
NARROMINE SHIRE COUNCIL
EXTRAORDINARY MEETING BUSINESS PAPER – 20 AUGUST 2018
SUPPLEMENTARY REPORT

1. SUPPLEMENTARY REPORT - AMENDED DRAFT 2017/18 FINANCIAL STATEMENTS

Author	Director Finance and Corporate Strategy
Responsible Officer	Director Finance and Corporate Strategy
Link to Strategic Plans	CSP – 4.3.1 Operate and manage Council in a financially sustainable manner that meets all statutory and regulatory compliance and Council policies DP – 4.3.1.6 Prepare Council's Annual Financial Accounts in accordance with relevant Acts and Regulations

Executive Summary

This is a supplementary report to Item No 1 of the Reports to Council – Finance and Corporate Strategy and should be considered when referring the draft 2017/18 Financial Statements to audit.

The Draft 2017/18 Financial Statements have been amended and are attached for consideration (see *Attachment No 1*). Amendments have been marked for ease of reference.

John Sevil
Director Finance and Corporate Strategy/Responsible Accounting Officer

DRAFT - UNAUDITED

Narromine Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*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 2018

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	
– On the Conduct of the Audit (Sect 417 [3])	

Overview

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

124 Dandaloo Street
Narromine NSW 2821

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

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

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

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

Narromine Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Narromine Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

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

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on dd/mm/yy.

Craig Davies
Mayor
dd/mm/yy

James Craft
Councillor
dd/mm/yy

Jane Redden
General Manager
dd/mm/yy

John Sevil
Responsible Accounting Officer
dd/mm/yy

Narromine Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
7,915	Rates and annual charges	3a	8,494	7,986
1,311	User charges and fees	3b	2,994	2,602
457	Interest and investment revenue	3c	580	631
481	Other revenues	3d	595	465
5,732	Grants and contributions provided for operating purposes	3e,f	8,647	11,519
5,466	Grants and contributions provided for capital purposes	3e,f	2,135	1,197
Other income:				
666	Net gains from the disposal of assets	5	157	76
–	Net share of interests in joint ventures and associates using the equity method	14	37	34
22,028	Total income from continuing operations		23,639	24,510
Expenses from continuing operations				
6,631	Employee benefits and on-costs	4a	7,075	6,962
121	Borrowing costs	4b	95	134
5,296	Materials and contracts	4c	4,712	4,236
4,795	Depreciation and amortisation	4d	5,964	4,991
2,740	Other expenses	4e	2,895	2,537
19,583	Total expenses from continuing operations		20,741	18,860
2,445	Operating result from continuing operations		2,898	5,650
2,445	Net operating result for the year		2,898	5,650
2,445	Net operating result attributable to Council		2,898	5,650
(3,021)	Net operating result for the year before grants and contributions provided for capital purposes		763	4,453

Narromine Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		2,898	5,650
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	1,774	4,660
Total items which will not be reclassified subsequently to the operating result		1,774	4,660
Total other comprehensive income for the year		1,774	4,660
Total comprehensive income for the year		4,672	10,310
Total comprehensive income attributable to Council		4,672	10,310

Narromine Shire Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	1,187	3,833
Investments	6b	22,962	21,000
Receivables	7	2,024	1,188
Inventories	8	887	771
Other	8	131	7
Total current assets		27,191	26,799
Non-current assets			
Receivables	7	290	609
Infrastructure, property, plant and equipment	9	302,976	298,774
Investments accounted for using the equity method	14	288	251
Total non-current assets		303,554	299,634
TOTAL ASSETS		330,745	326,433
LIABILITIES			
Current liabilities			
Payables	10	1,073	1,094
Income received in advance	10	-	166
Borrowings	10	385	351
Provisions	11	1,761	1,774
Total current liabilities		3,219	3,385
Non-current liabilities			
Borrowings	10	2,494	2,691
Provisions	11	56	53
Total non-current liabilities		2,550	2,744
TOTAL LIABILITIES		5,769	6,129
Net assets		324,976	320,304
EQUITY			
Accumulated surplus		132,743	129,845
Revaluation reserves		192,233	190,459
Total equity		324,976	320,304

Narromine Shire Council

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

	Notes	2018			2017			Total equity
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity	
Opening balance		129,845	190,459	320,304	124,195	185,799	309,994	
Net operating result for the year prior to correction of errors and changes in accounting policies		2,898	-	2,898	5,650	-	5,650	
Net operating result for the year		2,898	-	2,898	5,650	-	5,650	
Other comprehensive income		-	1,774	1,774	-	4,660	4,660	
- Gain (loss) on revaluation of IPP&E	9a	-	1,774	1,774	-	4,660	4,660	
Other comprehensive income		-	1,774	1,774	-	4,660	4,660	
Total comprehensive income (c&d)		2,898	1,774	4,672	5,650	4,660	10,310	
Equity – balance at end of the reporting period		132,743	192,233	324,976	129,845	190,459	320,304	

Narromine Shire Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
7,915	Rates and annual charges		8,575	7,895
1,311	User charges and fees		2,267	2,666
458	Investment and interest revenue received		517	559
12,991	Grants and contributions		10,335	12,977
-	Bonds, deposits and retention amounts received		18	-
-	Other		760	1,439
Payments:				
(4,631)	Employee benefits and on-costs		(7,086)	(7,110)
(7,296)	Materials and contracts		(5,356)	(4,225)
(121)	Borrowing costs		(101)	(136)
-	Other		(2,359)	(3,139)
10,627	Net cash provided (or used in) operating activities	13b	7,990	10,927
Cash flows from investing activities				
Receipts:				
-	Sale of investment securities		23,250	35,500
-	Sale of real estate assets		411	202
-	Sale of infrastructure, property, plant and equipment		544	31
Payments:				
-	Purchase of investment securities		(25,212)	(38,000)
-	Purchase of infrastructure, property, plant and equipment		(9,208)	(6,511)
-	Purchase of real estate assets		(258)	-
-	Net cash provided (or used in) investing activities		(10,473)	(8,779)
Cash flows from financing activities				
Receipts:				
-	Proceeds from borrowings and advances		200	-
Payments:				
-	Repayment of borrowings and advances		(363)	(340)
-	Net cash flow provided (used in) financing activities		(163)	(340)
10,627	Net increase/(decrease) in cash and cash equivalents		(2,646)	1,807
-	Plus: cash and cash equivalents – beginning of year	13a	3,833	2,026
10,627	Cash and cash equivalents – end of the year	13a	1,187	3,833
Additional Information:				
	plus: Investments on hand – end of year	6b	22,962	21,000
	Total cash, cash equivalents and investments		24,149	24,833

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Income from continuing operations	16
4	Expenses from continuing operations	22
5	Gains or losses from the disposal of assets	26
6(a)	Cash and cash equivalent assets	26
6(b)	Investments	27
6(c)	Restricted cash, cash equivalents and investments – details	28
7	Receivables	30
8	Inventories and other assets	31
9(a)	Infrastructure, property, plant and equipment	33
9(b)	Externally restricted infrastructure, property, plant and equipment	36
10	Payables and borrowings	37
11	Provisions	39
12	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	42
13	Statement of cash flows – additional information	42
14	Interests in other entities	43
15	Commitments for expenditure	45
16	Contingencies and other liabilities/assets not recognised	46
17	Financial risk management	49
18	Material budget variations	53
19	Fair value measurement	55
20	Related party transactions	62
21	Statement of developer contributions	65
22	Financial result and financial position by fund	67
23(a)	Statement of performance measures – consolidated results	69
23(b)	Statement of performance measures – by fund	70
Additional council disclosures (unaudited)		
23(c)	Statement of performance measures – consolidated results (graphs)	72
24	Council information and contact details	74

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on dd/mm/2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated tip remediation provisions – refer Note 11,
- (iii) employee benefit provisions – refer Note 11.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water Service
- Sewerage Service
- Macquarie Valley Family Day Care

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

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.

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

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

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

- *AASB 9 Financial Instruments*

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

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

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

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

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

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

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

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

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

Narromine Shire Council

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	–	–	487	1,889	(487)	(1,889)	–	45	–	–
Administration	–	–	3,163	1,306	(3,163)	(1,306)	–	–	28,385	27,522
Public Order & Safety	142	183	580	355	(438)	(172)	116	82	263	270
Environment & Health	1,445	159	1,411	383	34	(224)	67	52	1,381	1,594
Community & Cultural Services	720	231	1,181	782	(461)	(551)	592	37	378	378
Planning & Development	280	206	–	254	280	(48)	–	–	307	307
Waste Management	1,344	1,333	1,085	1,330	259	3	–	27	631	654
Infrastructure	4,673	5,879	6,897	7,229	(2,224)	(1,350)	5,681	3,756	236,576	234,739
Recreational Facilities	1,104	107	2,435	1,419	(1,331)	(1,312)	945	21	15,983	15,507
Economic Development	224	123	408	475	(184)	(352)	52	–	69	142
Family Day Care	–	1,172	–	1,111	–	61	–	857	222	468
Water Supplies	2,264	1,985	1,927	1,257	337	728	211	307	20,780	19,980
Sewerage Services	1,520	1,423	1,165	1,070	355	353	–	21	25,359	24,621
General Purpose Income	10,429	11,675	–	–	10,429	11,675	–	–	–	–
Joint Ventures	36	34	–	–	36	34	–	–	279	251
Other	–	–	–	–	–	–	1,745	5,990	–	–
Total functions and activities	24,183	24,510	20,740	18,860	3,443	5,650	9,409	11,195	330,745	326,433

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Provide additional information about the objectives of each function or activity...

