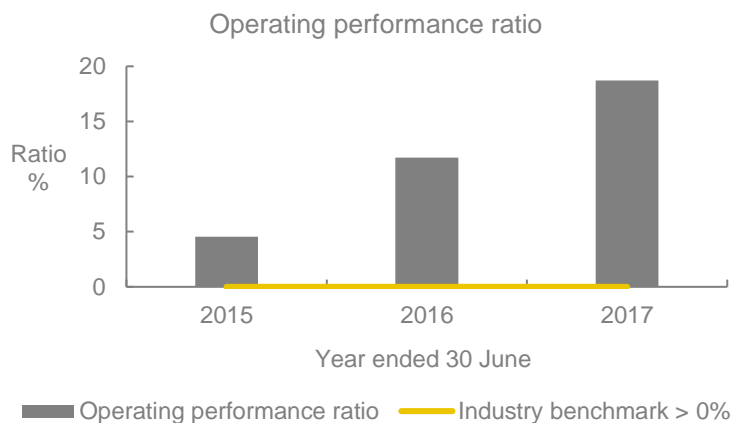
After repaying principal and interest of \$474,000 during the financial year, total debt as at 30 June 2017 was \$3 million (2016: \$3.4).

## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 13 of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s Special Schedule 7.

### Operating performance ratio

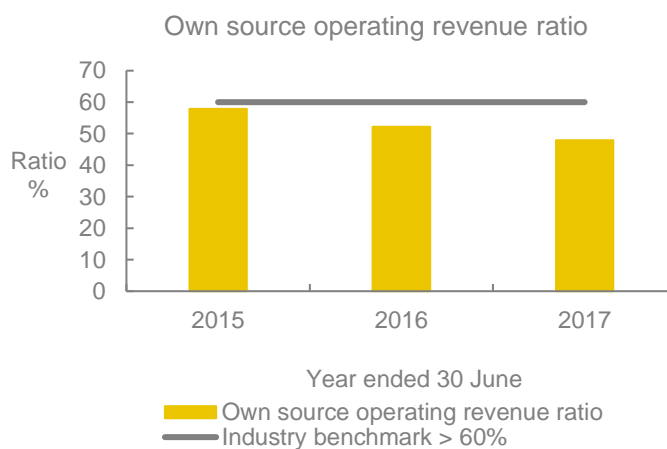
The ‘operating performance ratio’ measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



Council’s operating performance indicator of 18.7 per cent (11.7 per cent in 2016) exceeded the benchmark due to the improved operating result before capital grants and contributions; which was driven by the increase in operating grants received.

### Own source operating revenue ratio

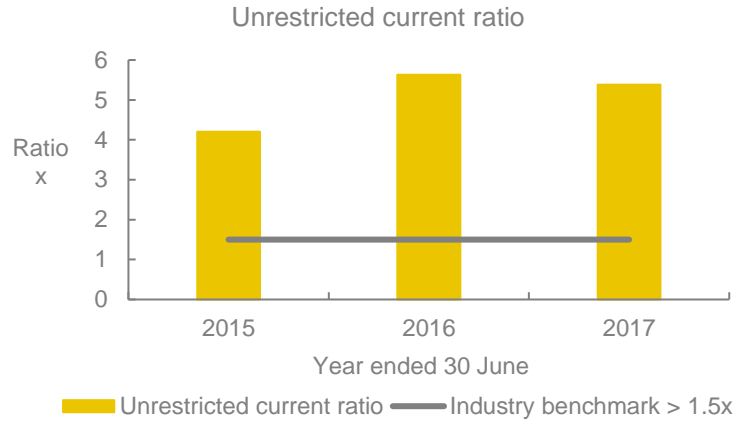
The ‘own source operating revenue ratio’ measures council’s fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Council’s own source operating revenue ratio was 48 per cent for 2016/17 (52 per cent in 2016), below the benchmark of 60 per cent.

