

**NARROMINE SHIRE COUNCIL**  
**ORDINARY MEETING BUSINESS PAPER – 13 NOVEMBER 2019**  
**REPORTS TO COUNCIL – FINANCE & CORPORATE STRATEGY**

**1. BUDGET REPORT – KEY PERFORMANCE INDICATORS – 31 OCTOBER 2019**

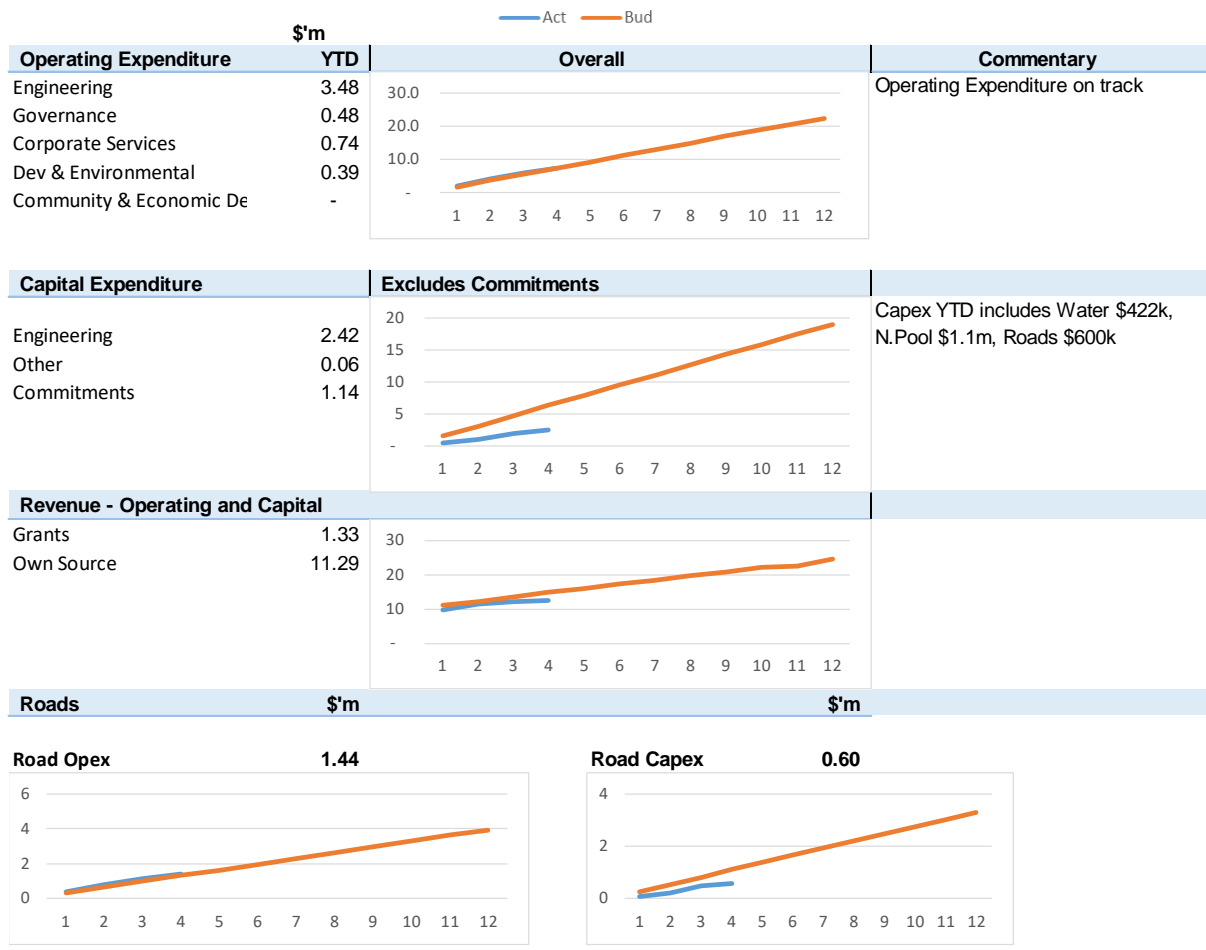
Author Director Finance and Corporate Strategy  
 Responsible Officer Director Finance and Corporate Strategy  
 Link to Strategic Plans CSP – 4.3.1 Operate and manage Council in a financially sustainable manner that meets all statutory and regulatory compliance and Council policies

**Executive Summary**

This report is presented to Council as a concise method of understanding Council's financial performance in key areas.

**Report**

A compact representation of the Council's performance to budget for key areas is shown below.



1. BUDGET REPORT – KEY PERFORMANCE INDICATORS – 31 OCTOBER 2019 (cont'd)

*Financial Implications*

Nil

*Legal and Regulatory Compliance*

- Local Government Act, 1993 – Section 748
- Local Government (General) Regulation, 2005 – Clause 202(b)

*Risk Management Issues*

Nil

*Internal/External Consultation*

Nil

Attachments

Nil

**RECOMMENDATION**

1. That the report regarding Council's Key Performance Indicators be received and noted.

## 2. INVESTMENT REPORT AS AT 31 OCTOBER 2019

<b>Author</b>	Director Finance & Corporate Strategy
<b>Responsible Officer</b>	Director Finance & Corporate Strategy
<b>Link to Strategic Plans</b>	CSP – 4.3 A financially sound Council that is responsible and sustainable DP - 4.3.1.5 Provide monthly cash balances and detailed quarterly financial reports to Council.

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### Executive Summary

Council's investments are made in accordance with legislative requirements and are certified as such by the Responsible Accounting Officer.

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### Report

Under the Local Government Act 1993 and Local Government (General) Regulation 2005, the Responsible Accounting Officer is required to report on Council's Investment portfolio on a monthly basis.

The management of Council's Investments is delegated by the General Manager to the Director of Finance and Corporate Strategy.

Council's current investment portfolio is diversified across a number of investment types and institutions. This includes term deposits, on-call accounts and managed funds. Investments are in accordance with the Office of Local Government's Guidelines and Council's Investment Policy.

The Government Guarantee on aggregated Investments up to \$1 million per account holder per institution expired 1 February 2012 and the new cap is \$250,000.

The investment portfolio decreased **\$2,520,579** during the reporting period. This decrease is due mostly to less Rates receipts than Capital and Operational Payments which was anticipated.

### *Financial Implications*

The 2019/20 Budget estimates the total annual Investment Revenue as \$615,080 which represents an estimated return of 2.5% and is split proportionally across General, Water and Sewer Funds and changes on a monthly basis in accordance with cash flow requirements.

The market value of Council's Investments held as at **31 October 2019** is **\$21,280,918**. The full list of investments is in **Attachment No. 1**.

**2. INVESTMENT REPORT AS AT 31 OCTOBER 2019 (Cont'd)**

***Legal and Regulatory Compliance***

- Local Government Act, 1993 – Section 625
- Local Government (General) Regulation, 2005 – Clause 212
- Council Investment Policy adopted 11 March 2015
- Ministerial Investment Order – 12 January 2011

***Risk Management Issues***

Council's risk management strategy is to diversify the allocation of funds across different financial institutions and government authorities based on credit ratings as per the Investment Policy. The investment portfolio is regularly reviewed in order to maximise investment performance and minimise risk.

**Certification – Responsible Accounting Officer**

I hereby certify that the investments listed in the report have been made in accordance with Section 625 of the Local Government Act 1993, clause 212 of the Local Government (General) Regulation 2005 and Council's Investment Policy.

**Attachments**

- 1 Investments – 31 October 2019

**RECOMMENDATION**

1. That the report regarding Council's Investment Portfolio be received and noted;
2. That the certification of the Responsible Accounting Officer is noted and the report adopted.

### 3. 2018-19 ANNUAL FINANCIAL STATEMENTS

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

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#### **Executive Summary**

The Annual Financial Statements have been prepared in accordance with the Office of Local Government's Code of Accounting Practice and Financial Reporting Guidelines and Australian Accounting Standards, have been audited and are presented to Council for adoption.

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#### **Report**

The Financial Statements were submitted to the Office of Local Government on the 29<sup>th</sup> October 2019 and are attached (**Attachment 2**).

Section 420 of the Local Government Act stipulates that Council must allow a period of 7 days after accepting the Financial Statements for the public to make written submissions on the audited Financial Reports and/or the Auditors Report. Any submissions are referred to Council's Auditors for further comment as required.

#### **Summary**

Council's External Auditor's Report reflects a sound financial position as at 30<sup>th</sup> June 2019. This report forms part of the Financial Statements and can be found on pages 76 - 84 of the statements.

#### ***Financial Implications***

The Annual Financial Statements reflect the transactions previously reported to Council at the Quarterly Budget Reviews and the year-end adjustments.

**3. 2018-19 ANNUAL FINANCIAL STATEMENTS (Cont'd)**

***Legal and Regulatory Compliance***

Local Government Act 1993

Local Government Code of Accounting Practice and Financial Reporting  
Guidelines – Update 26

The Australian Accounting Standards and professional pronouncements of the  
Australian Standards Board

***Risk Management Issues***

Nil

***Internal/External Consultation***

The General Purpose Financial Statements were audited by the NSW Audit Office.

**Attachments**

2 Financial Statements

**RECOMMENDATION**

1. That Council adopts the 2018-19 Audited Financial Statements and Auditors report, as presented.

#### **4. QUARTERLY BUDGET REVIEW STATEMENT – 30 SEPTEMBER 2019**

<b>Author</b>	Director Finance and Corporate Strategy
<b>Responsible Officer</b>	Director Finance and Corporate Strategy
<b>Link to Strategic Plans</b>	CSP – 4.3.1 – Operate and manage Council in a financially sustainable manner that meets all statutory and regulatory compliance and Council policies.  Delivery Program – 4.3.1.5 - Provide monthly cash balances and detailed quarterly financial reports to Council.

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#### **Executive Summary**

The Quarterly Budget Review Statement ("QBR") must be prepared by the Responsible Accounting Officer and presented to Council within two months of the end of the quarter.

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#### **Report**

The Quarterly Budget Review Statement (QBR) has been prepared for the 30 September 2019 quarter and is presented to Council as **Attachment No.3**.

Council adopted a balanced cash based budget as part of the 2018-19 Operational Plan at the 13 June 2019 Council Meeting. Since then the following changes have occurred –

- a) Since the start of the financial year Council has adopted recommendations from staff which have also impacted on the budget result. These changes have already been approved by Council and are included in the "Approved Changes Column" in the Income and Expenditure Review Statement of the QBR document.
- b) A review of the last three months has been carried out by staff and the changes are included in the "Variations for this Quarter" column of the QBR document.

The net result of all changes for the year to the end of September 2019 is **Nil** as all adjustments have been funded from Reserves or Carryover Works approved by Council at the August 2019 meeting.

#### **4. QUARTERLY BUDGET REVIEW STATEMENT - 30 SEPTEMBER 2019 (Cont.)**

The adjustments which have been identified during the review are summarised below:

<b>Summary</b>	<b>Budget Impact</b>
Balanced budget at commencement of year	0
30 September 2019 QBR results	0
<b>TOTAL CHANGE FOR YEAR TO DATE</b>	<b>0</b>

The revised budget result following the September 2019 QBR is a balanced budget.

The financial position of Narromine Shire Council as at 30th September 2019 is considered to be satisfactory and is confirmed by the Report from the Responsible Accounting Officer.

#### **Summary**

The Office of Local Government released guidelines on the preparation of Quarterly Budget Review Statements (QBRs) to Councils in December 2010 with mandatory reporting in line with the guideline which commenced in July 2011.

The QBRs must show, by reference to the estimated income and expenditure that is set out in the operational plan adopted by Council for the relevant year, a revised estimate of income and expenditure for that year.

It also requires the Budget Review Statement to include a report by the Responsible Accounting Officer as to whether or not they consider the Statement indicates Council to be in a satisfactory financial position (with regard to its original budget) and if not, to include recommendations for remedial action.

#### **Financial Implications**

Council's original budget was adopted on 13 June 2019 and reflected a balanced overall cash based budget.

#### **Legal and Regulatory Compliance**

*Local Government (General) Regulation 2005* (the Regulations) clause 203 requires a Council's Responsible Accounting Officer to prepare and submit a quarterly budget review statement to the governing body of Council within two months of the end of the quarter.

Office of Local Government – Quarterly Budget Review Guidelines issued December 2010.