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 2018

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

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

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 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	1,492	1,331
Farmland	3,178	3,116
Mining	268	261
Business	561	536
Total ordinary rates	5,499	5,244
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	972	870
Stormwater management services	52	51
Water supply services	608	467
Sewerage services	1,135	1,054
Waste management services (non-domestic)	228	300
Total annual charges	2,995	2,742
TOTAL RATES AND ANNUAL CHARGES	8,494	7,986

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

Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

(b) User charges and fees**Specific user charges** (per s.502 – specific 'actual use' charges)

Water supply services	1,301	1,098
Sewerage services	371	247
Waste management services (non-domestic)	54	15
Total specific user charges	1,726	1,360

Other user charges and fees**(i) Fees and charges – statutory and regulatory functions (per s.608)**

Building regulation	–	–
Impounding fees	–	10
Lifetime animal registrations	–	12
Planning and building regulation	100	47
Private works – section 67	159	235
Regulatory/ statutory fees	30	–
Section 149 certificates (EPA Act)	41	18
Section 603 certificates	14	11
Total fees and charges – statutory/regulatory	348	333

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Building and planning	–	24
Cemeteries	71	89
Child care	–	–
Community centres	22	–
Showgrounds	32	40
Gravel pits	308	–
Leaseback fees – Council vehicles	26	–
Leisure centre	–	–
Macquarie family day care	95	175
Plant income – private works	159	8
Plant income – RTA	–	309
Recycling income (non-domestic)	64	28
Saleyards	–	29
Sport and fitness centre	41	15
Sundry sales	–	–
Swimming centres	78	84
Waste disposal tipping fees	137	101
Water connection fees	43	5
Other	3	2
Total fees and charges – other	920	909
TOTAL USER CHARGES AND FEES	2,994	2,602

Accounting policy for user charges and fees

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	136	54
– Cash and investments	444	576
– Other	–	1
TOTAL INTEREST AND INVESTMENT REVENUE	580	631
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	136	54
General Council cash and investments	267	387
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	–	5
– Section 64	5	5
Water fund operations	102	103
Sewerage fund operations	70	73
Domestic waste management operations	–	1
Other externally restricted assets	–	3
Total interest and investment revenue recognised	580	631

Accounting policy for interest and investment revenue

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

(d) Other revenues

Rental income – other council properties	274	233
Legal fees recovery – rates and charges (extra charges)	43	–
Diesel rebate	55	56
Family day care	–	6
Insurance claim recoveries	21	–
Insurance rebates	3	48
Refunds of contributions	4	54
Sales – general	–	19
Other	195	49
TOTAL OTHER REVENUE	595	465

Accounting policy for other revenue

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

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

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

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,351	2,577	–	–
Financial assistance – local roads component	1,103	1,348	–	–
Payment in advance – future year allocation				
Financial assistance – general component	1,393	1,332	–	–
Financial assistance – local roads component	723	692	–	–
Other				
Pensioners' rates subsidies – general component	40	41	–	–
Other grants	437	–	–	–
Total general purpose	5,047	5,990	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	–	21	–	–
– Sewerage	–	20	–	–
– Domestic waste management	27	28	–	–
Water supplies	–	–	211	288
Black Spot grant funding	–	623	–	–
Bushfire and emergency services	–	83	–	–
Child care	–	–	–	–
Community care	3	–	–	–
Community centres	–	–	58	–
Community infrastructure grant	–	49	179	–
Economic development	52	42	–	–
Family day care – child assistance	430	816	–	–
Family day care – operational	79	169	–	–
Flood restoration	–	1,010	–	–
Library	36	36	–	–
LIRS subsidy	–	78	–	–
Noxious weeds	68	53	–	–
Recreation and culture	–	–	624	–
Street lighting	45	44	–	–
Transport (roads to recovery)	1,251	969	–	–
Transport (other roads and bridges funding)	288	–	1,010	792
Other	1	84	–	–
Total specific purpose	2,280	4,125	2,082	1,080
Total grants	7,327	10,115	2,082	1,080
Grant revenue is attributable to:				
– Commonwealth funding	4,761	8,029	–	–
– State funding	2,566	2,086	2,082	1,080
	7,327	10,115	2,082	1,080

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–		–	117
Other developer contributions		–	–	50	–
Total developer contributions – cash		–	–	50	117
Total developer contributions	21	–	–	50	117
Other contributions:					
Cash contributions					
Dedications – subdivisions (other than by s7.11)		–	129	–	–
Motor vehicle leaseback		11	26	–	–
Other councils – joint works/services		–	144	–	–
Recreation and culture		–	–	3	–
RMS contributions (regional roads, block grant)		1,125	1,105	–	–
Tourism		1	–	–	–
Other		183	–	–	–
Total other contributions – cash		1,320	1,404	3	–
Total other contributions		1,320	1,404	3	–
Total contributions		1,320	1,404	53	117
TOTAL GRANTS AND CONTRIBUTIONS		8,647	11,519	2,135	1,197

Accounting policy for contributions

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

Narromine Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	3,519	1,246
Add: operating grants recognised in the current period but not yet spent	2,174	2,613
Less: operating grants recognised in a previous reporting period now spent	(1,162)	(340)
Unexpended and held as restricted assets (operating grants)	<u><u>4,531</u></u>	<u><u>3,519</u></u>

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	5,178	5,005
Employee termination costs (where material – other than vested leave paid)	41	–
Travel expenses	20	118
Employee leave entitlements (ELE)	1,262	1,164
Superannuation	652	638
Workers' compensation insurance	177	179
Fringe benefit tax (FBT)	25	39
Training costs (other than salaries and wages)	103	167
Sick leave insurance	12	–
Protective clothing	20	–
Other	22	99
Total employee costs	7,512	7,409
Less: capitalised costs	(437)	(447)
TOTAL EMPLOYEE COSTS EXPENSED	7,075	6,962
Number of 'full-time equivalent' employees (FTE) at year end	78	79

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 15 for more information.

(b) Borrowing costs**(i) Interest bearing liability costs**

Interest on loans	95	134
Total interest bearing liability costs expensed	95	134
TOTAL BORROWING COSTS EXPENSED	95	134

Accounting policy for borrowing costs

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	2,947	4,042
Contractor and consultancy costs	1,574	89
Auditors remuneration ⁽²⁾	82	48
Legal expenses:		
– Legal expenses: other	68	17
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	35	39
Other	6	–
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>4,712</u>	<u>4,236</u>

Operating leases

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

1. Operating lease payments are attributable to:

Other	35	39
	<u>35</u>	<u>39</u>

2. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council – NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	82	48
Remuneration for audit and other assurance services	<u>82</u>	<u>48</u>
Total Auditor-General remuneration	<u>82</u>	<u>48</u>
Total Auditor remuneration	<u>82</u>	<u>48</u>

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		506	348
Office equipment		393	46
Furniture and fittings		17	18
Infrastructure:			
– Buildings – non-specialised		147	153
– Buildings – specialised		617	620
– Other structures		104	98
– Roads		2,191	2,286
– Bridges		243	243
– Footpaths		78	79
– Other road assets		10	–
– Stormwater drainage		203	202
– Water supply network		616	140
– Sewerage network		433	337
– Swimming pools		41	41
– Other open space/recreational assets		139	123
Other assets:			
– Aerodrome		226	257
Total depreciation and amortisation costs		<u>5,964</u>	<u>4,991</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>5,964</u>	<u>4,991</u>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment (continued)

Accounting policy for depreciation, amortisation and impairment expenses (continued)**Impairment of financial assets**

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

\$ '000	2018	2017
(e) Other expenses		
Advertising	117	33
Bad and doubtful debts	20	(27)
Bank charges	36	–
Child care – carers payments	432	805
Computer software charges	159	–
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	11	9
– Macquarie regional library	367	371
– NSW fire brigade levy	32	34
– NSW rural fire service levy	229	223
Councillor expenses – mayoral fee	25	19
Councillor expenses – councillors' fees	102	95
Councillors' expenses (incl. mayor) – other (excluding fees above)	37	25
Donations, contributions and assistance to other organisations (Section 356)	52	19
Election expenses	49	42
Electricity and heating	380	242
Insurance	383	323
Office expenses (including computer expenses)	78	114
Postage	5	–
Street lighting	146	140
Subscriptions and publications	128	–
Telephone and communications	73	62
Valuation fees	29	–
Other	5	8
TOTAL OTHER EXPENSES	2,895	2,537

Accounting policy for other expenses

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Plant and equipment	9		
Proceeds from disposal – plant and equipment		544	31
Less: carrying amount of plant and equipment assets sold/written off		(571)	(39)
Net gain/(loss) on disposal		(27)	(8)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		411	201
Less: carrying amount of real estate assets sold/written off		(227)	(117)
Net gain/(loss) on disposal		184	84
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		23,250	35,500
Less: carrying amount of financial assets sold/redeemed/matured		(23,250)	(35,500)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		154	76

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents			
Cash on hand and at bank		118	587
Cash-equivalent assets			
– Deposits at call		1,069	3,246
Total cash and cash equivalents		1,187	3,833

Accounting policy for cash and cash equivalents

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Investments				
a. 'Held to maturity'	22,962	–	21,000	–
Total investments	22,962	–	21,000	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>24,149</u>	<u>–</u>	<u>24,833</u>	<u>–</u>
Held to maturity investments				
Long term deposits	22,962	–	21,000	–
Total	22,962	–	21,000	–

Accounting policy for investments

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.