### Unrestricted current ratio

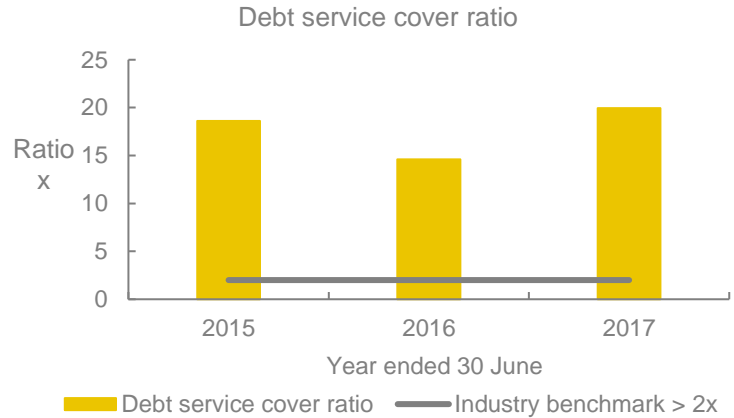
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Council's unrestricted current ratio decreased to 5.4 as at 30 June 2017 (5.6 in 2016) and exceeded the benchmark of 1.5 times.

### Debt service cover ratio

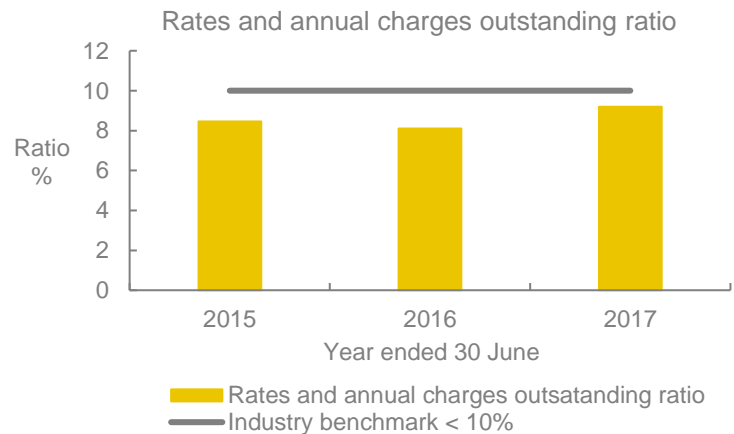
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



The debt service cover ratio for the Council as at 30 June 2017 was 20 (14.6 in 2016). This improvement is mainly due to Council's improved operating result before capital grants and contributions.

### Rates and annual charges outstanding ratio

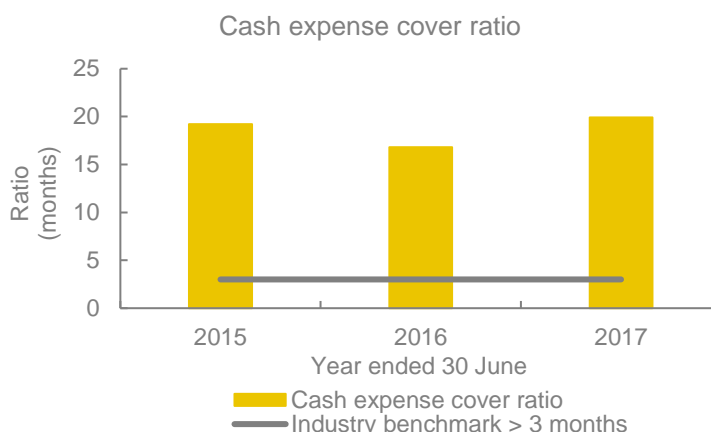
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is below 10 per cent for rural councils.



The rates and annual charges outstanding ratio stood at 9.2 per cent as at 30 June 2017 (8.1 per cent in 2016) and is marginally better than industry benchmark of being below 10 per cent for a rural council.

### Cash expense cover ratio

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

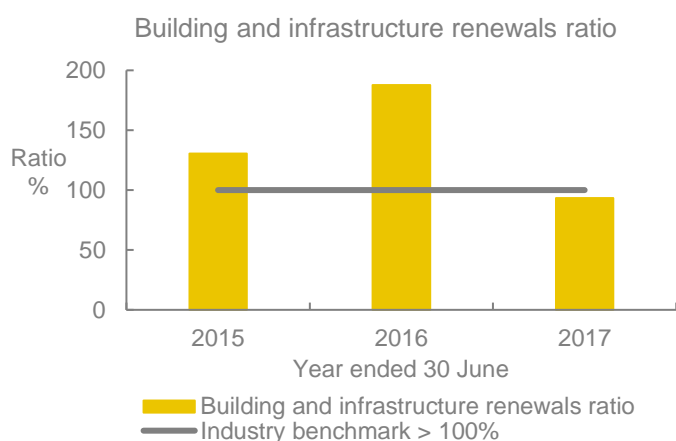


Council's cash expense cover ratio was nearly twenty months and continues to easily exceed the benchmark of three months.