4. QUARTERLY BUDGET REVIEW STATEMENT - 30 SEPTEMBER 2019 (Cont.)

*Risk Management Issues*

Nil

*Internal/External Consultation*

Nil

Attachments

3 Quarterly Budget Review Statement

**RECOMMENDATION**

1. That the document entitled “Quarterly Budget Review Statement – 30 September 2019”, as attached to the report, be noted;
2. That the variations of income, operating expenditure, capital expenditure and reserves as identified in the “Quarterly Budget Review Statement – 30 September 2019” be approved and voted.

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**NARROMINE SHIRE COUNCIL**  
**ORDINARY MEETING BUSINESS PAPER – 13 NOVEMBER 2019**  
**REPORTS TO COUNCIL – FINANCE & CORPORATE STRATEGY**

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**5. ACCOUNTS RECEIVABLE WRITE OFF**

<b>Author</b>	CSO - Rates & Customer Relations
<b>Responsible Officer</b>	Director Finance and Corporate Strategy
<b>Link to Strategic Plans</b>	CSP – 4.3 A financially sound Council that is responsible and sustainable

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**Executive Summary**

The purpose of this report is for Council to consider writing off an amount of \$9,445.87, for an undetected water leak.

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**Report**

Council received a request from the owners of Lot 320 DP 1198226 that the water and sewer charges incurred be abandoned under Council's policy for undetectable and concealed leaks.

Council staff became aware of a concealed water leak during the first quarterly meter reading period and alerted the owners of the property. The owners took immediate action to prevent further water loss. Upon further investigation by the owners and in consultation with Council staff it was found that the water was flowing directly into the old sewer manholes leaving no trace on the surface. An additional leak was found and this also revealed that water was flowing directly into the old sewer system.

This site is unique as there is a large underground network of disused sewer pipes which is not registered in Council's asset system. Water leaks tend to drain into these disused pipes. Council will undertake further investigation and repairs of the pipework to prevent this from re-occurring.

Council's Water & Sewer Policy allows for one claim for an undetectable or concealed leak per property. Any adjustment made is based on the average usage over the previous two years.

***Financial Implications***

Current water & sewer usage account (24 Sept 2019)	\$13,129.42
Adjustment (based on average water over 2 years)	<u>\$ 3,683.55</u>
Proposed write off	\$ 9,445.87

Total write off amount is \$9,445.87.

***Legal and Regulatory Compliance***

Local Government Act, 1993 – Section 377. Council's General Manager is authorised to write off amounts of fees, charges and interest accrued not exceeding \$5,000 where appropriate circumstances exist.

5. ACCOUNTS RECEIVABLE WRITE OFF (cont'd)

*Risk Management Issues*

Nil

*Internal/External Consultation*

ratepayer

**RECOMMENDATION**

1. That Council write off \$9,445.87 in water and sewer consumption charges for Lot 320 DP 1198226 due to an undetected water leak.

John Sevil  
Director Finance & Corporate Strategy  
Responsible Accounting Officer

## Investments – 31 October 2019

Financial Institution	Bank Rating	Investment Type/Maturity Date	Investment Rating	Current Rate	Term	Amount (\$)	Comment
<b>Cash &amp; At Call</b>							
CBA	AA-	Business Online Saver - at call	A-1+	1.00%	N/A	1,129,639.00	S&P Short Term
<b>TOTAL</b>						1,129,639.00	
<b>Percentage Exposure of Total Portfolio</b>						5.31%	
<b>Average Investment Yield (annualised)</b>						1.00%	
<b>Term Deposits</b>							
NAB	AA-	Term Deposit - 23/11/2019	A-1+	1.97%	118 Days	1,000,000.00	S&P Short Term
Bankwest	AA-	Term Deposit - 29/11/2019	A-1+	1.70%	90 Days	3,000,000.00	S&P Short Term
NAB	AA-	Term Deposit - 11/11/2019	A-1+	1.78%	90 Days	1,000,000.00	S&P Short Term
NAB	AA-	Term Deposit - 13/11/2019	A-1+	2.07%	147 Days	1,000,000.00	S&P Short Term
NAB	AA-	Term Deposit - 20/11/2019	A-1+	1.70%	97 Days	1,000,000.00	S&P Short Term
Suncorp	AA-	Term Deposit - 29/11/2019	A-1+	1.55%	92 Days	1,000,000.00	S&P Short Term
NAB	AA-	Term Deposit - 15/01/2020	A-1+	1.63%	104 Days	1,000,000.00	S&P Short Term
<b>TOTAL</b>						9,000,000.00	
<b>Percentage Exposure of Total Portfolio</b>						42.29%	
<b>Average Investment Yield (annualised)</b>						1.77%	
<b>Pooled Managed Investments</b>							
				<b>Mth %</b>	<b>FYTD%</b>	<b>Market Value</b>	
TCorp	AAA	T-CorpIM Long Term Growth Fund		0.43%	2.72%	5,143,565	
TCorp	AAA	T-CorpIM Cash Fund		0.09%	0.17%	6,007,714	
<b>TOTAL</b>						11,151,279	
<b>Percentage Exposure of Total Portfolio</b>						52.40%	
<b>Total Investments and Cash</b>						<u>21,280,918</u>	

# Narromine Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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



# Narromine Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2019

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### 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](http://www.narromine.nsw.gov.au).

## Narromine Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

Each year, individual Local Governments across NSW 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 2019.

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 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 2019

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#### 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 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 11 September 2019.



Craig Davies

**Mayor**

11 September 2019



Dawn Collins

**Councillor**

11 September 2019



Jane Redden

**General Manager**

11 September 2019



John Sevil

**Responsible Accounting Officer**

11 September 2019



## Narromine Shire Council

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
8,852	Rates and annual charges	3a	8,857	8,436
2,688	User charges and fees	3b	3,063	2,988
634	Interest and investment revenue	3c	1,010	637
926	Other revenues	3d	472	532
7,691	Grants and contributions provided for operating purposes	3e,3f	7,649	7,948
3,293	Grants and contributions provided for capital purposes	3e,3f	3,390	2,831
<u>Other income:</u>				
–	Net gains from the disposal of assets	5	43	157
–	Net share of interests in joint ventures and associates using the equity method	14	10	37
24,084	<b>Total income from continuing operations</b>		24,494	23,566
<b>Expenses from continuing operations</b>				
7,720	Employee benefits and on-costs	4a	6,624	7,075
107	Borrowing costs	4b	93	101
4,444	Materials and contracts	4c	5,480	4,686
5,964	Depreciation and amortisation	4d	5,850	5,964
2,375	Other expenses	4e	2,543	2,895
–	Revaluation decrement / impairment of IPP&E	4d	249	–
20,610	<b>Total expenses from continuing operations</b>		20,839	20,721
3,474	<b>Operating result from continuing operations</b>		3,655	2,845
3,474	<b>Net operating result for the year</b>		3,655	2,845
3,474	Net operating result attributable to council		3,655	2,845
181	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		265	14

The above Income Statement should be read in conjunction with the accompanying notes.

## Narromine Shire Council

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018
<b>Net operating result for the year (as per Income Statement)</b>		<b>3,655</b>	<b>2,845</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain / (loss) on revaluation of IPP&E	9(a)	1,194	2,107
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>1,194</b>	<b>2,107</b>
<b>Total other comprehensive income for the year</b>		<b>1,194</b>	<b>2,107</b>
<b>Total comprehensive income for the year</b>		<b>4,849</b>	<b>4,952</b>
Total comprehensive income attributable to Council		4,849	4,952

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Narromine Shire Council

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	1,659	1,035
Investments	6(b)	22,573	23,320
Receivables	7	1,921	2,074
Inventories	8a	854	1,014
Other	8b	90	115
<b>Total current assets</b>		<u>27,097</u>	<u>27,558</u>
<b>Non-current assets</b>			
Receivables	7	512	458
Infrastructure, property, plant and equipment	9(a)	309,001	302,718
Investments accounted for using the equity method	14	298	288
<b>Total non-current assets</b>		<u>309,811</u>	<u>303,464</u>
<b>TOTAL ASSETS</b>		<u>336,908</u>	<u>331,022</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	1,558	884
Income received in advance	10	227	186
Borrowings	10	390	385
Provisions	11	1,576	1,761
<b>Total current liabilities</b>		<u>3,751</u>	<u>3,216</u>
<b>Non-current liabilities</b>			
Borrowings	10	2,858	2,494
Provisions	11	194	56
<b>Total non-current liabilities</b>		<u>3,052</u>	<u>2,550</u>
<b>TOTAL LIABILITIES</b>		<u>6,803</u>	<u>5,766</u>
<b>Net assets</b>		<u>330,105</u>	<u>325,256</u>
<b>EQUITY</b>			
Accumulated surplus	12a	136,345	132,690
Revaluation reserves	12a	193,760	192,566
<b>Council equity interest</b>		<u>330,105</u>	<u>325,256</u>
<b>Total equity</b>		<u>330,105</u>	<u>325,256</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity  
for the year ended 30 June 2019

	2019			2018		
	Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance	132,690	192,566	325,256	129,845	190,459	320,304
Net operating result for the year	3,655	–	3,655	2,845	–	2,845
<b>Other comprehensive income</b>						
– Gain / (loss) on revaluation of IPP&E	–	1,194	1,194	–	2,107	2,107
<b>Other comprehensive income</b>	–	1,194	1,194	–	2,107	2,107
<b>Total comprehensive income</b>	<b>3,655</b>	<b>1,194</b>	<b>4,849</b>	<b>2,845</b>	<b>2,107</b>	<b>4,952</b>
<b>Equity – balance at end of the reporting period</b>	<b>136,345</b>	<b>193,760</b>	<b>330,105</b>	<b>132,690</b>	<b>192,566</b>	<b>325,256</b>

Notes

9(a)

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Narromine Shire Council

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
8,852	Rates and annual charges		8,803	8,090
2,688	User charges and fees		2,745	2,792
634	Investment and interest revenue received		899	690
10,985	Grants and contributions		11,566	10,414
–	Bonds, deposits and retention amounts received		5	22
–	Other		302	671
<u>Payments</u>				
(7,721)	Employee benefits and on-costs		(6,815)	(7,086)
(4,444)	Materials and contracts		(4,959)	(4,885)
(107)	Borrowing costs		(92)	(99)
(2,375)	Other		(2,348)	(3,004)
8,512	<b>Net cash provided (or used in) operating activities</b>	13b	10,106	7,605
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
–	Sale of investment securities		24,000	25,570
488	Sale of real estate assets		–	411
–	Sale of infrastructure, property, plant and equipment		230	544
<u>Payments</u>				
–	Purchase of investment securities		(22,987)	(27,890)
(15,566)	Purchase of infrastructure, property, plant and equipment		(10,965)	(8,617)
–	Purchase of real estate assets		(129)	(258)
(15,078)	<b>Net cash provided (or used in) investing activities</b>		(9,851)	(10,240)
<b>Cash flows from financing activities</b>				
<u>Receipts</u>				
752	Proceeds from borrowings and advances		752	200
<u>Payments</u>				
(383)	Repayment of borrowings and advances		(383)	(363)
369	<b>Net cash flow provided (used in) financing activities</b>		369	(163)
(6,197)	<b>Net increase/(decrease) in cash and cash equivalents</b>		624	(2,798)
1,500	Plus: cash and cash equivalents – beginning of year	13a	1,035	3,833
(4,697)	<b>Cash and cash equivalents – end of the year</b>	13a	1,659	1,035
Additional Information:				
24,000	plus: Investments on hand – end of year	6(b)	22,573	23,320
19,303	<b>Total cash, cash equivalents and investments</b>		24,232	24,355

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

### Contents of the Notes accompanying the Financial Statements

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## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 13 November 2019. 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.

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.

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

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 cashflows.

AASB 9 Financial Instruments is effective from 1 July 2018 and has had no material impact on Council's financial statements as Council is prohibited from carrying certain types of investments including derivatives.

##### **(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 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.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Basis of preparation (continued)

##### 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 – refer 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 property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

- General purpose operations
- Water service
- Sewerage service

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

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

##### New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

###### AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in none of its operating leases being recognised on the balance sheet by Council (alongside existing finance leases). AASB 16 provides optional relief for leases of low-value or for leases of less than 12 months. OLG has mandated Councils to apply this exemption for all leases that meet the criteria.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The exceptions for short-term and low-value leases are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.



## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Basis of preparation (continued)

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) not affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$52,015 - refer Note 15.

Of these commitments, approximately \$6,636 relate to short-term leases and \$45,379 to low value leases.

Both these lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

From a financial performance standpoint, Council expects that net operating result will not change for the 19/20 financial year as a result of adopting the standard.