(a) 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 held at fair value with changes in value taken through profit or loss at each reporting period.

(b) 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. Assets in this category are measured at amortised cost.

(c) 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 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.

(d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments 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. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

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. Investments 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.

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments (continued)

Accounting policy for investments**Recognition and de-recognition** (continued)

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.

Impairment of available for sale investments

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.

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	24,149	–	24,833	–
attributable to:				
External restrictions (refer below)	14,017	–	13,958	–
Internal restrictions (refer below)	6,389	–	7,539	–
Unrestricted	3,743	–	3,336	–
	24,149	–	24,833	–

\$ '000	2018		2017	
Details of restrictions				
External restrictions – included in liabilities				
Specific purpose unexpended loans – general			5	7
External restrictions – included in liabilities			5	7
External restrictions – other				
Developer contributions – general			329	210
Developer contributions – water fund			141	137
Developer contributions – sewer fund			–	73
Specific purpose unexpended grants			4,367	2,935
Specific purpose unexpended grants-water fund			164	164
Water supplies			2,126	3,535
Sewerage services			5,514	5,606
Domestic waste management			926	1,001
Board of control			105	85
OROC (incl. Unexp. Grant of \$135,000)			340	205
External restrictions – other			14,012	13,951
Total external restrictions			14,017	13,958

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	306	977
Employees leave entitlement	630	630
Carry over works	2,070	1,886
Administration building	33	33
Aerodrome development	153	403
Alkane community contributions	87	83
Alkane environmental monitoring	69	47
Alkane roads contribution	55	190
Alkane Tomingley water tank project	60	40
Cemetery improvements	26	34
Community hall upgrades	34	34
Council buildings	52	42
Depot improvements	62	52
Drainage construction	122	73
Economic development reserve	12	12
Election expenses	19	9
Employees leave entitlement – family day care	–	54
Family day care	199	173
Industrial land planning	–	32
IT strategy	129	159
Kerb and gutter	238	146
Land development	499	493
Library improvements	140	144
Medical centre	91	425
Natfly	4	4
Office equipment	21	21
OHS	84	71
Playground equipment/fencing	50	169
Pound improvements	16	16
Public amenities upgrade	35	35
Quarries	484	580
Roads contingency	–	188
Saleyards	–	15
Showground improvements	1	9
Sports centre upgrades	25	15
Sprinkler/softfall replacement/sporting facilities	–	112
Stormwater – levee bank	2	2
Street lighting	9	9
Street tree planting/irrigation	9	31
Swimming facilities upgrades	25	27
Youth education activities	18	18
Wetlands development	46	46
Trangie Historical Group	1	–
Footpaths	5	–
Playground shade	49	–
Playground Fencing	33	–
Parks Amenities	95	–
Softfall Establishment	73	–
Irrigation System Establishment	72	–
Sporting Facility Upgrades	146	–
Total internal restrictions	6,389	7,539
TOTAL RESTRICTIONS	20,406	21,497

Narromine Shire Council

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	339	231	306	345
Interest and extra charges	247	49	86	65
User charges and fees	693	10	239	191
Accrued revenues				
– Interest on investments	110	–	192	–
– Other income accruals	–	–	6	–
Government grants and subsidies	484	–	57	–
Net GST receivable	141	–	141	–
Other debtors	10	–	161	8
Total	2,024	290	1,188	609
TOTAL NET RECEIVABLES	2,024	290	1,188	609
Externally restricted receivables				
Water supply				
– Specific purpose grants	–	–	56	–
– Rates and availability charges	40	24	44	28
– Other	273	178	212	162
Sewerage services				
– Rates and availability charges	86	66	95	52
– Other	178	–	155	–
Domestic waste management	–	–	51	36
Stormwater management	–	–	4	3
Total external restrictions	577	268	617	281
Unrestricted receivables	1,447	22	571	328
TOTAL NET RECEIVABLES	2,024	290	1,188	609
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			–	27
– amounts provided for but recovered during the year			–	(27)
Balance at the end of the year			–	–

Accounting policy for receivables

Recognition and measurement

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 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.

Narromine Shire Council

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

Note 7. Receivables (continued)

Accounting policy for receivables (continued)**Impairment**

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

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

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	471	–	440	–
Stores and materials	416	–	331	–
Total inventories at cost	887	–	771	–
TOTAL INVENTORIES	887	–	771	–
(b) Other assets				
Prepayments	131	–	7	–
TOTAL OTHER ASSETS	131	–	7	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
(a) Details for real estate development					
Residential		404	–	373	–
Industrial/commercial		67	–	67	–
Total real estate for resale		471	–	440	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		313	–	68	–
Development costs		158	–	372	–
Total costs		471	–	440	–
Total real estate for resale		471	–	440	–
Movements:					
Real estate assets at beginning of the year		439	–	556	–
– Purchases and other costs		259	–	–	–
– WDV of sales (expense)	5	(227)	–	(117)	–
Total real estate for resale		471	–	439	–

(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;

	2018	2017
Real estate for resale	471	316
	471	316

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

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Narromine Shire Council

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

Note 9(a). Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period				as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000										
Capital work in progress	3,491	—	3,491	(747)	—	—	—	2,744	—	2,744
Plant and equipment	7,684	4,095	3,589	1,745	(571)	(506)	—	8,172	3,915	4,257
Office equipment	1,003	387	616	260	—	(393)	—	1,264	781	483
Furniture and fittings	300	237	63	—	—	(17)	—	300	254	46
Land:										
— Operational land	3,818	—	3,818	—	—	—	—	3,818	—	3,818
— Community land	1,874	—	1,874	—	—	—	(116)	1,758	—	1,758
Infrastructure:										
— Buildings – non-specialised	5,202	2,638	2,564	7	—	(147)	602	5,573	2,547	3,026
— Buildings – specialised	28,880	13,040	15,840	780	—	(617)	541	32,721	16,177	16,544
— Other structures	3,074	905	2,169	175	—	(104)	—	3,249	1,008	2,241
— Roads	226,031	33,772	192,259	3,300	—	(2,191)	—	229,331	35,963	193,368
— Bridges	24,719	6,129	18,590	805	—	(243)	—	25,524	6,372	19,152
— Footpaths	3,398	1,543	1,855	6	—	(78)	—	3,404	1,621	1,783
— Other road assets	—	—	—	—	—	(10)	—	386	149	237
— Stormwater drainage	20,385	6,711	13,674	39	—	(203)	—	20,423	6,913	13,510
— Water supply network	24,433	11,486	12,947	1,851	—	(616)	366	26,932	12,383	14,549
— Sewerage network	26,308	8,068	18,240	341	—	(433)	381	27,208	8,679	18,529
— Swimming pools	2,601	1,023	1,578	111	—	(41)	—	2,753	1,065	1,688
— Other open space/recreational assets	3,529	1,770	1,759	81	—	(139)	—	3,610	1,908	1,702
— Other infrastructure	386	139	247	—	—	—	—	—	—	—
Other assets:										
— Aerodrome	15,681	12,082	3,599	168	—	(226)	—	15,849	12,308	3,541
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	402,799	104,025	298,774	8,922	(571)	(5,964)	1,774	415,019	112,043	302,976

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

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

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

Under section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed".