### Building and infrastructure renewals ratio

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.



Special Schedule No. 7 disclosed infrastructure renewals for 2017 represented 93 per cent (187 per cent in 2016) of the depreciation charges for those assets; below the benchmark of 100 per cent.

## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

## Asset Revaluations

Council's infrastructure, property, plant and equipment are required to be carried at fair value with revaluations of each asset class to be performed at least every five years.

During the year, water and sewerage infrastructure was revalued. This resulted in a net increase of \$4.7 million recognised directly in Asset Revaluation Reserves.

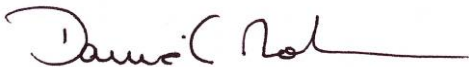
## Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

## Management acknowledgement

The audit team appreciated the co-operation and help received from the Council's staff, in particular, the finance team for their invaluable assistance throughout the audit.



David Nolan  
Director, Financial Audit Services

26 October 2017  
SYDNEY

cc: Jane Redden, General Manager  
Tim Hurst, Acting Chief Executive of the Office of Local Government

# Narromine Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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*To enhance our Shire's image, lifestyle and environment through effective leadership, community involvement and commitment to service.*





# Narromine Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2017

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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
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Statement of Financial Position – Other Business Activities	n/a
<b>3. Notes to the Special Purpose Financial Statements</b>	7
<b>4. Auditor’s Report</b>	16

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Narromine Shire Council  
Special Purpose Financial Statements

For the financial year ended 30 June 2017

Statement by Councillors and Management  
made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Office of Local Government Guidelines "Pricing & Costing for Council Businesses – A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines – "Best Practice Management of Water and Sewerage".

To the best of our knowledge and belief, these financial statements:

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- 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 21/08/17.



Craig Davie  
Mayor



Dawn Collins  
Deputy Mayor



Jane Redden  
General Manager



John Sevil  
Responsible Accounting Officer

## Narromine Shire Council

## Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	469	442
User charges	1,080	1,105
Fees	17	29
Interest	106	105
Interest – internal loan to general fund	–	–
Grants and contributions provided for non-capital purposes	21	21
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	4	4
<b>Total income from continuing operations</b>	<b>1,697</b>	<b>1,706</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	192	141
Borrowing costs	–	–
Materials and contracts	830	831
Depreciation, amortisation and impairment	130	94
Water purchase charges	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	106	132
<b>Total expenses from continuing operations</b>	<b>1,258</b>	<b>1,198</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>439</b>	<b>508</b>
Grants and contributions provided for capital purposes	288	1,064
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>727</b>	<b>1,572</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>727</b>	<b>1,572</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(132)	(152)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>595</b>	<b>1,420</b>
<b>Plus opening retained profits</b>	10,261	8,553
<b>Plus/less: prior period adjustments</b>	–	136
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	132	152
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>10,988</b>	<b>10,261</b>
<b>Return on capital %</b>	<b>2.8%</b>	<b>5.4%</b>
<b>Subsidy from Council</b>	–	–
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	595	1,420
Less: capital grants and contributions (excluding developer contributions)	(151)	(927)
<b>Surplus for dividend calculation purposes</b>	<b>444</b>	<b>493</b>
<b>Potential dividend calculated from surplus</b>	<b>222</b>	<b>246</b>