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

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

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The impact of AASB15 is expected to be minimal due to revenue earned when it is received.

#### **AASB 1058 Income of NFP Entities**

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

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

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

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Basis of preparation (continued)

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If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

There is not expected to be a material impact on the reported financial position, performance or cashflows of Council although some additional disclosure may be required.

#### **AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities**

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

The specific impacts of AASB2018-8 for Council are expected to be minimal.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Apart from those standards listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

Notes to the Financial Statements  
for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities.  
Details of those functions or 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)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>\$ '000</b>										
<b>Functions or activities</b>										
Governance	142	-	1,059	487	(917)	(487)	58	-	-	-
Administration	251	-	2,481	3,174	(2,230)	(3,174)	-	-	26,830	27,179
Public Order & Safety	140	142	559	581	(419)	(439)	-	116	271	276
Environment & Health	188	100	326	326	(138)	(226)	116	68	1,328	1,383
Community & Cultural Services	319	214	1,681	1,209	(1,362)	(995)	117	464	408	374
Planning & Development	164	209	284	192	(120)	17	-	-	173	173
Waste Management	1,712	1,482	1,548	1,113	164	369	-	27	914	631
Infrastructure	5,662	5,588	7,339	7,857	(1,677)	(2,269)	6,141	3,130	240,094	238,374
Recreational Facilities	142	1,007	1,985	1,733	(1,843)	(726)	7	661	19,122	15,904
Economic Development	36	247	338	409	(302)	(162)	25	52	56	70
Family Day Care	-	606	-	628	-	(22)	-	509	236	232
Water Supplies	2,005	2,281	1,971	1,846	34	435	15	231	21,040	20,780
Sewerage Services	1,542	1,523	1,268	1,166	274	357	-	19	25,922	25,358
General Purpose Income	12,181	10,130	-	-	12,181	10,130	3,038	4,209	-	-
Joint Ventures	10	37	-	-	10	37	-	-	298	288
Other	-	-	-	-	-	-	(23)	(105)	216	-
<b>Total functions and activities</b>	<b>24,494</b>	<b>23,566</b>	<b>20,839</b>	<b>20,721</b>	<b>3,655</b>	<b>2,845</b>	<b>9,494</b>	<b>9,381</b>	<b>336,908</b>	<b>331,022</b>

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### 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

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

##### Public Order & Safety

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

##### Environment & Health

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

##### Community & Cultural Services

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

##### Planning & Development

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

##### 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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

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

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##### 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

##### 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 2019

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	1,455	1,525
Farmland	3,248	3,178
Mining	274	268
Business	770	561
Less: pensioner rebates (mandatory)	(72)	(71)
<b>Rates levied to ratepayers</b>	<b>5,675</b>	<b>5,461</b>
Pensioner rate subsidies received	40	39
<b>Total ordinary rates</b>	<b>5,715</b>	<b>5,500</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	1,109	964
Stormwater management services	52	52
Water supply services	636	588
Sewerage services	1,096	1,059
Waste management services (non-domestic)	203	228
Less: pensioner rebates (mandatory)	(22)	(21)
<b>Annual charges levied</b>	<b>3,074</b>	<b>2,870</b>
Pensioner subsidies received:		
– Water	21	20
– Sewerage	20	19
– Domestic waste management	27	27
<b>Total annual charges</b>	<b>3,142</b>	<b>2,936</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>8,857</b>	<b>8,436</b>

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

**Accounting policy for rates and charges**

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government. Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	1,283	1,301
Sewerage services	377	371
Waste management services (non-domestic)	189	54
<b>Total specific user charges</b>	<b>1,849</b>	<b>1,726</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	96	100
Private works – section 67	315	159
Regulatory/ statutory fees	–	1
Registration fees	12	7
Regulatory fees	16	22
Section 10.7 certificates (EP&A Act)	21	41
Section 603 certificates	10	14
Other	2	4
Impounding fees	2	–
<b>Total fees and charges – statutory/regulatory</b>	<b>474</b>	<b>348</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Cemeteries	86	71
Community centres	5	22
Gravel pits	288	308
Recycling income (non-domestic)	66	64
Saleyards	20	20
Swimming centres	70	78
Waste disposal tipping fees	94	137
Water connection fees	8	43
Showgrounds	38	32
Macquarie family day care	–	95
Sport and fitness centre	63	41
Other	2	3
<b>Total fees and charges – other</b>	<b>740</b>	<b>914</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>3,063</b>	<b>2,988</b>

**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 2019

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

\$ '000	2019	2018
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	82	55
– Cash and investments	425	582
Dividend income (other)	237	–
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	266	–
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>1,010</b>	<b>637</b>

**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	48	55
General Council cash and investments	915	405

**Restricted investments/funds – external:**

Development contributions – Section 64	13	5
Water fund operations	19	102
Sewerage fund operations	15	70

**Total interest and investment revenue**

<b>1,010</b>	<b>637</b>
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**Accounting policy for interest and investment revenue**

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

**(d) Other revenues**

Rental income – other council properties	214	254
Legal fees recovery – rates and charges (extra charges)	21	43
Diesel rebate	63	55
Insurance claims recoveries	4	21
Insurance rebates	56	3
Refunds of contributions	–	4
Other	114	152
<b>TOTAL OTHER REVENUE</b>	<b>472</b>	<b>532</b>

**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.

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 2019

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	1,492	1,351	–	–
Financial assistance – local roads component	718	703	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	1,547	1,393	–	–
Financial assistance – local roads component	745	723	–	–
<b>Total general purpose</b>	<b>4,502</b>	<b>4,170</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	–	–	15	–
– Domestic waste management	–	–	11	–
– Other	–	–	86	–
Water supplies	–	–	15	211
Bushfire and emergency services	116	116	–	–
Community care	–	3	–	–
Community centres	–	–	350	63
Economic development	–	52	60	–
Environmental programs	–	–	58	–
Heritage and cultural	1	–	–	–
Library	31	36	–	–
LIRS subsidy	–	–	62	–
Noxious weeds	61	68	–	–
Recreation and culture	–	–	802	661
Street lighting	46	45	–	–
Traffic route subsidy	–	–	76	–
Transport (roads to recovery)	1,105	1,251	–	–
Transport (other roads and bridges funding)	46	353	812	1,371
Black Spot grant funding	–	–	–	110
Community infrastructure grant	276	–	960	362
Family day care – child assistance	–	420	–	–
Family day care – operational	–	89	–	–
Other	3	–	–	–
<b>Total specific purpose</b>	<b>1,685</b>	<b>2,433</b>	<b>3,307</b>	<b>2,778</b>
<b>Total grants</b>	<b>6,187</b>	<b>6,603</b>	<b>3,307</b>	<b>2,778</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	4,475	4,656	–	–
– State funding	1,712	1,947	3,307	2,778
	<b>6,187</b>	<b>6,603</b>	<b>3,307</b>	<b>2,778</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.12 – fixed development consent levies		33	–	–	50
<b>Total developer contributions – cash</b>		<b>33</b>	<b>–</b>	<b>–</b>	<b>50</b>
<b>Total developer contributions</b>	21	<b>33</b>	<b>–</b>	<b>–</b>	<b>50</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Dedications – subdivisions (other than by s7.11)		134	132	–	–
Recreation and culture		–	–	6	3
RMS contributions (regional roads, block grant)		1,199	1,125	77	–
Tourism		–	1	–	–
Other		49	51	–	–
Employment and training		6	–	–	–
Motor vehicle leaseback		41	36	–	–
<b>Total other contributions – cash</b>		<b>1,429</b>	<b>1,345</b>	<b>83</b>	<b>3</b>
<b>Total other contributions</b>		<b>1,429</b>	<b>1,345</b>	<b>83</b>	<b>3</b>
<b>Total contributions</b>		<b>1,462</b>	<b>1,345</b>	<b>83</b>	<b>53</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>7,649</b>	<b>7,948</b>	<b>3,390</b>	<b>2,831</b>

**Accounting policy for grants and 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 below.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

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

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 2019

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

\$ '000	2019	2018
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	2,553	3,519
<b>Add:</b> operating grants recognised in the current period but not yet spent	2,287	802
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(1,101)	(1,768)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>3,739</b>	<b>2,553</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	5,638	5,178
Employee termination costs	–	41
Travel expenses	29	20
Employee leave entitlements (ELE)	547	1,262
Superannuation	731	652
Workers' compensation insurance	229	177
Fringe benefit tax (FBT)	35	25
Training costs (other than salaries and wages)	134	103
Sick leave insurance	4	12
Protective clothing	20	20
Other	22	22
<b>Total employee costs</b>	<b>7,389</b>	<b>7,512</b>
Less: capitalised costs	(765)	(437)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>6,624</b>	<b>7,075</b>
Number of 'full-time equivalent' employees (FTE) at year end	79	78

**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, 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 16 for more information.

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

Interest on loans	93	101
<b>Total interest bearing liability costs expensed</b>	<b>93</b>	<b>101</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>93</b>	<b>101</b>

**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 2019

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

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	3,083	2,918
Contractor and consultancy costs	2,215	1,577
Auditors remuneration <sup>2</sup>	81	82
<b>Legal expenses:</b>		
– Legal expenses: other	30	68
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	37	35
Other	34	6
<b>Total materials and contracts</b>	<u>5,480</u>	<u>4,686</u>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<u>5,480</u>	<u>4,686</u>

**Accounting policy for 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	37	35
	<u>37</u>	<u>35</u>

**2. Auditor remuneration**

During the year, the following fees were incurred 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	73	82
<b>Remuneration for audit and other assurance services</b>	<u>73</u>	<u>82</u>

**Total Auditor-General remuneration**

	<u>73</u>	<u>82</u>
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**Non NSW Auditor-General audit firms****(ii) Non-assurance services**

Benchmarking advice	8	–
<b>Remuneration for non-assurance services</b>	<u>8</u>	<u>–</u>

**Total remuneration of non NSW Auditor-General audit firms**

	<u>8</u>	<u>–</u>
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**Total Auditor remuneration**

	<u>81</u>	<u>82</u>
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## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		437	387
Office equipment		73	393
Furniture and fittings		11	17
<b>Infrastructure:</b>			
– Buildings – non-specialised		185	147
– Buildings – specialised		976	617
– Other structures		116	104
– Roads		2,280	2,191
– Bridges		240	243
– Footpaths		78	78
– Stormwater drainage		203	203
– Water supply network		483	616
– Sewerage network		439	433
– Swimming pools		50	41
– Other open space/recreational assets		130	139
– Other infrastructure		11	10
<b>Other assets:</b>			
– Aerodrome		138	226
Intangible assets		–	119
<b>Total depreciation and amortisation costs</b>		<b>5,850</b>	<b>5,964</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>			
– Buildings – specialised		116	–
– Other infrastructure		8	–
Intangible assets		125	–
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>249</b>	<b>–</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</u></b>		<b><u>6,099</u></b>	<b><u>5,964</u></b>

**Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E****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**

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 2019

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

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	78	117
Bad and doubtful debts	57	20
Bank charges	30	36
Child care – carers payments	–	432
Computer software charges	112	159
Contributions/levies to other levels of government	111	–
– Emergency services levy (includes FRNSW, SES, and RFS levies)	9	11
– Macquarie regional library	381	367
– NSW fire brigade levy	32	32
– NSW rural fire service levy	223	229
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	107	102
Councillors' expenses (incl. mayor) – other (excluding fees above)	43	37
Donations, contributions and assistance to other organisations (Section 356)	58	52
Election expenses	–	49
Electricity and heating	395	380
Insurance	383	383
Office expenses (including computer expenses)	58	78
Postage	19	5
Street lighting	201	146
Subscriptions and publications	99	128
Telephone and communications	55	73
Valuation fees	53	29
Other	13	5
<b>Total other expenses</b>	<b>2,543</b>	<b>2,895</b>

**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 2019

## Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
<b>Plant and equipment</b>	9(a)		
Proceeds from disposal – plant and equipment		230	544
Less: carrying amount of plant and equipment assets sold/written off		(187)	(571)
<b>Net gain/(loss) on disposal</b>		<u>43</u>	<u>(27)</u>
<b>Real estate assets held for sale</b>	8		
Proceeds from disposal – real estate assets		–	411
Less: carrying amount of real estate assets sold/written off		–	(227)
<b>Net gain/(loss) on disposal</b>		<u>–</u>	<u>184</u>
<b>Investments</b>	6(b)		
Proceeds from disposal/redemptions/maturities – investments		24,000	25,570
Less: carrying amount of investments sold/redeemed/matured		(24,000)	(25,570)
<b>Net gain/(loss) on disposal</b>		<u>–</u>	<u>–</u>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<u>43</u>	<u>157</u>

**Accounting policy for disposal of assets**

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

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 de-recognised.



## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	1,659	107
Cash-equivalent assets		
– Deposits at call	–	928
<b>Total cash and cash equivalents</b>	<u>1,659</u>	<u>1,035</u>

**Accounting policy for cash and cash equivalents**

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

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	5,573	–	–	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	17,000	–	23,320	–
<b>Total Investments</b>	<u>22,573</u>	<u>–</u>	<u>23,320</u>	<u>–</u>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<u>24,232</u>	<u>–</u>	<u>24,355</u>	<u>–</u>
<b>Financial assets at fair value through the profit and loss</b>				
Managed funds	5,523	–	–	–
Unlisted equity securities	50	–	–	–
<b>Total</b>	<u>5,573</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	17,000	–	23,320	–
<b>Total</b>	<u>17,000</u>	<u>–</u>	<u>23,320</u>	<u>–</u>

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 6(b). Investments (continued)

##### Accounting policy for investments

##### Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

##### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

##### Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

##### Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

##### Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

##### Accounting policy under AASB 139 – applicable for 2018 comparatives only

##### 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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 6(b). Investments (continued)

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 7) 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.

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 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.

#### 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.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	24,232	–	24,355	–
<b>attributable to:</b>				
External restrictions	11,602	–	13,410	–
Internal restrictions	8,311	–	7,690	–
Unrestricted	4,319	–	3,255	–
	24,232	–	24,355	–

\$ '000	2019	2018
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended loans – general	–	5
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<b>External restrictions – included in liabilities</b>	<b>–</b>	<b>5</b>
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**External restrictions – other**

Developer contributions – general	299	259
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Developer contributions – water fund	144	141
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Developer contributions – sewer fund	77	75
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Specific purpose unexpended grants	1,452	2,058
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Water supplies	2,151	4,062
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Sewerage services	6,387	5,439
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Domestic waste management	842	926
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Board of control	142	105
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OROC	38	205
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OROC – Unexpended Grants	70	135
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<b>External restrictions – other</b>	<b>11,602</b>	<b>13,405</b>
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<b>Total external restrictions</b>	<b>11,602</b>	<b>13,410</b>
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## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>Internal restrictions</b>		
Administration building	8	33
Aerodrome development	147	153
Alkane community contributions	106	87
Alkane environmental monitoring	92	69
Alkane roads contribution	–	55
Alkane Tomingley water tank project	80	60
Carry over works	1,600	1,340
Cemetery improvements	26	26
Community hall upgrades	–	34
Council buildings	62	52
Depot improvements	62	62
Drainage construction	322	122
Economic development reserve	12	12
Election expenses	32	19
Employees leave entitlement	545	545
FAGS advance grant	2,287	2,116
Family day care	–	199
Footpaths	16	5
Industrial land - Aerodrome	752	–
Irrigation System Establishment	72	72
IT strategy	129	129
Kerb and gutter	210	238
Land development	499	499
Library improvements	133	140
Medical centre	144	91
Natfly	4	4
Office equipment	7	21
OHS	102	84
Parks Amenities	95	95
Plant and vehicle replacement	–	306
Playground equipment	76	50
Playground Fencing	33	33
Playground shade	49	49
Pound improvements	8	16
Public amenities upgrade	45	35
Quarries	264	484
Showground improvements	–	1
Softfall Establishment	73	73
Sporting Facility Upgrades	54	146
Sports centre upgrades	35	25
Stormwater – levee bank	2	2
Street lighting	9	9
Street tree planting/irrigation	7	9
Swimming facilities upgrades	42	25
Tomingley - Dicken Park Landscaping	5	–
Trangie Historical Group	1	1
Wetlands development	46	46
Youth education activities	18	18
<b>Total internal restrictions</b>	<b>8,311</b>	<b>7,690</b>
<b>TOTAL RESTRICTIONS</b>	<b>19,913</b>	<b>21,100</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	670	276	623	269
Interest and extra charges	62	55	133	47
User charges and fees	842	181	528	142
Accrued revenues				
– Interest on investments	51	–	110	–
Government grants and subsidies	–	–	527	–
Net GST receivable	259	–	141	–
Other debtors	88	–	36	–
<b>Total</b>	<b>1,972</b>	<b>512</b>	<b>2,098</b>	<b>458</b>
<b>Less: provision of impairment</b>				
Interest and extra charges	(33)	–	–	–
User charges and fees	(18)	–	(24)	–
<b>Total provision for impairment – receivables</b>	<b>(51)</b>	<b>–</b>	<b>(24)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>1,921</b>	<b>512</b>	<b>2,074</b>	<b>458</b>

## Externally restricted receivables

## Water supply

– Rates and availability charges	50	5	40	24
– Other	293	194	272	178

## Sewerage services

– Rates and availability charges	129	39	86	66
– Other	160	–	178	–

## Domestic waste management

145	56	68	43
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## Other

– Unspent grants	–	–	466	–
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<b>Total external restrictions</b>	<b>777</b>	<b>294</b>	<b>1,110</b>	<b>311</b>
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<b>Unrestricted receivables</b>	<b>1,144</b>	<b>218</b>	<b>964</b>	<b>147</b>
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<b>TOTAL NET RECEIVABLES</b>	<b>1,921</b>	<b>512</b>	<b>2,074</b>	<b>458</b>
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\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	24	–
+ new provisions recognised during the year	28	24
<b>Balance at the end of the period</b>	<b>52</b>	<b>24</b>

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 7. Receivables (continued)

##### Accounting policy for receivables

###### Recognition and measurement

Receivables 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.

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.

###### Accounting policy under AASB 139 applicable for 2018 comparatives only

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 ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly.

An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

###### Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

Rates and annual charges outstanding are secured against the property.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the ECL for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	600	–	471	–
Stores and materials	254	–	543	–
<b>Total inventories at cost</b>	<b>854</b>	<b>–</b>	<b>1,014</b>	<b>–</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>854</u></b>	<b><u>–</u></b>	<b><u>1,014</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>				
Prepayments	90	–	115	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>90</u></b>	<b><u>–</u></b>	<b><u>115</u></b>	<b><u>–</u></b>

**(i) Other disclosures**

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Details for real estate development</b>					
Residential		499	–	404	–
Industrial/commercial		101	–	67	–
<b>Total real estate for resale</b>		<b>600</b>	<b>–</b>	<b>471</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		348	–	313	–
Development costs		252	–	158	–
<b>Total costs</b>		<b>600</b>	<b>–</b>	<b>471</b>	<b>–</b>
<b>Total real estate for resale</b>		<b>600</b>	<b>–</b>	<b>471</b>	<b>–</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		471	–	439	–
– Purchases and other costs		129	–	259	–
– WDV of sales (expense)	5	–	–	(227)	–
<b>Total real estate for resale</b>		<b>600</b>	<b>–</b>	<b>471</b>	<b>–</b>

**(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;

\$ '000	2019	2018
Real estate for resale	538	471
	<b>538</b>	<b>471</b>



## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

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

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##### **Accounting policy for inventories and other assets**

##### **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 the 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.

Notes to the Financial Statements  
for the year ended 30 June 2019

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

\$ '000	as at 30/6/2018		Asset movements during the reporting period							as at 30/6/2019			
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	W/P transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	2,196	-	2,196	164	-	-	-	-	(460)	-	1,900	-	1,900
Plant and equipment	7,723	(3,796)	3,927	831	304	(115)	(437)	-	-	-	8,023	(3,627)	4,396
Office equipment	1,264	(781)	483	43	-	-	(73)	-	-	-	1,097	(821)	276
Furniture and fittings	300	(254)	46	-	-	-	(11)	-	-	-	300	(265)	35
<b>Land:</b>													
- Operational land	4,150	-	4,150	-	-	-	-	-	-	-	4,150	-	4,150
- Community land	1,758	-	1,758	-	-	-	-	-	-	-	1,758	-	1,758
<b>Infrastructure:</b>													
- Buildings - non-specialised	5,573	(2,547)	3,026	-	29	-	(185)	-	-	-	5,602	(2,732)	2,870
- Buildings - specialised	32,721	(16,177)	16,544	1,093	-	-	(976)	(116)	-	-	33,613	(16,953)	16,660
- Other structures	3,249	(1,008)	2,241	1,179	-	-	(116)	-	229	202	4,762	(1,256)	3,506
- Roads	229,331	(35,964)	193,367	2,970	516	-	(2,280)	-	80	-	232,828	(38,253)	194,575
- Bridges	25,524	(6,372)	19,152	-	-	-	(240)	-	-	-	25,524	(6,615)	18,909
- Footpaths	3,404	(1,621)	1,783	83	-	-	(78)	-	-	-	3,488	(1,699)	1,789
- Stormwater drainage	20,423	(6,913)	13,510	230	45	-	(203)	-	151	-	20,698	(7,116)	13,582
- Water supply network	26,932	(12,383)	14,549	1,698	248	-	(483)	-	-	225	29,309	(13,072)	16,237
- Sewerage network	27,208	(8,679)	18,529	368	12	-	(439)	-	-	289	28,024	(9,264)	18,760
- Swimming pools	2,712	(1,065)	1,647	556	82	-	(50)	-	-	(23)	3,427	(1,214)	2,213
- Other open space/recreational assets	3,610	(1,908)	1,702	1,054	83	-	(130)	-	-	182	4,840	(1,949)	2,891
- Other Infrastructure	386	(149)	237	38	-	-	(11)	(8)	-	-	414	(149)	265
<b>Other assets:</b>													
- Aerodrome	15,849	(12,308)	3,541	27	-	-	(138)	-	-	319	16,278	(12,542)	3,736
- Intangibles	449	(119)	330	-	-	-	-	-	-	-	864	(515)	349
- Remediation Assets	-	-	-	-	144	-	-	-	-	-	144	-	144
<b>Total Infrastructure, property, plant and equipment</b>	<b>414,762</b>	<b>(112,044)</b>	<b>302,718</b>	<b>10,334</b>	<b>1,463</b>	<b>(115)</b>	<b>(5,850)</b>	<b>(124)</b>	<b>-</b>	<b>1,194</b>	<b>427,043</b>	<b>(118,042)</b>	<b>309,001</b>

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

Notes to the Financial Statements  
for the year ended 30 June 2019

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

	as at 30/6/2017					Asset movements during the reporting period					as at 30/6/2018	
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	3,491	-	3,491	144	-	-	-	(1,438)	-	2,196	-	2,196
Plant and equipment	7,684	(4,095)	3,589	1,282	-	(571)	(387)	14	-	7,723	(3,796)	3,927
Office equipment	1,003	(387)	616	236	24	-	(393)	-	-	1,264	(781)	483
Furniture and fittings	300	(237)	63	-	-	-	(17)	-	-	300	(254)	46
<b>Land:</b>												
- Operational land	3,818	-	3,818	-	-	-	-	-	333	4,150	-	4,150
- Community land	1,874	-	1,874	-	-	-	-	-	(116)	1,758	-	1,758
<b>Infrastructure:</b>												
- 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	635	-	-	(617)	145	541	32,721	(16,177)	16,544
- Other structures	3,075	(905)	2,170	162	-	-	(104)	13	-	3,249	(1,008)	2,241
- Roads	226,031	(33,772)	192,259	2,842	10	-	(2,191)	448	-	229,331	(35,964)	193,367
- 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
- Stormwater drainage	20,386	(6,711)	13,675	39	-	-	(203)	-	-	20,423	(6,913)	13,510
- Water supply network	24,433	(11,486)	12,947	1,325	9	-	(616)	517	366	26,932	(12,383)	14,549
- Sewerage network	26,308	(8,068)	18,240	16	24	-	(433)	301	381	27,208	(8,679)	18,529
- Swimming pools	2,601	(1,023)	1,578	111	-	-	(41)	-	-	2,712	(1,065)	1,647
- Other open space/recreational assets	3,529	(1,770)	1,759	59	22	-	(139)	-	-	3,610	(1,908)	1,702
- Other infrastructure	386	(139)	247	-	-	-	(10)	-	-	386	(149)	237
<b>Other assets:</b>												
- Aerodrome	15,681	(12,082)	3,599	168	-	-	(226)	-	-	15,849	(12,308)	3,541
- Intangibles	-	-	-	-	449	-	(119)	-	-	449	(119)	330
<b>Total Infrastructure, property, plant and equipment</b>	<b>402,799</b>	<b>(104,025)</b>	<b>298,774</b>	<b>7,837</b>	<b>538</b>	<b>(571)</b>	<b>(5,964)</b>	<b>-</b>	<b>2,107</b>	<b>414,762</b>	<b>(112,044)</b>	<b>302,718</b>

(1) 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 2019

#### 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 Department of Industry (DoI) - Water.

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:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	1 to 4		
Vehicles	5 to 20	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 20	Buildings: masonry	50 to 100
Other plant and equipment	5 to 50	Buildings: other	20 to 40
		<b>Stormwater assets</b>	
<b>Water and sewer assets</b>		Drains	80 to 100
Dams and reservoirs	80 to 100	Culverts	50 to 100
Bores	20 to 40	Flood control structures	80 to 100
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	25 to 100		
Pumps and telemetry	15 to 75		
		<b>Other infrastructure assets</b>	
<b>Transportation assets</b>		Bulk earthworks	infinite
Sealed roads: surface	15 to 30	Swimming pools	50 to 70
Sealed roads: structure	20 to 50	Other open space/recreational assets	10 to 100
Unsealed roads	10 to 30	Other infrastructure	50 to 100
Bridge: concrete	80 to 100		
Bridge: other	50 to 80		
Road pavements	60 to 90		
Kerb, gutter and footpaths	40 to 100		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

##### Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

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

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

**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 firefighting 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 firefighting equipment has been purchased or constructed".