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	2,793	–	2,793	1,975	–	1,975
Plant and equipment	137	131	6	137	131	6
Land						
– Operational land	673	–	673	673	–	673
Other structures	118	77	41	118	77	41
Infrastructure	26,931	12,383	14,548	24,433	11,486	12,947
Total water supply	30,652	12,591	18,061	27,336	11,694	15,642
Sewerage services						
WIP	586	–	586	–	–	–
Plant and equipment	110	45	65	110	45	65
Land						
– Operational land	226	–	226	226	–	226
Buildings	125	49	76	125	49	76
Other structures	59	25	34	59	25	34
Infrastructure	27,208	8,680	18,528	26,307	8,068	18,239
Total sewerage services	28,314	8,799	19,515	26,827	8,187	18,640
Domestic waste management						
Plant and equipment	401	351	50	401	344	57
Land						
– Community land	98	–	98	98	–	98
Buildings	215	49	166	215	49	166
Other assets	445	118	327	445	111	334
Total DWM	1,159	518	641	1,159	504	655
TOTAL RESTRICTED IPP&E	60,125	21,908	38,217	55,322	20,385	34,937

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	109	–	668	–
Goods and services – capital expenditure	155	–	400	–
Accrued expenses:				
– Borrowings	–	–	6	–
– Salaries and wages	–	–	1	–
Advances	112	–	–	–
Security bonds, deposits and retentions	21	–	3	–
Other	545	–	16	–
Total payables	1,073	–	1,094	–
Income received in advance				
Payments received in advance	–	–	166	–
Total income received in advance	–	–	166	–
Borrowings				
Loans – secured ¹	385	2,494	351	2,691
Total borrowings	385	2,494	351	2,691
TOTAL PAYABLES AND BORROWINGS	1,458	2,494	1,611	2,691

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	229	–	–	–
Total payables and borrowings relating to restricted assets	229	–	–	–
Total payables and borrowings relating to unrestricted assets	1,229	2,494	1,611	2,691
TOTAL PAYABLES AND BORROWINGS	1,458	2,494	1,611	2,691

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

(b) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	3,042	(163)	–	–	–	2,879
TOTAL	3,042	(163)	–	–	–	2,879

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Credit cards/purchase cards	60	56
Total financing arrangements	60	56
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	60	56
Total undrawn financing arrangements	60	56

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

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance leases

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

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	696	–	632	–
Long service leave	1,059	56	1,104	53
Other leave	6	–	37	–
TOTAL PROVISIONS	1,761	56	1,774	53

(a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,115	1,173
	1,115	1,173

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	632	–	1,157	–	37	1,827
Additional provisions	64	–	(42)	–	(31)	(9)
Total ELE provisions at end of year	696	–	1,115	–	6	1,817

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	657	–	1,249	–	44	1,950
Additional provisions	(25)	–	(92)	–	(7)	(123)
Total ELE provisions at end of year	632	–	1,157	–	37	1,827

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Accounting policy for provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	1,187	3,833
Balance as per the Statement of Cash Flows		1,187	3,833
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		2,898	5,650
Adjust for non-cash items:			
Depreciation and amortisation		5,964	4,991
Net losses/(gains) on disposal of assets		(157)	(76)
Share of net (profits) or losses of associates/joint ventures		(37)	(34)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(517)	86
Increase/(decrease) in provision for doubtful debts		-	(27)
Decrease/(increase) in inventories		(85)	(13)
Decrease/(increase) in other assets		124	2
Increase/(decrease) in payables		(559)	448
Increase/(decrease) in accrued interest payable		(6)	(2)
Increase/(decrease) in other accrued expenses payable		(1)	(10)
Increase/(decrease) in other liabilities		624	34
Increase/(decrease) in employee leave entitlements		(10)	(123)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		7,990	10,926

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
Joint ventures	37	34	288	251
Total	37	34	288	251

Joint arrangements

Joint ventures

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Macquarie Regional Library	Joint Venture	Equity Method	288	251
Total carrying amounts – material joint ventures			288	251

(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	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017	2018	2017
Macquarie Regional Library	n/a	n/a		13%		13%		25%

(d) Summarised financial information for joint ventures

Statement of financial position	Macquarie Regional Library	
	2018	2017
Current assets		
Cash and cash equivalents	1,930	1,653
Other current assets	31	83
Non-current assets	1,128	992
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	311	189
Other current liabilities	698	682
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	32	29
Net assets	2,048	1,828

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Interests in other entities (continued)

\$ '000

Joint arrangements (continued)

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

	Macquarie Regional Library	
	2018	2017
Reconciliation of the carrying amount		
Opening net assets (1 July)	1,828	1,561
Profit/(loss) for the period	220	267
Closing net assets	2,048	1,828
Council's share of net assets (%)	14.0%	13.7%
Council's share of net assets (\$)	287	251
Statement of comprehensive income		
Income	2,883	2,921
Interest income	45	37
Depreciation and amortisation	(331)	(313)
Other expenses	(2,376)	(2,378)
Profit/(loss) for period	221	267
Total comprehensive income	221	267
Share of income – Council (%)	16.2%	12.6%
Profit/(loss) – Council (\$)	36	34
Total comprehensive income – Council (\$)	36	34

Accounting policy for joint arrangements**Joint ventures**

Interests in joint ventures are accounted for using the equity method in accordance with AASB128

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

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

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

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

Narromine Shire Council

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

Note 15. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	286	767
Total commitments	286	767
These expenditures are payable as follows:		
Within the next year	286	767
Total payable	286	767
Sources for funding of capital commitments:		
Unrestricted general funds	286	767
Total sources of funding	286	767

(b) Operating lease commitments (non-cancellable)**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	15	18
Later than one year and not later than 5 years	7	7
Total non-cancellable operating lease commitments	22	25

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 2018

Note 16. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(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.

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

Narromine Shire Council

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

Note 16. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(ii) Infringement notices/fines

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

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management

\$ '000

Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	118	3,833	118	3,833
Investments				
– 'Held to maturity'	24,031	21,000	24,031	21,000
Receivables	2,314	1,797	2,314	1,797
Total financial assets	26,463	26,630	26,463	26,630
Financial liabilities				
Payables	1,073	1,094	1,073	1,094
Loans/advances	2,879	3,042	2,879	3,042
Total financial liabilities	3,952	4,136	3,952	4,136

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.

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in 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.

2018	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in market values	507	507	(507)	(507)
Possible impact of a 1% movement in interest rates	210	210	(210)	(210)
2017				
Possible impact of a 1% movement in interest rates	212	212	(212)	(212)

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. 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:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	100%	100%	0%	34%
Overdue	0%	0%	100%	66%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(ii) Ageing of receivables – value**Rates and annual charges**

< 1 year overdue

1 – 2 years overdue

Other receivables

Current

0 – 30 days overdue

31 – 60 days overdue

61 – 90 days overdue

> 91 days overdue

	2018	2017
< 1 year overdue	245	393
1 – 2 years overdue	325	258
	<u>570</u>	<u>651</u>
Other receivables		
Current	1,744	–
0 – 30 days overdue	–	583
31 – 60 days overdue	–	151
61 – 90 days overdue	–	355
> 91 days overdue	–	57
	<u>1,744</u>	<u>1,146</u>

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	21	376	-	-	397	397
Loans and advances	3.47%	-	385	1,600	894	2,879	2,879
Total financial liabilities		21	761	1,600	894	3,276	3,276
2017							
Trade/other payables	0.00%	3	1,091	-	-	1,094	1,094
Loans and advances	3.47%	-	471	1,820	1,239	3,530	3,042
Total financial liabilities		3	1,562	1,820	1,239	4,624	4,136

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 28 June 2017 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	7,915	8,343	428	5%	F
User charges and fees	1,311	3,089	1,778	136%	F
Interest and investment revenue Higher interest earned on investments due to delay in capital works program.	457	580	123	27%	F
Other revenues	481	595	114	24%	F
Operating grants and contributions	5,732	6,726	994	17%	F
Capital grants and contributions	5,466	4,111	(1,355)	(25%)	U
Net gains from disposal of assets	666	701	35	5%	F
Joint ventures and associates - net profits	-	36	36	0%	F

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	6,631	6,829	(198)	(3%)	U
Borrowing costs	121	95	26	21%	F
Borrowing costs were lower than budget due to loans being drawn down later than budgeted.					
Materials and contracts	5,296	5,248	48	1%	F
Depreciation and amortisation	4,795	5,964	(1,169)	(24%)	U
Depreciation expense was higher due to the increased valuations of Council's Water and Sewer infrastructure assets which were revalued at the end of last financial year.					
Other expenses	2,740	2,603	137	5%	F

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

Cash flows from operating activities	10,627	7,601	(3,026)	(28.5%)	U
Cash flows from investing activities	-	(11,153)	(11,153)	0.0%	U
Cash flows from financing activities	-	(163)	(163)	0.0%	U

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/14	–	–	4,257	4,257
Office equipment	30/06/14	–	–	483	483
Furniture and fittings	30/06/14	–	–	46	46
Operational land	30/06/13	–	–	3,817	3,817
Community land	30/06/16	–	–	1,758	1,758
Buildings – non-specialised	30/06/18	–	–	3,026	3,026
Buildings – specialised	30/06/18	–	–	16,544	16,544
Other structures	30/06/14	–	–	2,241	2,241
Roads	30/06/15	–	–	193,369	193,369
Bridges	30/06/15	–	–	19,152	19,152
Footpaths	30/06/15	–	–	1,784	1,784
Stormwater drainage	30/06/15	–	–	13,510	13,510
Water supply network	30/06/17	–	–	14,548	14,548
Sewerage network	30/06/17	–	–	18,529	18,529
Swimming pools	30/06/14	–	–	1,648	1,648
Other open space/recreational assets	30/06/14	–	–	1,702	1,702
Other infrastructure	30/06/15	–	–	237	237
Aerodrome	30/06/14	–	–	3,540	3,540
WIP		–	–	2,744	2,744
Total infrastructure, property, plant and equipment		–	–	302,935	302,935

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	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
WIP		–	–	3,492	3,492
Total infrastructure, property, plant and equipment		–	–	298,773	298,773

(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 2018

Note 19. Fair value measurement (continued)

\$ '000

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

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

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

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 separating the floodways which have shorter lives
Market based evidence (level 2) were used for Gravel pavement, Seal, Culverts, Footpath, and K&G

Bridges

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

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.