## Narromine Shire Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	1,054	1,030
User charges	247	223
Liquid trade waste charges	17	14
Fees	2	3
Interest	75	84
Interest – internal loan to general fund	2	7
Grants and contributions provided for non-capital purposes	20	20
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	9	2
<b>Total income from continuing operations</b>	<b>1,426</b>	<b>1,383</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	159	129
Borrowing costs	–	–
Materials and contracts	538	608
Depreciation, amortisation and impairment	337	326
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	51	46
<b>Total expenses from continuing operations</b>	<b>1,085</b>	<b>1,109</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>341</b>	<b>274</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>341</b>	<b>274</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>341</b>	<b>274</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(102)	(82)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>239</b>	<b>192</b>
<b>Plus opening retained profits</b>	<b>9,472</b>	<b>9,187</b>
<b>Plus/less: prior period adjustments</b>	<b>–</b>	<b>11</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	102	82
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>9,813</b>	<b>9,472</b>
<b>Return on capital %</b>	<b>1.8%</b>	<b>1.5%</b>
<b>Subsidy from Council</b>	<b>103</b>	<b>123</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	239	192
Less: capital grants and contributions (excluding developer contributions)	73	73
<b>Surplus for dividend calculation purposes</b>	<b>312</b>	<b>265</b>
<b>Potential dividend calculated from surplus</b>	<b>156</b>	<b>132</b>

## Narromine Shire Council

## Statement of Financial Position – Council's Water Supply Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,405	2,356
Investments	2,431	2,431
Receivables	312	385
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>4,148</b>	<b>5,172</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	190	217
Inventories	–	–
Infrastructure, property, plant and equipment	15,642	9,366
Investments accounted for using equity method	–	–
Investment property	–	–
<b>Total non-current assets</b>	<b>15,832</b>	<b>9,583</b>
<b>TOTAL ASSETS</b>	<b>19,980</b>	<b>14,755</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	3
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>3</b>
<b>Non-current liabilities</b>		
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>3</b>
<b>NET ASSETS</b>	<b>19,980</b>	<b>14,752</b>
<b>EQUITY</b>		
Retained earnings	10,988	10,261
Revaluation reserves	8,992	4,491
Other reserves	–	–
Council equity interest	19,980	14,752
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>19,980</b>	<b>14,752</b>

## Narromine Shire Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,856	3,597
Investments	1,823	1,823
Receivables	250	243
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current Assets</b>	<b>5,929</b>	<b>5,663</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	52	47
Inventories	–	–
Infrastructure, property, plant and equipment	18,640	18,300
Investments accounted for using equity method	–	–
Investment property	–	–
<b>Total non-current assets</b>	<b>18,692</b>	<b>18,347</b>
<b>TOTAL ASSETS</b>	<b>24,621</b>	<b>24,010</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>		
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–</b>
<b>NET ASSETS</b>	<b>24,621</b>	<b>24,010</b>
<b>EQUITY</b>		
Retained earnings	9,813	9,472
Revaluation reserves	14,808	14,538
Other reserves	–	–
Council equity interest	24,621	24,010
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>24,621</b>	<b>24,010</b>

## Narromine Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

## Narromine Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

##### Category 1

*(where gross operating turnover is over \$2 million)*

**Nil**

##### Category 2

*(where gross operating turnover is less than \$2 million)*

#### a. Narromine Shire Council Water Supply

*Comprising the whole of the operations and net assets of the water supply activities of Council servicing the towns of Narromine, Trangie, and Tomingley.*

#### b. Narromine Shire Council Sewerage Service

*Comprising the whole of the operations and net assets of the sewerage reticulation and treatment activities of Council servicing the towns of Narromine and Trangie.*

#### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.



## Narromine Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

##### (i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

##### Notional rate applied (%)

###### Corporate income tax rate – 30%

Land tax – the first **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

In accordance with Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%..

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

##### Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

##### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

## Narromine Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

##### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

##### (iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

---

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

##### (iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

## Narromine Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 2. Water supply business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

**1. Calculation and payment of tax-equivalents**

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	6,822
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	222,150
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	68,220
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	1,101,400

2017 Surplus	444,300	2016 Surplus	492,600	2015 Surplus	164,500
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	68,220
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 6 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Narromine Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 2. Water supply business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017


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## National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,607
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	71.38%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	15,637
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,130
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	857
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.22%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	288

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
  2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

## Narromine Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

**1. Calculation and payment of tax-equivalents**

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	6,411
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	155,800
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	64,110
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	621,100

2017 Surplus	311,600	2016 Surplus	264,700	2015 Surplus	44,800
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	64,110
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 4 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Narromine Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,359
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	18,575
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	738
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	–
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.52%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