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

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	815	–	815	794	–	794
Plant and equipment	491	133	358	137	131	6
Land						
– Operational land	673	–	673	673	–	673
Other structures	118	–	118	118	77	41
Infrastructure	29,309	13,072	16,237	26,931	12,383	14,548
<b>Total water supply</b>	<b>31,406</b>	<b>13,205</b>	<b>18,201</b>	<b>28,653</b>	<b>12,591</b>	<b>16,062</b>
<b>Sewerage services</b>						
WIP	72	–	72	586	–	586
Plant and equipment	–	–	–	110	45	65
Land						
– Operational land	226	–	226	226	–	226
Buildings	125	52	73	125	49	76
Other structures	–	–	–	59	25	34
Infrastructure	28,024	9,264	18,760	27,208	8,680	18,528
<b>Total sewerage services</b>	<b>28,447</b>	<b>9,316</b>	<b>19,131</b>	<b>28,314</b>	<b>8,799</b>	<b>19,515</b>
<b>Domestic waste management</b>						
Plant and equipment	273	248	25	401	361	40
Land						
– Community land	98	–	98	98	–	98
Buildings	157	60	97	215	54	161
Other assets	497	248	249	445	123	322
<b>Total DWM</b>	<b>1,025</b>	<b>556</b>	<b>469</b>	<b>1,159</b>	<b>538</b>	<b>621</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>60,878</b>	<b>23,077</b>	<b>37,801</b>	<b>58,126</b>	<b>21,928</b>	<b>36,198</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Payables and borrowings

\$ '000	2019	2019	2018	2018
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	913	–	681	–
Goods and services – capital expenditure	565	–	155	–
Accrued expenses:				
– Borrowings	9	–	8	–
– Other expenditure accruals	19	–	–	–
Security bonds, deposits and retentions	30	–	25	–
Other	22	–	15	–
<b>Total payables</b>	<b>1,558</b>	<b>–</b>	<b>884</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	227	–	186	–
<b>Total income received in advance</b>	<b>227</b>	<b>–</b>	<b>186</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	390	2,858	385	2,494
<b>Total borrowings</b>	<b>390</b>	<b>2,858</b>	<b>385</b>	<b>2,494</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>2,175</b>	<b>2,858</b>	<b>1,455</b>	<b>2,494</b>

(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.

## (a) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	2,879	(383)	752	–	–	3,248
<b>TOTAL</b>	<b>2,879</b>	<b>(383)</b>	<b>752</b>	<b>–</b>	<b>–</b>	<b>3,248</b>

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	3,042	(363)	200	–	–	2,879
<b>TOTAL</b>	<b>3,042</b>	<b>(363)</b>	<b>200</b>	<b>–</b>	<b>–</b>	<b>2,879</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Payables and borrowings (continued)

\$ '000	2019	2018
<b>(b) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Credit cards/purchase cards	60	60
<b>Total financing arrangements</b>	<b>60</b>	<b>60</b>
<b>Undrawn facilities as at balance date:</b>		
– Credit cards/purchase cards	60	60
<b>Total undrawn financing arrangements</b>	<b>60</b>	<b>60</b>

**Additional financing arrangements information****Breaches and defaults**

During the current and prior year, there were no defaults or breaches on any of the loans.

**Accounting policy for payables and borrowings**

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

**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 drawdown occurs. To the extent that 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.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	460	–	696	–
Long service leave	957	50	1,059	56
Other leave	159	–	6	–
<b>Sub-total – aggregate employee benefits</b>	<b>1,576</b>	<b>50</b>	<b>1,761</b>	<b>56</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	144	–	–
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>144</b>	<b>–</b>	<b>–</b>
<b>TOTAL PROVISIONS</b>	<b>1,576</b>	<b>194</b>	<b>1,761</b>	<b>56</b>

\$ '000	2019	2018
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**(a) 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	899	1,115
	<b>899</b>	<b>1,115</b>

**(b) Description of and movements in provisions**

\$ '000	Other provisions	
	Asset remediation	Total
<b>2019</b>		
At beginning of year	–	–
Additional provisions	144	144
Amounts used (payments)	–	–
Unwinding of discount	–	–
<b>Total other provisions at end of period</b>	<b>144</b>	<b>144</b>
<b>2018</b>		
At beginning of year	–	–
Additional provisions	–	–
Amounts used (payments)	–	–
Unwinding of discount	–	–
<b>Total other provisions at end of period</b>	<b>–</b>	<b>–</b>

**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.



## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 11. Provisions (continued)

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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.

###### On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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 2019

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

##### (a) Nature and purpose of reserves

###### **Infrastructure, property, plant and equipment revaluation reserve**

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

##### (b) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

###### **Classification of financial assets**

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

###### **Measurement of equity instruments**

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

###### **Impairment of financial assets**

The incurred loss model from AASB 139 has been replaced with an ECL model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	1,659	1,035
<b>Balance as per the Statement of Cash Flows</b>		<b>1,659</b>	<b>1,035</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		3,655	2,845
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		5,850	5,964
Net losses/(gains) on disposal of assets		(43)	(157)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(266)	–
– Revaluation decrements / impairments of IPP&E direct to P&L		249	–
Share of net (profits)/losses of associates/joint ventures using the equity method		(10)	(37)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		72	(759)
Increase/(decrease) in provision for impairment of receivables		27	24
Decrease/(increase) in inventories		289	(212)
Decrease/(increase) in other current assets		25	(108)
Increase/(decrease) in payables		232	13
Increase/(decrease) in accrued interest payable		1	2
Increase/(decrease) in other accrued expenses payable		19	(1)
Increase/(decrease) in other liabilities		53	41
Increase/(decrease) in provision for employee benefits		(191)	(10)
Increase/(decrease) in other provisions		144	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>10,106</b>	<b>7,605</b>

## Note 14. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	10	37	298	288
<b>Total</b>	<b>10</b>	<b>37</b>	<b>298</b>	<b>288</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Interests in other entities (continued)

## Joint arrangements

## (i) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

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

\$ '000	Nature of relationship	Measurement method	2019	2018
Macquarie Regional Library	Joint Venture	Equity Method	298	288
<b>Total carrying amounts – material joint ventures</b>			<b>298</b>	<b>288</b>

## (b) Details

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

## (c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Macquarie Regional Library	14.0%	14.0%	14.0%	14.0%	25.0%	25.0%

## (d) Summarised financial information for joint ventures

\$ '000	Macquarie Regional Library	
	2019	2018
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,597	1,930
Other current assets	19	31
<b>Non-current assets</b>	<b>1,245</b>	<b>1,128</b>
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	93	311
Other current liabilities	598	698
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	49	32
<b>Net assets</b>	<b>2,121</b>	<b>2,048</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Interests in other entities (continued)

\$ '000	Macquarie Regional Library	
	2019	2018
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	2,049	1,828
Profit/(loss) for the period	74	221
<b>Closing net assets</b>	<b>2,123</b>	<b>2,049</b>
<b>Council's share of net assets (%)</b>	14.0%	14.1%
<b>Council's share of net assets (\$)</b>	297	288
<b>Statement of comprehensive income</b>		
Income	2,962	2,883
Interest income	45	45
Depreciation and amortisation	(340)	(331)
Other expenses	(2,593)	(2,376)
<b>Profit/(loss) from continuing operations</b>	<b>74</b>	<b>221</b>
<b>Profit/(loss) for the period</b>	<b>74</b>	<b>221</b>
<b>Total comprehensive income</b>	<b>74</b>	<b>221</b>
<b>Share of income – Council (%)</b>	14.0%	16.7%
<b>Profit/(loss) – Council (\$)</b>	10	37
<b>Total comprehensive income – Council (\$)</b>	10	37

**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 purposes of the consolidated financial statements.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Commitments

\$ '000	2019	2018
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Plant and equipment	2	286
Sports & Recreation	230	918
Other	508	–
<b>Total commitments</b>	<b>740</b>	<b>1,204</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	740	1,204
<b>Total payable</b>	<b>740</b>	<b>1,204</b>

**(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	25	15
Later than one year and not later than 5 years	27	7
<b>Total non-cancellable operating lease commitments</b>	<b>52</b>	<b>22</b>

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

Council utilises computer and copier equipment assets under operating lease.

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 16. Contingencies and other assets/liabilities 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 scheme's 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 is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119 Employee Benefits 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.

Member councils are treated as Pooled Employers for the purpose of AASB 119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

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

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2019 was \$ 177,916.79

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA (AFS Licence # 411770) on 31/12/2018 and covers the period ended 30/06/18.

Council's expected contribution to the Fund for the next annual reporting period is \$106,161.88.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

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

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

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around November/December 2019.

Council's additional lump sum contribution per annum of 0.13% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub group.

#### (ii) Statewide Limited

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

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

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

#### (iii) StateCover Limited

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

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

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.



## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

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

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.

##### (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 2019

#### Note 17. Financial risk management

##### Risk management

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

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

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

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

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.

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	1,659	1,035	1,659	1,035
Receivables	2,433	2,532	2,205	2,532
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	17,000	23,320	17,000	23,320
<b>Fair value through profit and loss</b>				
Investments				
– 'Held for trading'	5,573	–	5,573	–
<b>Total financial assets</b>	<b>26,665</b>	<b>26,887</b>	<b>26,437</b>	<b>26,887</b>
<b>Financial liabilities</b>				
Payables	1,558	884	1,558	884
Loans/advances	3,248	2,879	3,248	2,879
<b>Total financial liabilities</b>	<b>4,806</b>	<b>3,763</b>	<b>4,806</b>	<b>3,763</b>

Fair value is determined as follows:

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

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance 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 these 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.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 17. Financial risk management (continued)

- **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.
- **Liquidity risk** – the risk that the Council will not be able to pay its debts as and when they fall due.

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 impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 10% movement in market values	557	557	(557)	(557)
Possible impact of a 1% movement in interest rates	225	225	(225)	(225)
<b>2018</b>				
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)

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 17. Financial risk management (continued)

##### (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:

##### Credit risk profile

##### Receivables – rates and annual charges

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.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	759	37	37	113	–	946
<b>2018</b>						
Gross carrying amount	322	245	325	–	–	892

##### Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	1,411	32	1	70	24	1,538
Expected loss rate (%)	0.00%	0.00%	0.00%	38.00%	100.00%	3.29%
<b>ECL provision</b>	–	–	–	27	24	51
<b>2018</b>						
Gross carrying amount	1,135	419	14	85	11	1,664
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

continued on next page ...