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.

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Total
Opening balance – 1/7/16	3,595	411	82	4,479	8,567
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)
Closing balance – 30/6/17	3,589	616	63	3,818	8,085
Purchases (GBV)	1,745	260	–	–	2,005
Disposals (WDV)	(571)	–	–	–	(571)
Depreciation and impairment	(505)	(393)	(17)	–	(915)
Closing balance – 30/6/18	4,258	483	46	3,818	8,604

	Community Land	Land under roads	Buildings - Non- specialised	Buildings Specialised	Total
Opening balance – 1/7/16	1,874	–	2,696	16,424	20,994
Purchases (GBV)	–	–	20	116	136
Depreciation and impairment	(116)	–	(152)	(620)	(888)
Other movement (Reclassifications)	–	–	–	(80)	(80)
Closing balance – 30/6/17	1,758	–	2,564	15,840	20,162
Purchases (GBV)	–	–	7	780	787
Depreciation and impairment	–	–	(146)	(617)	(763)
Revaluation	–	–	601	541	1,142
Closing balance – 30/6/18	1,758	–	3,026	16,544	21,328

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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)

	Other Structures	Roads	Bridges	Footpaths	Total
Opening balance – 1/7/16	2,262	191,471	18,826	1,849	214,408
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)
Closing balance – 30/6/17	2,169	192,259	18,590	1,855	214,873
Purchases (GBV)	175	3,300	805	6	4,286
Depreciation and impairment	(103)	(2,191)	(243)	(78)	(2,615)
Closing balance – 30/6/18	2,241	193,368	19,152	1,783	216,544

	Stormwater drainage	Water supply network	Sewerage network	Swimming pools	Total
Opening balance – 1/7/16	13,878	7,122	17,781	1,618	40,399
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
Closing balance – 30/6/17	13,674	12,947	18,240	1,579	46,440
Purchases (GBV)	39	1,851	341	110	2,341
Depreciation and impairment	(203)	(616)	(433)	(42)	(1,294)
Revaluation	–	366	381	–	747
Closing balance – 30/6/18	13,510	14,548	18,529	1,647	48,234

	Other open space/recreational	Other infra-structure	Aerodrome	Total
Opening balance – 1/7/16	1,866	258	3,794	5,918
Purchases (GBV)	17	(0)	4	20
Depreciation and impairment	(123)	(10)	(257)	(391)
Other movement (Reclassifications)	–	–	58	58
Closing balance – 30/6/17	1,759	247	3,599	5,605
Purchases (GBV)	81	–	168	249
Depreciation and impairment	(139)	(10)	(226)	(375)
Closing balance – 30/6/18	1,701	237	3,541	5,479

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

b. 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 2018

Note 20. Related party transactions

\$ '000

a. Key management personnel

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

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

	2018	2017
Compensation:		
Short-term benefits	1,309	858
Post-employment benefits	110	75
Other long-term benefits	2	15
Termination benefits	-	265
Total	1,421	1,213

Narromine Shire Council

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

Note 20. Related party transactions (continued)

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

2018	Ref	Value of transactions during year		Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
		Actual \$	Actual \$				
Office Supplies	1	14,805	-	-	30 days	-	-

Nature of the transaction

2017	Ref	Value of transactions during year		Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
		Actual \$	Actual \$				
Office Supplies	1	11,195	-	-	30 days	-	-
Plant Hire	2	109,839	-	-	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.

Narromine Shire Council

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

Note 20. Related party transactions (continued)

c. Other related party transactions

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
2018					
Library Services	Actual \$ 382,139	Actual \$ -	30 days	Actual \$ -	Actual \$ -
	Ref 3				
2017					
Library Services	Actual \$ 316,500	Actual \$ -	30 days	Actual \$ -	Actual \$ -
	Ref 3				

- 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 2018

Note 21. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	10	-	-	-	-	-	10	-
Roads	8	-	-	-	-	-	8	-
Open space	26	-	-	-	-	-	26	-
Community facilities	165	-	-	-	-	-	165	-
S7.11 contributions – under a plan	209	-	-	-	-	-	209	-
Total S7.11 and S7.12 revenue under plans	209	-	-	-	-	-	209	-
S64 contributions	211	50	-	-	-	-	261	-
Total contributions	420	50	-	-	-	-	470	-

Narromine Shire Council

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

Note 21. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION 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	165	-	-	-	-	-	165	
Total	209	-	-	-	-	-	209	-

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Financial result and financial position by fund

Income Statement by fund \$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	626	1,084	6,784
User charges and fees	1,326	369	1,299
Interest and investment revenue	102	70	408
Other revenues	16	–	579
Grants and contributions provided for operating purposes	–	–	8,647
Grants and contributions provided for capital purposes	211	–	1,924
Other income			
Net gains from disposal of assets	–	–	157
Share of interests in joint ventures and associates using the equity method	–	–	37
Total income from continuing operations	2,281	1,523	19,835
Expenses from continuing operations			
Employee benefits and on-costs	460	181	6,434
Borrowing costs	–	–	95
Materials and contracts	770	553	3,389
Depreciation and amortisation	616	433	4,915
Other expenses	–	–	2,895
Total expenses from continuing operations	1,846	1,167	17,726
Operating result from continuing operations	435	356	2,107
 Net operating result attributable to each council fund	 435	 356	 2,107
 Net operating result for the year before grants and contributions provided for capital purposes	 224	 356	 183

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

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

Narromine Shire Council

Notes to the Financial Statements

as at 30 June 2018

Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	–	3,679	1,187
Investments	2,431	1,835	15,017
Receivables	288	330	1,179
Inventories	–	–	887
Total current assets	2,719	5,844	18,401
Non-current assets			
Receivables	–	–	290
Infrastructure, property, plant and equipment	18,061	19,515	265,400
Investments accounted for using the equity method	–	–	287
Total non-current assets	18,061	19,515	265,977
TOTAL ASSETS	20,780	25,359	284,379
LIABILITIES			
Current liabilities			
Payables	1	1	844
Borrowings	–	–	385
Provisions	–	–	1,761
Total current liabilities	1	1	2,990
Non-current liabilities			
Borrowings	–	–	2,494
Provisions	–	–	56
Total non-current liabilities	–	–	2,550
TOTAL LIABILITIES	1	1	5,091
Net assets	20,779	25,358	278,839
EQUITY			
Accumulated surplus	11,423	10,169	111,151
Revaluation reserves	9,357	15,189	167,687
Total equity	20,780	25,358	278,838

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

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

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>569</u>	2.67%	18.72%	11.73%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>21,310</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>12,663</u>	54.01%	47.89%	52.18%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>23,444</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>12,126</u>	6.46x	5.38x	5.63x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>1,876</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>6,628</u>	14.47x	19.96x	14.59x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>458</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>866</u>	9.14%	9.20%	8.10%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>9,475</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>24,149</u>	18.51 mths	19.9 mths	16.8 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>1,272</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 Notes 10 and 11.