---

**National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)**

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	2,966
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.38%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	857
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.84%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Narromine Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-21.33%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	780
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	41

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statement**  
**Narromine Shire Council**

To the Councillors of Narromine Shire Council

## **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Narromine Shire Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business
- Sewerage Business

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

## **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

## **The Councillors' Responsibility for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

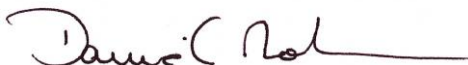
A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



David Nolan  
Director, Financial Audit Services

26 October 2017  
SYDNEY

# Narromine Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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*To enhance our Shire's image, lifestyle and environment through effective leadership, community involvement and commitment to service.*



# Narromine Shire Council

## Special Schedules

for the year ended 30 June 2017

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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#### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the NSW Office of Water (NOW), and
  - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.

## Narromine Shire Council

Special Schedule 1 – Net Cost of Services  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,889</b>	–	–	<b>(1,889)</b>
<b>Administration</b>	<b>1,306</b>	–	–	<b>(1,306)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	406	183	–	<b>(223)</b>
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	174	23	–	<b>(151)</b>
Other	–	–	–	–
<b>Total public order and safety</b>	<b>580</b>	<b>206</b>	–	<b>(374)</b>
<b>Health</b>	<b>108</b>	<b>82</b>	–	<b>(26)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	120	53	–	<b>(67)</b>
Other environmental protection	8	–	–	<b>(8)</b>
Solid waste management	1,333	1,336	–	<b>3</b>
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>1,461</b>	<b>1,389</b>	–	<b>(72)</b>
<b>Community services and education</b>				
Administration and education	3	1	–	<b>(2)</b>
Social protection (welfare)	–	–	–	–
Aged persons and disabled	4	–	–	<b>(4)</b>
Children's services	1,131	1,172	–	<b>41</b>
<b>Total community services and education</b>	<b>1,138</b>	<b>1,173</b>	–	<b>35</b>
<b>Housing and community amenities</b>				
Public cemeteries	123	89	–	<b>(34)</b>
Public conveniences	88	–	–	<b>(88)</b>
Street lighting	–	–	–	–
Town planning	249	201	–	<b>(48)</b>
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>460</b>	<b>290</b>	–	<b>(170)</b>
<b>Water supplies</b>	<b>1,273</b>	<b>1,953</b>	–	<b>680</b>
<b>Sewerage services</b>	<b>1,084</b>	<b>1,392</b>	–	<b>308</b>

## Narromine Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	480	36	–	(444)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	15	22	–	7
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	7	–	–	(7)
Sporting grounds and venues	1,095	23	–	(1,072)
Swimming pools	342	84	–	(258)
Parks and gardens (lakes)	–	–	–	–
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>1,939</b>	<b>165</b>	<b>–</b>	<b>(1,774)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	–	–	–	–
Other mining, manufacturing and construction	363	430	–	67
<b>Total mining, manufacturing and const.</b>	<b>363</b>	<b>430</b>	<b>–</b>	<b>67</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	–	–	–	–
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	1,946	–	–	(1,946)
Unsealed rural roads (URR) – local	426	–	–	(426)
Unsealed rural roads (URR) – regional	2,700	–	–	(2,700)
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	13	–	–	(13)
Aerodromes	544	85	–	(459)
Other transport and communication	968	4,160	1,197	4,389
<b>Total transport and communication</b>	<b>6,597</b>	<b>4,245</b>	<b>1,197</b>	<b>(1,155)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	662	279	–	(383)
<b>Total economic affairs</b>	<b>662</b>	<b>279</b>	<b>–</b>	<b>(383)</b>
<b>Totals – functions</b>	<b>18,860</b>	<b>11,605</b>	<b>1,197</b>	<b>(6,058)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>11,675</b>		<b>11,675</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>34</b>		<b>34</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>18,860</b>	<b>23,313</b>	<b>1,197</b>	<b>5,650</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Narromine Shire Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	–	–	–	–	–	–	–	–	–	–	–
Other State Government	2	13	15	–	–	–	–	1	2	13	15
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	340	3,027	3,367	–	340	–	–	133	349	2,678	3,027
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>342</b>	<b>3,040</b>	<b>3,382</b>	<b>–</b>	<b>340</b>	<b>–</b>	<b>–</b>	<b>134</b>	<b>351</b>	<b>2,691</b>	<b>3,042</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>342</b>	<b>3,040</b>	<b>3,382</b>	<b>–</b>	<b>340</b>	<b>–</b>	<b>–</b>	<b>134</b>	<b>351</b>	<b>2,691</b>	<b>3,042</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