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management (continued)

## (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 through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2019</b>							
Trade/other payables	0.00%	30	1,528	–	–	1,558	1,558
Loans and advances	3.75%	–	495	2,345	408	3,248	3,248
<b>Total financial liabilities</b>		<b>30</b>	<b>2,023</b>	<b>2,345</b>	<b>408</b>	<b>4,806</b>	<b>4,806</b>
<b>2018</b>							
Trade/other payables	0.00%	25	859	–	–	884	884
Loans and advances	3.47%	–	495	2,345	487	3,327	2,879
<b>Total financial liabilities</b>		<b>25</b>	<b>1,354</b>	<b>2,345</b>	<b>487</b>	<b>4,211</b>	<b>3,763</b>

## Loan agreement breaches

There have been no breaches to loan agreements during the reporting year.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 28/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements 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.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

**Variation Key:** **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>REVENUES</b>				
Rates and annual charges	8,852	8,857	5	0% <b>F</b>
User charges and fees	2,688	3,063	375	14% <b>F</b>
- The increase in water usage revenue is due mostly to the prolonged drought.				
Interest and investment revenue	634	1,010	376	59% <b>F</b>
- The increase in Investment Revenue is due to the reallocation of investment funds to higher earning TCorp managed investments.				
Other revenues	926	472	(454)	(49)% <b>U</b>
- The underachievement is due to less income from agencies including RFS, Emergency Services, Private Works and no land sales for the year.				
Operating grants and contributions	7,691	7,649	(42)	(1)% <b>U</b>
Capital grants and contributions	3,293	3,390	97	3% <b>F</b>
Net gains from disposal of assets	-	43	43	∞ <b>F</b>
Joint ventures and associates – net profits	-	10	10	∞ <b>F</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	7,720	6,624	1,096	14% <b>F</b>
- The lower Employment costs are mostly due to high level of capitalised salaries (\$600k), reduction in employee entitlements provision due to retirements, lower FBT, training and other on-costs.				
<b>Borrowing costs</b>	107	93	14	13% <b>F</b>
- The lower costs are due to the new loan drawn much later in the financial year.				
<b>Materials and contracts</b>	4,444	5,480	(1,036)	(23)% <b>U</b>
Increase due mostly to acquitting operational grants (Drought Country Communities) and road material and gravel stock costs.				
<b>Depreciation and amortisation</b>	5,964	5,850	114	2% <b>F</b>
<b>Other expenses</b>	2,375	2,543	(168)	(7)% <b>U</b>
<b>Revaluation decrement / impairment of IPP&amp;E</b>	-	249	(249)	∞ <b>U</b>
<b>STATEMENT OF CASH FLOWS</b>				
<b>Net cash provided from (used in) operating activities</b>	8,512	10,106	1,594	19% <b>F</b>
- increase in Operating Cashflow is due to increased grant revenue and reduced operating employee costs (capitalisation, entitlements and other on-costs).				
<b>Net cash provided from (used in) investing activities</b>	(15,078)	(9,851)	5,227	(35)% <b>F</b>
- Investing cashflow variance is due mostly to less capital expenditure on budgeted land development.				
<b>Net cash provided from (used in) financing activities</b>	369	369	-	0% <b>F</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement

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) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
Investments	6(b)					
– 'Held for trading/fair value through profit or loss'		30/06/19	5,574	–	–	5,574
<b>Total financial assets</b>			<b>5,574</b>	<b>–</b>	<b>–</b>	<b>5,574</b>
<b>Infrastructure, property, plant and equipment</b>						
	9(a)					
Operational land		30/06/18	–	–	4,150	4,150
Community land		30/06/18	–	–	1,758	1,758
Buildings – non-specialised		30/06/18	–	–	2,870	2,870
Buildings – specialised		30/06/18	–	–	16,660	16,660
Other structures		30/06/19	–	–	3,506	3,506
Roads		30/06/15	–	–	194,575	194,575
Bridges		30/06/15	–	–	18,909	18,909
Footpaths		30/06/15	–	–	1,789	1,789
Stormwater drainage		30/06/15	–	–	265	265
Water supply network		30/06/17	–	–	16,237	16,237
Sewerage network		30/06/17	–	–	18,760	18,760
Swimming pools		30/06/19	–	–	2,213	2,213
Other open space/recreational assets		30/06/19	–	–	2,891	2,891
Other infrastructure		30/06/15	–	–	3,506	3,506
Aerodrome		30/06/19	–	–	3,749	3,749
<b>Total infrastructure, property, plant and equipment</b>			<b>–</b>	<b>–</b>	<b>291,838</b>	<b>291,838</b>



## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>						
	9(a)					
Plant and equipment		30/06/14	–	–	3,927	3,927
Office equipment		30/06/14	–	–	483	483
Furniture and fittings		30/06/14	–	–	46	46
Operational land		30/06/18	–	–	4,150	4,150
Community land		30/06/18	–	–	1,758	1,758
Land under roads		30/06/13	–	–	–	–
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	–	–	193,367	193,367
Bridges		30/06/15	–	–	19,152	19,152
Footpaths		30/06/15	–	–	1,783	1,783
Stormwater drainage		30/06/15	–	–	13,510	13,510
Water supply network		30/06/17	–	–	14,549	14,549
Sewerage network		30/06/17	–	–	18,529	18,529
Swimming pools		30/06/14	–	–	1,647	1,647
Other open space/recreational assets		30/06/14	–	–	1,702	1,702
Other infrastructure		30/06/15	–	–	237	237
Aerodrome		30/06/14	–	–	3,541	3,541
<b>Total infrastructure, property, plant and equipment</b>			<b>–</b>	<b>–</b>	<b>300,192</b>	<b>300,192</b>

Note that capital WIP is not included above since it is carried at cost.

## (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.

## (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 2018.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 19. Fair Value Measurement (continued)

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 2017 using valuations of the Valuer General.

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

Non-Specialised & Specialised Buildings values were provided by an external Valuer in 2018. 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. Other Structures have been revalued externally during 2018/19 by AssetVal Pty Ltd.

##### **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 componentising bridges from one asset into components, Substructure, superstructure, abutments ect.

Major Culverts over 6m long were considered bridges and transferred from stormwater into bridges.

##### **Footpaths**

Footpaths Externally valued during 14/15 by AssetVal Pty Ltd,

Market based evidence (level 2) were used for concrete Footpaths and cycleways.

##### **Stormwater drainage**

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

##### **Water supply network**

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

##### **Sewerage network**

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

##### **Open space recreation**

Assets within this class comprise playground equipment, softfall surfaces, shade structures, irrigation, fencing, lighting, furniture, sculptures and monuments etc. All Open Space Recreation Assets were revalued externally during 2018/19 by AssetVal Pty Ltd.

##### **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 externally during 2018/19 by AssetVal Pty Ltd.

##### **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 externally during 2018/19 by AssetVal Pty Ltd.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational Land	Community Land
<b>2018</b>					
<b>Opening balance</b>	3,589	616	63	3,818	1,874
Purchases (GBV)	1,296	260	–	–	–
Disposals (WDV)	(571)	–	–	–	–
Depreciation and impairment	(387)	(393)	(17)	–	(116)
Revaluation	–	–	–	332	–
<b>Closing balance</b>	<b>3,927</b>	<b>483</b>	<b>46</b>	<b>4,150</b>	<b>1,758</b>
<b>2019</b>					
<b>Opening balance</b>	3,927	483	46	4,150	1,758
Purchases (GBV)	1,136	–	–	–	–
Disposals (WDV)	(232)	–	–	–	–
Depreciation and impairment	(436)	(207)	(11)	–	–
<b>Closing balance</b>	<b>4,395</b>	<b>276</b>	<b>35</b>	<b>4,150</b>	<b>1,758</b>

\$ '000	Buildings non-specialised	Buildings specialised	Other structures	Roads	Bridges
<b>2018</b>					
<b>Opening balance</b>	2,564	15,840	2,169	192,259	18,590
Purchases (GBV)	7	780	175	3,300	805
Depreciation and impairment	(146)	(617)	(103)	(2,192)	(243)
Revaluation	601	541	–	–	–
<b>Closing balance</b>	<b>3,026</b>	<b>16,544</b>	<b>2,241</b>	<b>193,367</b>	<b>19,152</b>
<b>2019</b>					
<b>Opening balance</b>	3,026	16,544	2,241	193,367	19,152
Purchases (GBV)	29	1,093	1,179	3,486	–
Depreciation and impairment	(185)	(977)	(116)	(2,278)	(243)
Revaluation	–	–	201	–	–
<b>Closing balance</b>	<b>2,870</b>	<b>16,660</b>	<b>3,505</b>	<b>194,575</b>	<b>18,909</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

\$ '000	Footpaths	Stormwater drainage	Water supply network	Sewerage network	Swimming pools
<b>2018</b>					
<b>Opening balance</b>	1,855	13,674	12,947	18,240	1,578
Purchases (GBV)	6	39	1,851	341	110
Depreciation and impairment	(78)	(203)	(615)	(433)	(41)
Revaluation	–	–	366	381	–
<b>Closing balance</b>	<b>1,783</b>	<b>13,510</b>	<b>14,549</b>	<b>18,529</b>	<b>1,647</b>
<b>2019</b>					
<b>Opening balance</b>	1,783	13,510	14,549	18,529	1,647
Purchases (GBV)	84	275	1,947	381	639
Depreciation and impairment	(78)	(203)	(688)	(439)	(73)
Revaluation	–	–	429	289	–
<b>Closing balance</b>	<b>1,789</b>	<b>13,582</b>	<b>16,237</b>	<b>18,760</b>	<b>2,213</b>

\$ '000	Other open space/ recreational assets	Other infrastructure	Aerodrome	Total
<b>2018</b>				
<b>Opening balance</b>	1,759	247	3,599	<b>295,281</b>
Purchases (GBV)	82	–	168	<b>9,220</b>
Disposals (WDV)	–	–	–	<b>(571)</b>
Depreciation and impairment	(139)	(10)	(226)	<b>(5,959)</b>
Revaluation	–	–	–	<b>2,221</b>
<b>Closing balance</b>	<b>1,702</b>	<b>237</b>	<b>3,541</b>	<b>300,192</b>
<b>2019</b>				
<b>Opening balance</b>	1,702	237	3,541	<b>300,192</b>
Purchases (GBV)	1,138	38	27	<b>11,452</b>
Disposals (WDV)	–	–	–	<b>(232)</b>
Depreciation and impairment	(130)	(11)	(138)	<b>(6,213)</b>
Revaluation	181	–	319	<b>1,419</b>
<b>Closing balance</b>	<b>2,891</b>	<b>264</b>	<b>3,749</b>	<b>306,618</b>

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 19. Fair Value Measurement (continued)

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##### 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.

## Narramine Shire Council

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 20. Related Party Transactions

##### (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:

	2019	2018
<b>Compensation:</b>		
Short-term benefits	1,164	1,309
Post-employment benefits	97	110
Other long-term benefits	–	2
<b>Total</b>	<b>1,261</b>	<b>1,421</b>

##### (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	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
<b>2019</b>						
Office Supplies	1	7	–	30 days	–	–
<b>2018</b>						
Office Supplies	1	15	–	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.

continued on next page ...

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 20. Related Party Transactions (continued)

(c) Other related party transactions

	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
<b>2019</b>						
Library Services	2	381	–	30 days	–	–
<b>2018</b>						
Library Services	2	382	–	30 days	–	–

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.