⁽⁴⁾ Refer to Note 10(b) and 11(b) – 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 2018

Note 23(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	-0.06%	17.75%	10.82%	25.87%	23.37%	23.91%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	46.28%	40.98%	90.75%	84.43%	100.00%	98.60%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	6.46x	5.38x	2414.00x	No liabilities	No liabilities	No liabilities	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 23a 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 2018

Note 23(b). Statement of performance measures – by fund (continued)

	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
\$ '000							
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	10.92x	17.33x	0.00x	0.00x	0.00x	0.00x	> 2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	8.59%	8.13%	9.54%	14.91%	14.02%	13.84%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	15.69	17.97	0.00	14.92	0.00	61.86	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

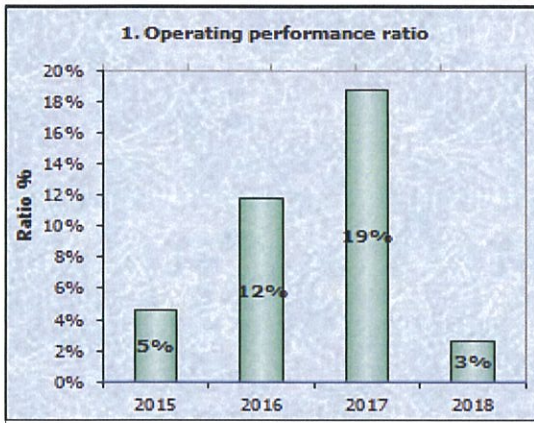
Notes

- (1) Refer to Notes at Note 23a 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 2018

Note 23(c). Statement of performance measures – consolidated results (graphs)



Benchmark: — Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of operating performance ratio

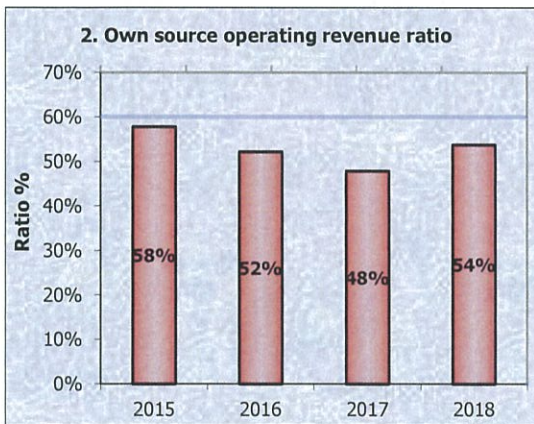
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2017/18 result

2017/18 ratio 2.67%

Provide some commentary of the ratio here...

 Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of own source operating revenue ratio

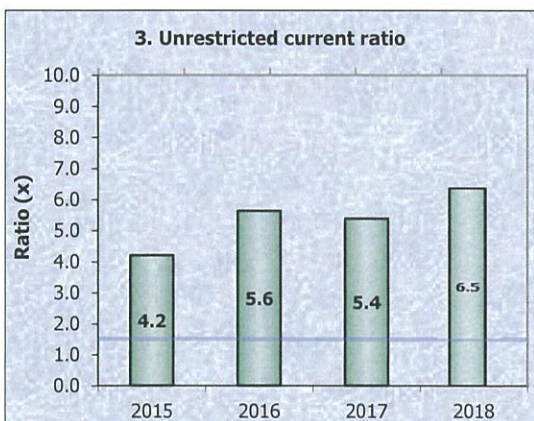
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2017/18 result

2017/18 ratio 54.01%

Provide some commentary of the ratio here...

 Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Minimum ≥ 1.50

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of unrestricted current ratio

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

Commentary on 2017/18 result

2017/18 ratio 6.46x

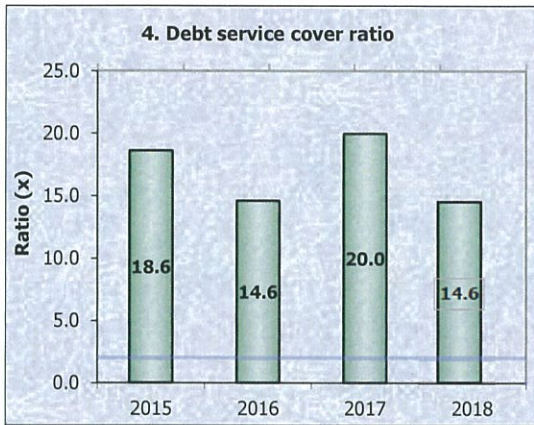
Provide some commentary of the ratio here...

 Ratio achieves benchmark
 Ratio is outside benchmark

Narromine Shire Council

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

Note 23(c). Statement of performance measures – consolidated results (graphs)



Benchmark: ——— Minimum ≥ 2.00

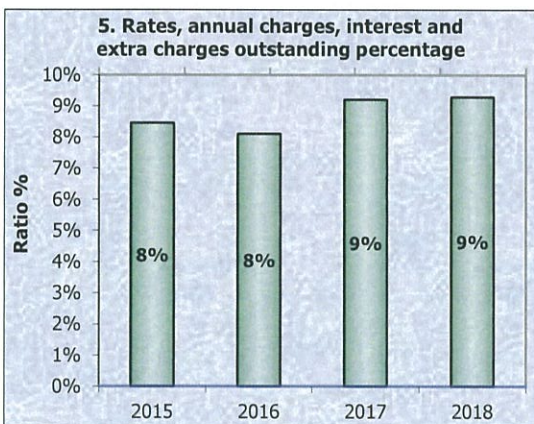
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of debt service cover ratio

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

Commentary on 2017/18 result	
2017/18 ratio	14.47x
Provide some commentary of the ratio here...	

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: ——— Maximum $\ll 10\%$ region:

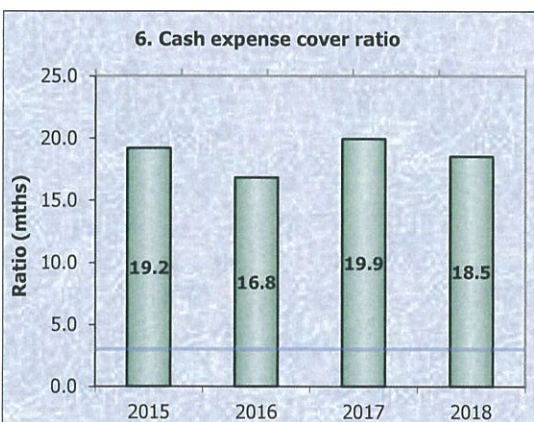
Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of rates and annual charges outstanding ratio

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

Commentary on 2017/18 result	
2017/18 ratio	9.14%
Provide some commentary of the ratio here...	

Ratio is within Benchmark
 Ratio is outside Benchmark



Benchmark: ——— Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of cash expense cover ratio

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

Commentary on 2017/18 result	
2017/18 ratio	18.51 mths
Provide some commentary of the ratio here...	

Ratio achieves benchmark
 Ratio is outside benchmark

Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24. Council information and contact details

Principal place of business:

124 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.narromine.nsw.gov.au

Email: 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**

Craig Davies

COUNCILLORS**Other information**

ABN: 99 352 328 405

DRAFT - UNAUDITED

Narromine Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*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 2018

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
4. Auditor's Report	17

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 year ended 30 June 2018

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 Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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 dd/mm/yy.

Craig Davies
Mayor
dd/mm/yy

James Craft
Councillor
dd/mm/yy

Jane Redden
General manager
dd/mm/yy

John Sevil
Responsible accounting officer
dd/mm/yy

Narromine Shire Council

Income Statement of Council's Water Supply Business Activity
for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	626	469
User charges	1,275	1,080
Fees	51	17
Interest	102	106
Grants and contributions provided for non-capital purposes	–	21
Other income	16	4
Total income from continuing operations	2,070	1,697
Expenses from continuing operations		
Employee benefits and on-costs	460	192
Materials and contracts	770	830
Depreciation, amortisation and impairment	616	130
Other expenses	–	106
Total expenses from continuing operations	1,846	1,258
Surplus (deficit) from continuing operations before capital amounts	224	439
Grants and contributions provided for capital purposes	211	288
Surplus (deficit) from continuing operations after capital amounts	435	727
Surplus (deficit) from all operations before tax	435	727
Less: corporate taxation equivalent (30%) [based on result before capital]	(67)	(132)
SURPLUS (DEFICIT) AFTER TAX	368	595
Plus opening retained profits	10,988	10,261
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	67	132
Closing retained profits	11,423	10,988
Return on capital %	1.2%	2.8%
Subsidy from Council	251	–
Calculation of dividend payable:		
Surplus (deficit) after tax	368	595
Less: capital grants and contributions (excluding developer contributions)	(74)	(151)
Surplus for dividend calculation purposes	294	444
Potential dividend calculated from surplus	147	222

Narromine Shire Council

Income Statement of Council's Sewerage Business Activity
for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	1,084	1,054
User charges	341	247
Liquid trade waste charges	13	17
Fees	15	2
Interest	70	75
Interest – internal loan to general fund	–	2
Grants and contributions provided for non-capital purposes	–	20
Other income	–	9
Total income from continuing operations	1,523	1,426
Expenses from continuing operations		
Employee benefits and on-costs	181	159
Materials and contracts	553	538
Depreciation, amortisation and impairment	433	337
Other expenses	–	51
Total expenses from continuing operations	1,167	1,085
Surplus (deficit) from continuing operations before capital amounts	356	341
Surplus (deficit) from continuing operations after capital amounts	356	341
Surplus (deficit) from all operations before tax	356	341
Less: corporate taxation equivalent (30%) [based on result before capital]	(107)	(102)
SURPLUS (DEFICIT) AFTER TAX	249	239
Plus opening retained profits	9,813	9,472
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	107	102
Closing retained profits	10,169	9,813
Return on capital %	1.8%	1.8%
Subsidy from Council	157	103
Calculation of dividend payable:		
Surplus (deficit) after tax	249	239
Less: capital grants and contributions (excluding developer contributions)	73	73
Surplus for dividend calculation purposes	322	312
Potential dividend calculated from surplus	161	156