## Narromine Shire Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993]  
for the year ended 30 June 2017

\$'000

## Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General	520	26	-
Water			
Sewer			
Domestic waste management			
Gas			
Other			
<b>Totals</b>	<b>520</b>	<b>26</b>	<b>-</b>

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

## Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
General Fund	Water Fund	17/08/04	30/06/06	10	30/06/16	6.50%	-	-	-
General Fund	Sewer Fund	05/01/11	30/06/12	10	30/06/17	7.00%	520	26	-
<b>Totals</b>							<b>520</b>	<b>26</b>	<b>-</b>

## Narromine Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	345	340
b. Engineering and supervision	180	135
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– <b>Mains</b>		
c. Operation expenses	–	–
d. Maintenance expenses	164	198
– <b>Reservoirs</b>		
e. Operation expenses	–	–
f. Maintenance expenses	36	33
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	16	15
h. Energy costs	91	114
i. Maintenance expenses	121	125
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	90	67
k. Chemical costs	–	–
l. Maintenance expenses	61	50
– <b>Other</b>		
m. Operation expenses	20	21
n. Maintenance expenses	6	6
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	130	94
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,260</b>	<b>1,198</b>



## Narromine Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	437	413
b. Usage charges	1,090	1,105
<b>7. Non-residential charges</b>		
a. Access (including rates)	32	29
b. Usage charges	–	–
<b>8. Extra charges</b>	14	15
<b>9. Interest income</b>	92	100
<b>10. Other income</b>	13	23
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	288	1,064
b. Grants for pensioner rebates	21	21
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>13. Total income</b>	<b>1,987</b>	<b>2,770</b>
<b>14. Gain (or loss) on disposal of assets</b>	–	–
<b>15. Operating result</b>	<b>727</b>	<b>1,572</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	439	508

## Narromine Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	230	503
b. New assets for growth	–	–
c. Renewals	627	1,450
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	–	–
<b>18. Totals</b>	<b>857</b>	<b>1,953</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	1,911	1,908
b. Residential (unoccupied, ie. vacant lot)	78	80
c. Non-residential (occupied)	270	270
d. Non-residential (unoccupied, ie. vacant lot)	15	20
<b>23. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 19,240	\$ 19,142

## Narromine Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	137	–	137
b. Special purpose grants	164	–	164
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,535	–	3,535
<b>26. Receivables</b>			
a. Specific purpose grants	56	–	56
b. Rates and availability charges	44	28	72
c. User charges	210	141	351
d. Other	2	21	23
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	15,637	15,637
b. Plant and equipment	–	5	5
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>4,148</b>	<b>15,832</b>	<b>19,980</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	–	–	–
<b>33. Borrowings</b>	–	–	–
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>36. NET ASSETS COMMITTED</b>	<b>4,148</b>	<b>15,832</b>	<b>19,980</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			10,989
<b>38. Asset revaluation reserve</b>			8,991
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>19,980</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			24,433
<b>42. Accumulated current cost</b> depreciation of system assets			(8,796)
<b>43. Written down current cost</b> of system assets			<b>15,637</b>

## Narromine Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	322	333
b. Engineering and supervision	204	174
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	11	35
– Pumping stations		
c. Operation expenses (excluding energy costs)	43	64
d. Energy costs	–	–
e. Maintenance expenses	14	8
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	98	119
g. Chemical costs	–	–
h. Energy costs	45	32
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	–	6
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	1	3
<b>3. Depreciation expenses</b>		
a. System assets	337	326
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	10	10
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,085</b>	<b>1,110</b>