Notes to the Financial Statements  
for the year ended 30 June 2019

**Note 21. Statement of developer contributions**

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**

	as at 30/6/2018		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>S7.12 levies – under a plan</b>	259		33		7			299	
<b>Total S7.11 and S7.12 revenue under plans</b>	259		33		7			299	
S64 contributions	216				5			221	
<b>Total contributions</b>	<b>475</b>		<b>33</b>		<b>12</b>			<b>520</b>	
<b>S7.12 Levies – under a plan</b>									
<b>S7.12 LEVIES – UNDER A PLAN</b>									
Drainage	10							10	
Roads	8							8	
Open space	26							26	
Community facilities	215		33		7			255	
<b>Total</b>	<b>259</b>		<b>33</b>		<b>7</b>			<b>299</b>	



## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Financial result and financial position by fund

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	7,139	605	1,113
User charges and fees	1,419	1,278	366
Interest and investment revenue	855	92	63
Other revenues	457	15	–
Grants and contributions provided for operating purposes	7,634	15	–
Grants and contributions provided for capital purposes	3,390	–	–
<b>Other income</b>			
Net gains from disposal of assets	43	–	–
Share of interests in joint ventures and associates using the equity method	10	–	–
<b>Total income from continuing operations</b>	<b>20,947</b>	<b>2,005</b>	<b>1,542</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	6,016	434	174
Borrowing costs	93	–	–
Materials and contracts	3,798	1,054	628
Depreciation and amortisation	4,928	483	439
Other expenses	2,516	–	27
Revaluation decrement /impairment of IPPE	249	–	–
<b>Total expenses from continuing operations</b>	<b>17,600</b>	<b>1,971</b>	<b>1,268</b>
<b>Operating result from continuing operations</b>	<b>3,347</b>	<b>34</b>	<b>274</b>
<b>Net operating result for the year</b>	<b>3,347</b>	<b>34</b>	<b>274</b>
<b>Net operating result attributable to each council fund</b>	3,347	34	274
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	(43)	34	274

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

(1) 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 2019

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

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	(3,605)	628	4,636
Investments	19,078	1,667	1,828
Receivables	1,289	343	289
Inventories	854	–	–
Other	90	–	–
<b>Total current assets</b>	<b>17,706</b>	<b>2,638</b>	<b>6,753</b>
<b>Non-current assets</b>			
Receivables	274	199	39
Infrastructure, property, plant and equipment	271,669	18,201	19,131
Investments accounted for using the equity method	298	–	–
<b>Total non-current assets</b>	<b>272,241</b>	<b>18,400</b>	<b>19,170</b>
<b>TOTAL ASSETS</b>	<b>289,947</b>	<b>21,038</b>	<b>25,923</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1,558	–	–
Income received in advance	227	–	–
Borrowings	390	–	–
Provisions	1,576	–	–
<b>Total current liabilities</b>	<b>3,751</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>			
Borrowings	2,858	–	–
Provisions	194	–	–
<b>Total non-current liabilities</b>	<b>3,052</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>6,803</b>	<b>–</b>	<b>–</b>
<b>Net assets</b>	<b>283,144</b>	<b>21,038</b>	<b>25,923</b>
<b>EQUITY</b>			
Accumulated surplus	114,445	11,456	10,444
Revaluation reserves	168,699	9,582	15,479
<b>Council equity interest</b>	<b>283,144</b>	<b>21,038</b>	<b>25,923</b>
<b>Total equity</b>	<b>283,144</b>	<b>21,038</b>	<b>25,923</b>

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

(1) 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 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>195</b>				
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>20,785</b>	<b>0.94%</b>	(0.88)%	18.72%	>0.00%
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>13,028</b>				
Total continuing operating revenue <sup>1</sup>	<b>24,175</b>	<b>53.89%</b>	53.43%	47.89%	>60.00%
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>14,180</b>				
Current liabilities less specific purpose liabilities	<b>2,852</b>	<b>4.97x</b>	5.98x	5.38x	>1.50x
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>6,138</b>				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>476</b>	<b>12.89x</b>	12.68x	19.96x	>2.00x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>1,030</b>				
Rates, annual and extra charges collectible	<b>9,924</b>	<b>10.38%</b>	11.61%	9.20%	<10.00%
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>18,659</b>				
Monthly payments from cash flow of operating and financing activities	<b>1,216</b>	<b>15.34 mths</b>	18.93 mths	19.90 mths	>3.00 mths

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

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

	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>\$ '000</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(0.66)%	(4.48)%	1.70%	10.82%	17.77%	23.37%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	46.03%	45.66%	99.25%	89.87%	100.00%	98.75%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	4.97x	5.98x	∞	∞	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	10.31x	9.17x	∞	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	12.55%	11.46%	0.00%	9.45%	0.00%	14.02%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	11.01	16.84	∞	17.27	∞	60.21	>3.00
Payments from cash flow of operating and financing activities	mths	mths		mths		mths	mths

(1) - (2) Refer to Notes at Note 23a above.

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

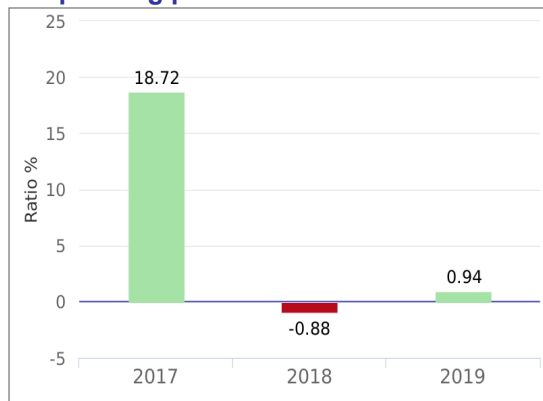
## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

## 1. Operating performance ratio



## Purpose of operating performance ratio

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

## Commentary on 2018/19 result

2018/19 ratio 0.94%

Council's Operating Performance Ratio is favourable (greater than 0%) indicating an operating surplus was made for the financial year.

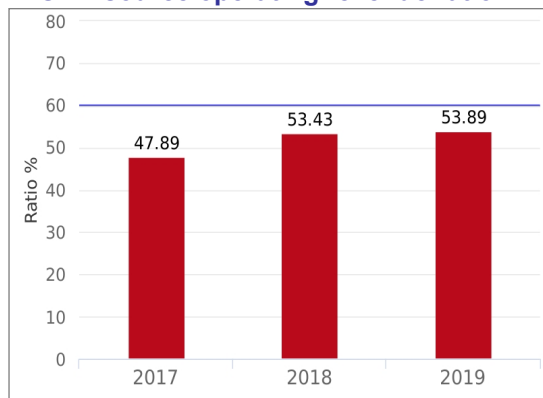
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

## 2. Own source operating revenue ratio



## 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 2018/19 result

2018/19 ratio 53.89%

Council's ratio is 53.89 which indicates Council produces 53.89% of its own revenue. Whilst below the state-wide benchmark of 60% it is typical for a regional Council.

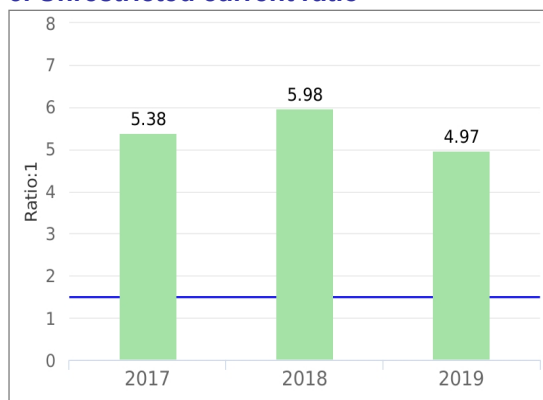
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

## 3. Unrestricted current ratio



## 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 2018/19 result

2018/19 ratio 4.97x

This indicates Council has more than sufficient working capital to meet its short term financial obligations.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

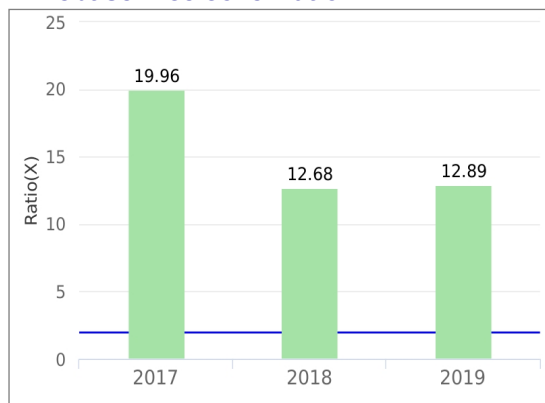
Narromine Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

4. Debt service cover ratio



**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 2018/19 result**

2018/19 ratio 12.89x

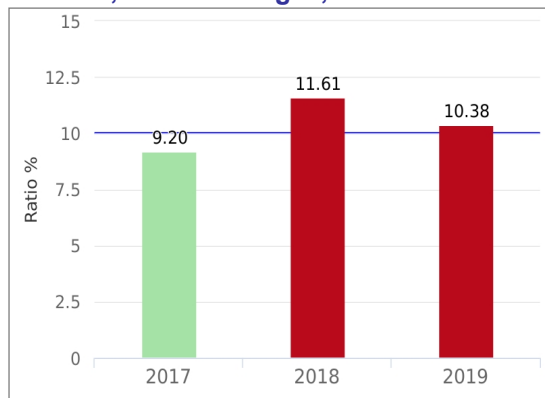
This ratio indicates Council's ability to service its debt is in excess of the OLG benchmark of 2.0 times indicating Council's operating cash surplus is many times greater than its loan repayments.

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark (Green)  
Ratio is outside benchmark (Red)

5. Rates, annual charges, interest and extra charges outstanding percentage



**Purpose of rates, annual charges, interest and extra charges outstanding**

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

**Commentary on 2018/19 result**

2018/19 ratio 10.38%

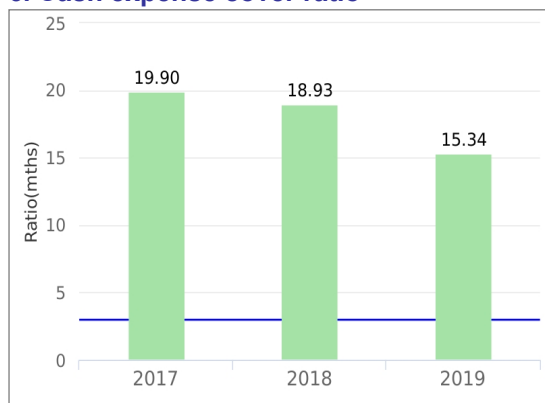
Council's ratio of overdue rates and charges (10.38%) is greater than the OLG benchmark (10.00). While not within the OLG benchmark Council deems this acceptable given the drought conditions experienced across all ratepayers. This also an improvement on the previous year (11.61%).

Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark (Green)  
Ratio is outside benchmark (Red)

6. Cash expense cover ratio



**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 2018/19 result**

2018/19 ratio 15.34 mths

Council has enough cash to operate for 15.34 months without the need to raise more cash. This is in excess of the OLG benchmark of 3.0 months.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark (Green)  
Ratio is outside benchmark (Red)

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 24. Council information and contact details

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**Principal place of business:**

124 Dandaloo Street  
Narromine NSW 2821

#### Contact details

**Mailing Address:**

PO Box 115  
Narromine NSW 2821

**Telephone:** 02 6889 9999

**Facsimile:** 02 6889 9998

**Opening hours:**

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

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

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

#### Officers

**General Manager**

Jane Redden

**Responsible Accounting Officer**

John Sevil

**Public Officer**

NSW Auditor General

**Auditors**

NSW Auditor General

Level 15

1 Margaret Street  
Sydney NSW 2000

#### Elected members

**Mayor**

Cr Craig Davies

**Deputy Mayor**

Cr Dawn Collins

Cr Colin Hamilton

Cr James Craft

Cr Les Lambert

Cr Lyn Jablonski

Cr Mark Munro

Cr Robert McCutcheon

Cr Trudy Everingham

#### Other information

**ABN:** 99 352 328 405



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Narromine Shire Council

To the Councillors of the Narromine Shire Council

### Opinion

I have audited the accompanying financial statements of Narromine Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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

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



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

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

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

### **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

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

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Cathy Wu

Delegate of the Auditor-General for New South Wales

28 October 2019  
SYDNEY



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

Contact: Cathy Wu  
 Phone no: 02 9275 7212  
 Our ref: D1924704/1769

28 October 2019

Dear Mayor

## Report on the Conduct of the Audit for the year ended 30 June 2019 Narromine Shire Council

I have audited the general purpose financial statements (GPFS) of Narromine Shire Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

### INCOME STATEMENT

#### Operating result

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	8.9	8.4	↑ 5.9
Grants and contributions revenue	11.0	10.8	↑ 1.9
Operating result for the year	3.7	2.8	↑ 28.5
Net operating result before capital grants and contributions	0.3	0.01	↑ 1793

Council's operating result of \$3.7 million (including the effect of depreciation and amortisation expense of \$5.9 million) was \$0.9 million higher than the 2017–18 result. This was primarily due to increases in rates and annual charges and capital grants and contributions, while total expenses remained relatively stable.

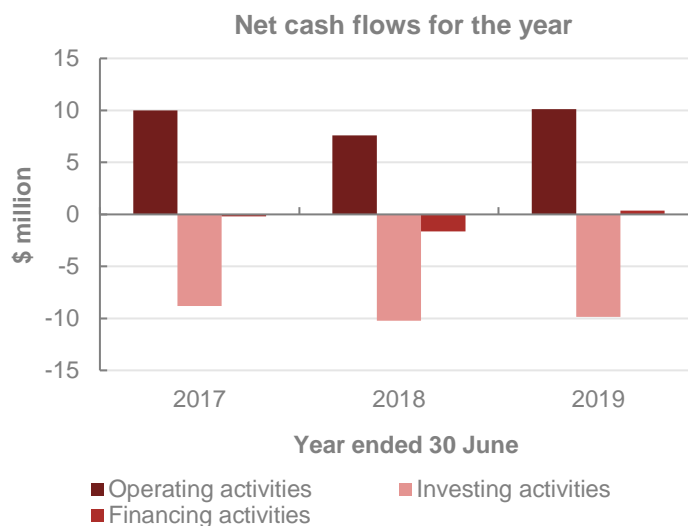
The net operating result before capital grants and contributions of \$0.3 million was \$251,000 higher than the 2017–18 result. This movement was largely attributable to the growth in rates and annual charges as noted above.