Narromine Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	–	1,405
Investments	2,431	2,431
Receivables	515	312
Total current assets	2,946	4,148
Non-current assets		
Receivables	–	190
Infrastructure, property, plant and equipment	18,061	15,642
Total non-current assets	18,061	15,832
TOTAL ASSETS	20,780	19,980
LIABILITIES		
Current liabilities		
Payables	228	–
Total current liabilities	228	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	228	–
NET ASSETS	20,780	19,980
EQUITY		
Accumulated surplus	11,423	10,988
Revaluation reserves	9,357	8,992
TOTAL EQUITY	20,780	19,980

Narromine Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	3,679	3,856
Investments	1,835	1,823
Receivables	330	250
Total current Assets	5,844	5,929
Non-current assets		
Receivables	–	52
Infrastructure, property, plant and equipment	19,515	18,640
Total non-current assets	19,515	18,692
TOTAL ASSETS	25,359	24,621
LIABILITIES		
Current liabilities		
Payables	1	–
Total current liabilities	1	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	1	–
NET ASSETS	25,358	24,621
EQUITY		
Accumulated surplus	10,169	9,813
Revaluation reserves	15,189	14,808
TOTAL EQUITY	25,358	24,621

Narrromine Shire Council

Special Purpose Financial Statements for the year ended 30 June 2018

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	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

Narromine Shire Council

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

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.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

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

Narromine Shire Council

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

Note 1. Significant accounting policies (continued)

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 Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(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 \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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 Crown Lands and Water (CLAW), 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 to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Narromine Shire Council

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

Note 1. Significant accounting policies (continued)

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.

(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.

Narromine Shire Council

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

Note 1. Significant accounting policies (continued)

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 2.63% at 30/6/18.

(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 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

Narromine Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements

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

2018

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	7,497
(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]	146,900
(ii) Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	74,970
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	1,230,700

2018 Surplus	293,800	2017 Surplus	444,300	2016 Surplus	492,600
		2017 Dividend	-	2016 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	74,970
(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? ^a	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 2018Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2018

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	1,968
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)]	%	67.31%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	18,061
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,231
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	618
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)]	%	0.67%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	211

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - 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 2018Note 3. Sewerage business
best-practice management disclosure requirements

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

2018

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	6,603
(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]	161,100
(ii) Number of assessments x (\$30 less tax equivalent charges per assessment)	66,033
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	898,600

2018 Surplus	322,200	2017 Surplus	311,700	2016 Surplus	264,700
		2017 Dividend	-	2016 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	66,033
(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? ^a	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 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,452
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	19,515
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	733
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	–
NWI F18	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)]	%	1.47%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	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	3,420
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.00%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	618
NWI F19	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)]	%	1.09%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	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 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

**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)]	%	-16.73%
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	580
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	–

- 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

DRAFT - UNAUDITED

Narromine Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

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 2018

Contents		Page
Special Schedules ¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	4
Special Schedule 2	Independent Auditors Report	5
Special Schedule 3	Water Supply Operations – incl. Income Statement	6
Special Schedule 4	Water Supply – Statement of Financial Position	9
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	10
Special Schedule 6	Sewerage Service – Statement of Financial Position	13
Notes to Special Schedules 3 and 5		14
Special Schedule 7	Report on Infrastructure Assets	15

¹ Special Schedules are not audited (with the exception of Special Schedule 2).

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 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	487	-	-	(487)
Administration	3,163	-	-	(3,163)
Public order and safety				
Fire service levy, fire protection, emergency services	443	-	-	(443)
Beach control	-	-	-	-
Enforcement of local government regulations	138	-	-	(138)
Animal control	-	-	-	-
Other	-	-	-	-
Total public order and safety	581	-	-	(581)
Health	-	-	-	-
Environment				
Noxious plants and insect/vermin control	312	100	-	(212)
Other environmental protection	15	-	-	(15)
Solid waste management	1,085	1,344	-	259
Street cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater management	-	-	-	-
Total environment	1,411	1,444	-	33
Community services and education				
Administration and education	-	-	-	-
Social protection (welfare)	110	113	-	3
Aged persons and disabled	-	-	-	-
Children's services	633	607	-	(26)
Total community services and education	743	720	-	(23)
Housing and community amenities				
Public cemeteries	118	-	-	(118)
Public conveniences	128	71	-	(56)
Street lighting	-	-	-	-
Town planning	192	209	-	17
Other community amenities	-	-	-	-
Total housing and community amenities	438	281	-	(157)
Water supplies	1,927	2,053	211	337
Sewerage services	1,166	1,520	-	355

Narromine Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	487	36	–	(451)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	215	82	–	(132)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	277	467	205	395
Swimming pools	525	251	–	(275)
Parks and gardens (lakes)	931	63	–	(868)
Other sport and recreation	–	–	–	–
Total recreation and culture	2,435	899	205	(1,331)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	30	132	–	102
Total mining, manufacturing and const.	30	132	–	102
Transport and communication				
Urban roads (UR) – local	810	672	–	(138)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	2,765	1,909	557	245
Sealed rural roads (SRR) – regional	804	371	488	54
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	147	–	400	253
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	96	–	95	(1)
Parking areas	–	–	–	–
Footpaths	–	–	–	–
Aerodromes	565	94	–	(471)
Other transport and communication	2,763	399	179	(2,185)
Total transport and communication	7,950	3,405	1,719	(2,242)
Economic affairs				
Camping areas and caravan parks	(0)	–	–	0
Other economic affairs	409	62	–	(346)
Total economic affairs	408	62	–	(346)
Totals – functions	20,739	10,517	2,135	(7,503)
General purpose revenues ⁽¹⁾		10,949		10,909
Share of interests – joint ventures and associates using the equity method	–	36	–	36
NET OPERATING RESULT ⁽²⁾	20,739	21,503	2,135	3,442

(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 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	5,577	5,423
Plus or minus adjustments ⁽²⁾	b	15	9
Notional general income	c = (a + b)	5,592	5,432
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	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)	–	–
Or plus rate peg amount	i = c x e	129	81
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	5,721	5,513
Plus (or minus) last year's carry forward total	l	(2)	64
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	(2)	64
Total permissible income	o = k + n	5,719	5,577
Less notional general income yield	p	5,718	5,577
Catch-up or (excess) result	q = o – p	1	0
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	1	0

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 2 in the financial data return (FDR) to administer this process.

Narromine Shire Council

Special Schedule 2 – Independent Auditors Report for the year ended 30 June 2019

Report on Special Schedule 2

Insert here signed Independent Auditors Report

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	429	345
b. Engineering and supervision	542	180
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	44	–
d. Maintenance expenses	–	164
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	–	36
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	16
h. Energy costs	69	91
i. Maintenance expenses	18	121
– Treatment		
j. Operation expenses (excluding chemical costs)	–	90
k. Chemical costs	37	–
l. Maintenance expenses	–	61
– Other		
m. Operation expenses	22	20
n. Maintenance expenses	70	6
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	616	130
b. Plant and equipment	–	–
4. Miscellaneous expenses		
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)	–	–
5. Total expenses	1,847	1,260

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 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	623	437
b. Usage charges	1,283	1,090
7. Non-residential charges		
a. Access (including rates)	–	32
b. Usage charges	–	–
8. Extra charges	45	14
9. Interest income	102	92
10. Other income	17	13
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	211	288
b. Grants for pensioner rebates	–	21
c. Other grants	–	–
12. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	<u>2,281</u>	<u>1,987</u>
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	<u>434</u>	<u>727</u>
15a. Operating result (less grants for acquisition of assets)	223	439

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	230
b. New assets for growth	–	–
c. Renewals	618	627
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	<u>618</u>	<u>857</u>
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	1,978	1,911
b. Residential (unoccupied, ie. vacant lot)	125	78
c. Non-residential (occupied)	364	270
d. Non-residential (unoccupied, ie. vacant lot)	32	15
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 19,999	\$ 19,240

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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	141	–	141
b. Special purpose grants	164	–	164
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,899	–	1,899
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	64	–	64
c. User charges	–	–	–
d. Other	451	–	451
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	18,061	18,061
b. Plant and equipment	–	–	–
29. Other assets	–	–	–
30. Total assets	<u>2,719</u>	<u>18,061</u>	<u>20,780</u>
LIABILITIES			
31. Bank overdraft	1	–	1
32. Creditors	–	–	–
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>1</u>	<u>–</u>	<u>1</u>
36. NET ASSETS COMMITTED	<u>2,718</u>	<u>18,061</u>	<u>20,779</u>
EQUITY			
37. Accumulated surplus			11,422
38. Asset revaluation reserve			9,357
39. Other reserves			–
40. TOTAL EQUITY			<u>20,779</u>
Note to system assets:			
41. Current replacement cost of system assets			30,652
42. Accumulated current cost depreciation of system assets			(12,591)
43. Written down current cost of system assets			<u>18,061</u>