## Narromine Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	1,001	974
<b>7. Non-residential charges</b>		
a. Access (including rates)	47	52
b. Usage charges	247	225
<b>8. Trade waste charges</b>		
a. Annual fees	6	6
b. Usage charges	14	13
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	8	10
<b>10. Interest income</b>	67	80
<b>11. Other income</b>	16	4
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	20	20
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<u>1,426</u>	<u>1,384</u>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<u>341</u>	<u>274</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	341	274

## Narromine Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	134
b. New assets for growth	–	–
c. Renewals	–	501
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<u>–</u>	<u>635</u>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<u>–</u>	<u>–</u>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	1,717	1,713
b. Residential (unoccupied, ie. vacant lot)	71	67
c. Non-residential (occupied)	332	332
d. Non-residential (unoccupied, ie. vacant lot)	17	17
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 18,486	\$ 18,420

## Narromine Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	73	–	73
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,606	–	5,606
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	95	52	147
c. User charges	120	–	120
d. Other	35	–	35
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	18,575	18,575
b. Plant and equipment	–	65	65
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>5,929</u>	<u>18,692</u>	<u>24,621</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	–	–	–
<b>34. Borrowings</b>	–	–	–
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<u>–</u>	<u>–</u>	<u>–</u>
<b>37. NET ASSETS COMMITTED</b>	<u>5,929</u>	<u>18,692</u>	<u>24,621</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			9,813
<b>39. Asset revaluation reserve</b>			14,808
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<u>24,621</u>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			26,308
<b>43. Accumulated current cost</b> depreciation of system assets			(7,733)
<b>44. Written down current cost</b> of system assets			<u>18,575</u>

## Narromine Shire Council

### Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

#### Administration <sup>(1)</sup>

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

#### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Other technical and supervision staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.

**Operational expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

**Impairment losses** (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

#### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.



## Narromine Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	3,178	3,178	797	771	18,404	28,435	12%	54%	22%	11%	1%
	<b>Sub-total</b>	<b>3,178</b>	<b>3,178</b>	<b>797</b>	<b>771</b>	<b>18,404</b>	<b>28,435</b>	<b>12.0%</b>	<b>54.0%</b>	<b>22.0%</b>	<b>11.0%</b>	<b>1.0%</b>
<b>Other structures</b>	Other structures	35	35	73	63	2,169	404	59%	24%	9%	8%	0%
	<b>Sub-total</b>	<b>35</b>	<b>35</b>	<b>73</b>	<b>63</b>	<b>2,169</b>	<b>404</b>	<b>59.0%</b>	<b>24.0%</b>	<b>9.0%</b>	<b>8.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	2,408	2,408	437	589	113,535	90,101	25%	11%	62%	2%	0%
	Unsealed roads	2,241	2,241	1,500	1,630	78,477	31,889	38%	45%	10%	7%	0%
	Bridges	–	–	–	–	18,590	21,826	52%	37%	11%		0%
	Footpaths	601	601	17	12	1,855	3,244	2%	35%	41%	19%	3%
	Other road assets	–	–	158	155	247	560	31%	29%	40%		0%
	<b>Sub-total</b>	<b>5,250</b>	<b>5,250</b>	<b>2,112</b>	<b>2,386</b>	<b>212,704</b>	<b>147,620</b>	<b>31.3%</b>	<b>22.8%</b>	<b>42.7%</b>	<b>3.2%</b>	<b>0.1%</b>
<b>Water supply network</b>	Water supply network	5,423	5,423	791	648	12,947	20,459	40%	21%	11%	27%	1%
	<b>Sub-total</b>	<b>5,423</b>	<b>5,423</b>	<b>791</b>	<b>648</b>	<b>12,947</b>	<b>20,459</b>	<b>40.0%</b>	<b>21.0%</b>	<b>11.0%</b>	<b>27.0%</b>	<b>1.0%</b>
<b>Sewerage network</b>	Sewerage network	872	872	323	170	18,240	16,452	73%	4%	16%	5%	2%
	<b>Sub-total</b>	<b>872</b>	<b>872</b>	<b>323</b>	<b>170</b>	<b>18,240</b>	<b>16,452</b>	<b>73.0%</b>	<b>4.0%</b>	<b>16.0%</b>	<b>5.0%</b>	<b>2.0%</b>

## Narromine Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Stormwater drainage</b>	Stormwater drainage	234	234	–	92	13,674	35,682	27%	42%	30%	1%	0%
	<b>Sub-total</b>	<b>234</b>	<b>234</b>	<b>–</b>	<b>92</b>	<b>13,674</b>	<b>35,682</b>	<b>27.0%</b>	<b>42.0%</b>	<b>30.0%</b>	<b>1.0%</b>	<b>0.0%</b>
<b>Open space/recreational assets</b>	Swimming pools	125	125	–	267	1,619	2,832	0%	92%	3%	4%	1%
	Other	1,228	1,228	–	714	1,718	7,635	0%	51%	24%	16%	9%
	<b>Sub-total</b>	<b>1,353</b>	<b>1,353</b>	<b>–</b>	<b>981</b>	<b>3,337</b>	<b>10,467</b>	<b>0.0%</b>	<b>62.1%</b>	<b>18.3%</b>	<b>12.8%</b>	<b>6.8%</b>
<b>Other infrastructure assets</b>	Other	46	46	–	196	247	10,247	2%	18%	69%	1%	10%
	<b>Sub-total</b>	<b>46</b>	<b>46</b>	<b>–</b>	<b>196</b>	<b>247</b>	<b>10,247</b>	<b>2.0%</b>	<b>18.0%</b>	<b>69.0%</b>	<b>1.0%</b>	<b>10.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>16,391</b>	<b>16,391</b>	<b>4,096</b>	<b>5,307</b>	<b>281,722</b>	<b>269,766</b>	<b>29.6%</b>	<b>28.7%</b>	<b>34.8%</b>	<b>5.9%</b>	<b>1.0%</b>

## Notes:

a Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Narromine Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Infrastructure renewals ratio</b>					
Asset renewals <sup>(1)</sup>	<u>4,038</u>	<b>93.43%</b>	>= 100%	187.83%	130.48%
Depreciation, amortisation and impairment	<u>4,322</u>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<u>32,782</u>	<b>11.64%</b>	< 2%	11.85%	1.34%
Net carrying amount of infrastructure assets	<u>281,722</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>5,307</u>	<b>0.60</b>	> 1.00	0.69	1.01
Required asset maintenance	<u>8,791</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>16,391</u>	<b>6.08%</b>		6.37%	
Gross replacement cost	<u>269,766</u>				

## Notes

\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

## Narromine Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>				
<b>1. Infrastructure renewals ratio</b>				
<u>Asset renewals <sup>(2)</sup></u>	>= 100%	<b>448.13%</b>	<b>44.81%</b>	<b>84.78%</b>
Depreciation, amortisation and impairment	prior period:	1705.88%	154.63%	154.85%
<b>2. Infrastructure backlog ratio</b>				
<u>Estimated cost to bring assets to a satisfactory standard</u>	< 2%	<b>41.89%</b>	<b>4.78%</b>	<b>4.03%</b>
Net carrying amount of infrastructure assets	prior period:	57.32%	58.24%	7.28%
<b>3. Asset maintenance ratio</b>				
<u>Actual asset maintenance</u>	> 1.00	<b>0.82</b>	<b>0.53</b>	<b>1.51</b>
Required asset maintenance	prior period:	0.87	0.84	0.68
<b>4. Cost to bring assets to agreed service level</b>				
<u>Estimated cost to bring assets to an agreed service level set by Council</u>		<b>26.51%</b>	<b>5.30%</b>	<b>4.34%</b>
Gross replacement cost				

## Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

## Narromine Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	5,143	5,423
Plus or minus adjustments <sup>(2)</sup>	b	9	9
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>5,152</b>	<b>5,432</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	6.50%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	335	–
Or plus rate peg amount	i = c x e	–	81
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>5,487</b>	<b>5,513</b>
Plus (or minus) last year's carry forward total	l	–	64
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>–</b>	<b>64</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>5,487</b>	<b>5,577</b>
Less notional general income yield	p	5,423	5,577
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>64</b>	<b>0</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>64</b>	<b>0</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### Narromine Shire Council

To the Councillors of Narromine Shire Council

### Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Narromine Shire Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Narromine Shire Council for 2017-18 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of Special Schedule No. 8**

My objectives are to:


- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



David Nolan  
Director, Financial Audit Services

26 October 2017  
SYDNEY