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	365	322
b. Engineering and supervision	180	204
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	18	–
b. Maintenance expenses	–	11
– Pumping stations		
c. Operation expenses (excluding energy costs)	17	43
d. Energy costs	51	–
e. Maintenance expenses	16	14
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	86	98
g. Chemical costs	–	–
h. Energy costs	–	45
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	–	–
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	1
3. Depreciation expenses		
a. System assets	432	337
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	10
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,165	1,085

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 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	1,063	1,001
7. Non-residential charges		
a. Access (including rates)	–	47
b. Usage charges	358	247
8. Trade waste charges		
a. Annual fees	6	6
b. Usage charges	13	14
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	8
10. Interest income	70	67
11. Other income	12	16
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	–	20
c. Other grants	–	–
13. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>1,522</u>	<u>1,426</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>357</u>	<u>341</u>
16a. Operating result (less grants for acquisition of assets)	357	341

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	–	–
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	<u>–</u>	<u>–</u>
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,769	1,717
b. Residential (unoccupied, ie. vacant lot)	73	71
c. Non-residential (occupied)	342	332
d. Non-residential (unoccupied, ie. vacant lot)	18	17
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 19,041	\$ 18,486

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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,514	–	5,514
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	152	–	152
c. User charges	–	–	–
d. Other	178	–	178
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	19,515	19,515
b. Plant and equipment	–	–	–
30. Other assets	–	–	–
31. Total assets	<u>5,844</u>	<u>19,515</u>	<u>25,359</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	–	–	–
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>–</u>	<u>–</u>	<u>–</u>
37. NET ASSETS COMMITTED	<u>5,844</u>	<u>19,515</u>	<u>25,359</u>
EQUITY			
38. Accumulated surplus			9,813
39. Asset revaluation reserve			15,546
40. Other reserves			–
41. TOTAL EQUITY			<u>25,359</u>
Note to system assets:			
42. Current replacement cost of system assets			28,313
43. Accumulated current cost depreciation of system assets			(8,798)
44. Written down current cost of system assets			<u>19,515</u>

Narromine Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

Administration ⁽¹⁾

(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 ⁽¹⁾

(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 ⁽²⁾ (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 ⁽²⁾ (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:

⁽¹⁾ 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).

⁽²⁾ 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 2018

\$'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	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
Buildings	Buildings	–	3,829	1,157	1,128	19,570	38,294	14%	54%	20%	10%	2%	
	Sub-total	–	3,829	1,157	1,128	19,570	38,294	14.0%	54.0%	20.0%	10.0%	2.0%	
Other structures	Other structures	–	227	–	–	2,241	3,249	60%	23%	9%	8%	0%	
	Sub-total	–	227	–	–	2,241	3,249	60.0%	23.0%	9.0%	8.0%	0.0%	
Roads	Sealed roads	–	1,333	1,278	1,247	110,639	133,281	41%	20%	11%	26%	2%	
	Unsealed roads	–	4,983	1,687	1,646	82,729	99,660	74%	3%	15%	4%	4%	
	Bridges	–	255	–	–	19,152	25,524	28%	41%	31%	–	0%	
	Footpaths	–	579	12	12	178	3,404	1%	91%	3%	3%	2%	
	Other road assets	–	4	66	65	264	386	1%	50%	24%	15%	10%	
	Other	–	–	–	–	1,578	–	–	–	–	–	–	–
	Sub-total	–	7,154	3,043	2,970	214,540	262,255	51.7%	16.5%	14.4%	14.8%	2.6%	

Narramine Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

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	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	-	7,002	685	670	14,549	26,932	41%	20%	11%	26%	2%
	Sub-total	-	7,002	685	670	14,549	26,932	41.0%	20.0%	11.0%	26.0%	2.0%
Sewerage network	Sewerage network	-	1,088	305	297	18,529	27,207	74%	3%	15%	4%	4%
	Sub-total	-	1,088	305	297	18,529	27,207	74.0%	3.0%	15.0%	4.0%	4.0%
Stormwater drainage	Stormwater drainage	-	613	80	77	13,510	20,423	28%	38%	31%	3%	0%
	Sub-total	-	613	80	77	13,510	20,423	28.0%	38.0%	31.0%	3.0%	0.0%
Open space/recreational assets	Swimming pools	-	81	382	372	1,688	2,712	1%	91%	3%	3%	2%
	Other Open Space	-	542	1,010	1,000	1,702	15,849	3%	17%	68%	1%	11%
	Sub-total	-	623	1,392	1,372	3,390	18,561	2.7%	27.8%	58.5%	1.3%	9.7%
Other infrastructure assets	Other	-	158	219	224	237	15,849	3%	17%	68%	1%	11%
	Sub-total	-	158	219	224	-	15,849	3.0%	17.0%	68.0%	1.0%	11.0%
	TOTAL – ALL ASSETS	-	20,694	6,881	6,738	286,329	412,770	43.8%	21.0%	19.5%	12.6%	3.1%

Notes:

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

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Narromine Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	<u>7,320</u>	151.80%	93.43%	187.83%	>= 100%
Depreciation, amortisation and impairment	<u>4,822</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>20,694</u>	7.23%	11.64%	11.85%	< 2.00%
Net carrying amount of infrastructure assets	<u>286,329</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>6,738</u>	97.92%	60.37%	68.95%	> 100%
Required asset maintenance	<u>6,881</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>20,694</u>	5.01%	6.08%	6.37%	
Gross replacement cost	<u>412,770</u>				

Notes

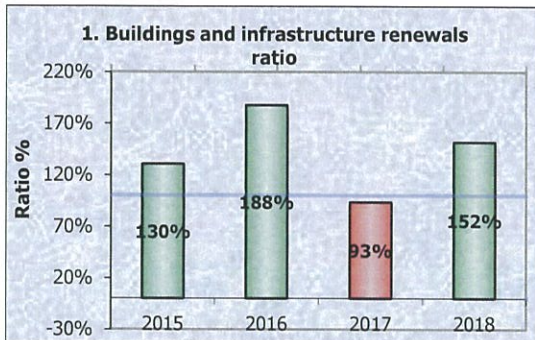
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Excludes Work In Progress (WIP)

⁽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 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018



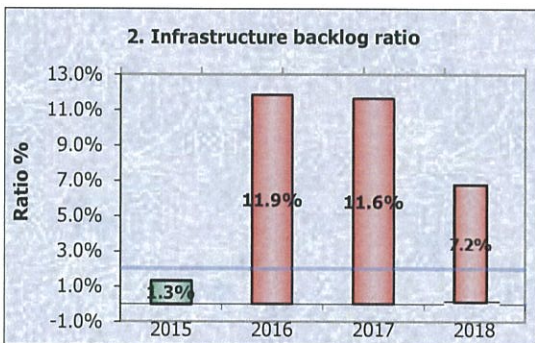
Benchmark: — Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result	
2017/18 Ratio	151.80%
Provide some commentary of the ratio here...	

Ratio achieves benchmark
 Ratio is outside benchmark



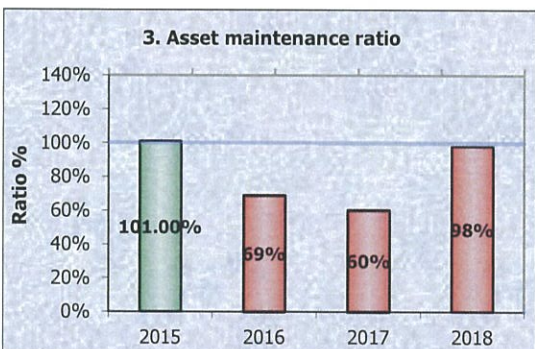
Benchmark: — Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2017/18 result	
2017/18 Ratio	7.23%
Provide some commentary of the ratio here...	

Ratio achieves benchmark
 Ratio is outside benchmark



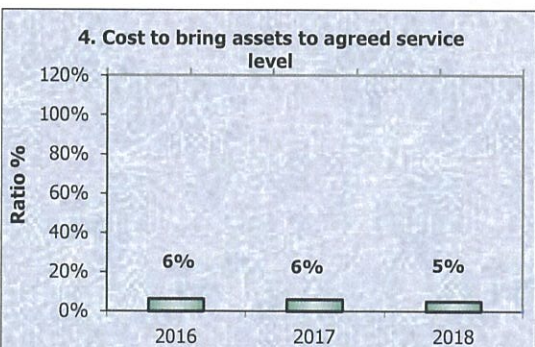
Benchmark: — Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result	
2017/18 Ratio	97.92%
Provide some commentary of the ratio here...	

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 2017/18 result	
2017/18 Ratio	5.01%
Provide some commentary of the ratio here...	

Narromine Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	194.01%	84.78%	0.00%	448.13%	0.00%	44.81%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	0.00%	4.03%	0.00%	41.89%	0.00%	4.78%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	97.96%	150.54%	97.81%	81.92%	97.38%	52.63%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	3.51%	4.34%	26.00%	26.51%	4.00%	5.30%	
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) Excludes Work In Progress (WIP)

(3) 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.