Rates and annual charges revenue of \$8.9 million increased by \$0.5 million (5.9 per cent) in 2018–2019 due to the rate peg increase of 2.3 per cent, together with movements in property valuations during the year.

Grants and contributions revenue of \$11.0 million increased by \$0.2 million (1.9 per cent) in 2018–2019. The main movements were a decrease in transport (other roads and bridges) funding, offset by increased funds for community centres and financial assistance grants.

## STATEMENT OF CASH FLOWS

- The Council reported a slight decrease in cash and cash equivalents from \$24.4 million at 30 June 2018 to \$24.2 million at 30 June 2019.
- Cash inflows from operating activities increased from 2017–18 mainly as a result of higher receipts from grants and contributions.
- Cash outflows from investing activities decreased mainly due to a reduction in purchases of investment securities.
- Cash inflows from financing activities increased as a result of receipts from borrowings and advances during 2018–19.



## FINANCIAL POSITION

### Cash and investments

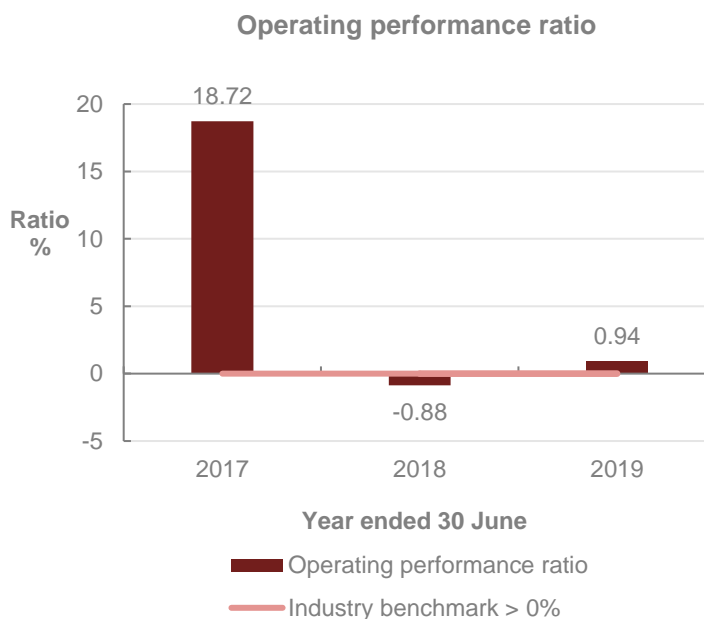
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	11.6	13.4	• External restrictions primarily include funds for water supply and sewerage services, specific purpose unexpended grants and domestic waste management.
Internal restrictions	8.3	7.7	
Unrestricted	4.3	3.3	
<b>Cash and investments</b>	<b>24.2</b>	<b>24.4</b>	<ul style="list-style-type: none"> <li>• Internal restrictions are due to Council policy or decisions for forward plans including the capital works program.</li> <li>• Unrestricted balances provide liquidity for day-to-day operations and have increased from the prior year due to reduced external restrictions.</li> </ul>

## PERFORMANCE

### Operating performance ratio

- Council met the industry benchmark for 2018–19.
- This ratio increased slightly from last year, in line with the increase in net operating result before capital grants and contributions.
- The ratio in 2016–17 was particularly high due to Council receiving greater operating grants that year.

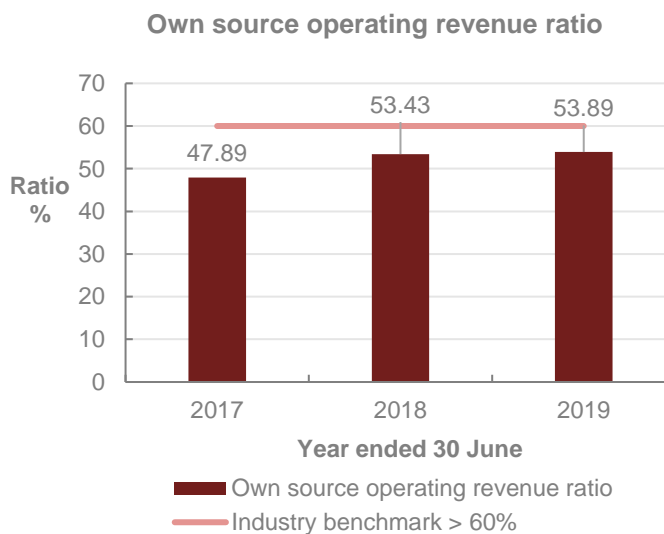
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



### Own source operating revenue ratio

- Council has not met the industry benchmark in the last three years.
- The ratio in 2018–19 remained fairly consistent with the prior year.

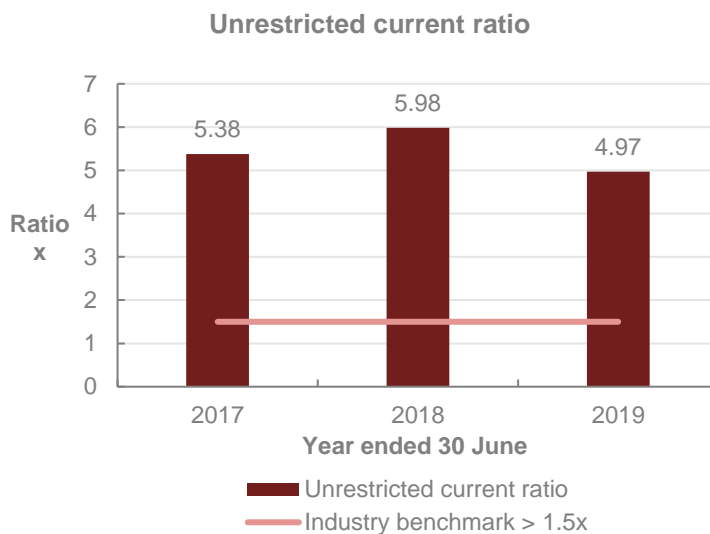
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



### Unrestricted current ratio

- Council's unrestricted current ratio has exceeded the industry benchmark for the past three years.
- This ratio indicates that Council currently has \$4.97 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

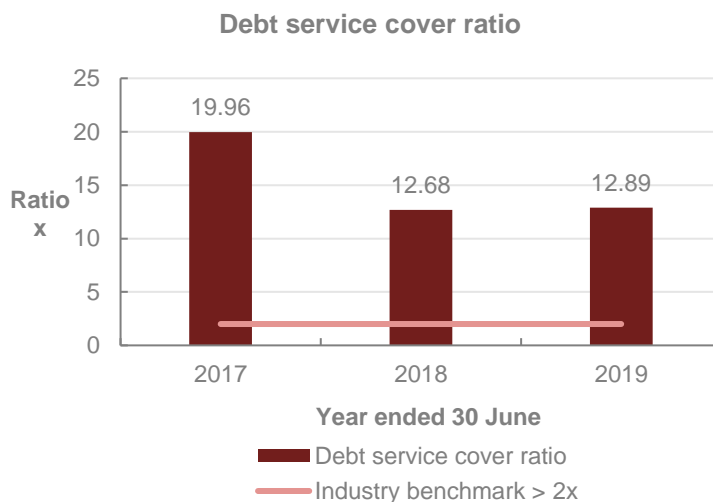
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



### Debt service cover ratio

- Council's debt service cover ratio has exceeded the industry benchmark for the past three years.
- Council appears to be effectively monitoring its liquidity levels to ensure it can meet its borrowing costs when they fall due.

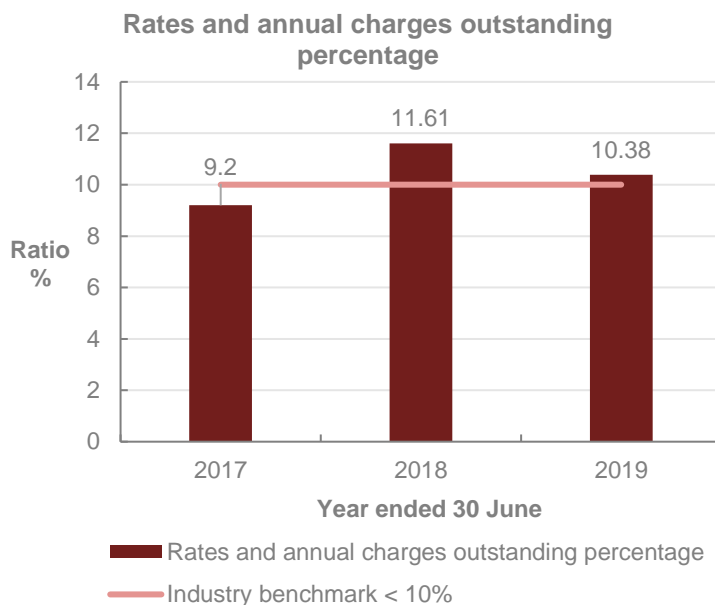
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



### Rates and annual charges outstanding percentage

- Council has not met the rural council benchmark for this ratio in the last two years.
- The ratio has improved in 2018–19 from the previous year, reducing slightly to 10.38 per cent.

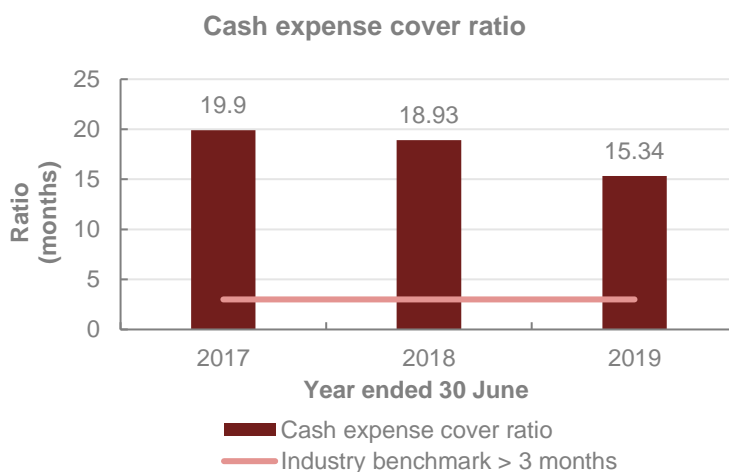
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



### Cash expense cover ratio

- Council's cash expense cover ratio exceeded the industry benchmark for the past three years.
- This indicates that Council had the capacity to cover 15.34 months of cash expenditure without additional cash inflows at 30 June 2019.

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



### Infrastructure, property, plant and equipment renewals

Council spent \$11.8 million on asset renewals in 2018–19 compared to \$7.8 million in 2017–18. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

A short-term benchmark of Council's strategic asset management is to assess the rate at which Council's assets are being renewed against the rate at which they are depreciating. In 2018–19, asset renewals of \$11.8 million represented 177 per cent of Council's \$5.9 million depreciation expense. This result was higher than the 2017–18 result of 131 per cent.

Asset renewals in 2018–19 were carried out in accordance with Council's capital works program and primarily related to roads, water supply network and building assets.

## OTHER MATTERS

### New accounting standards implemented

Application period	Overview
<b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b>	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> <li>• a simplified model for classifying and measuring financial assets</li> <li>• a new method for calculating impairment</li> <li>• a new type of hedge accounting that more closely aligns with risk management.</li> </ul> <p>The revised AASB 7 includes new disclosures as a result of AASB 9. Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 12(b).</p>

### Legislative compliance

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

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



Cathy Wu

Delegate of the Auditor-General for New South Wales

cc: Ms Jane Redden, General Manager  
 Mr Neil Maltby, Chair of the Audit, Risk and Improvement Committee  
 Jim Betts, Secretary of the Department of Planning, Industry and Environment



# Narromine Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

---

*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 2019

Contents	Page
<b>Statement by Councillors &amp; Management</b>	<b>3</b>
<b>Special Purpose Financial Statements</b>	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
<b>Note 1 – Significant Accounting Policies</b>	<b>8</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>11</b>

### 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 2019

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#### 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 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.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 11 September 2019.



Craig Davies  
Mayor  
11 September 2019



Dawn Collins  
Councillor  
11 September 2019



Jane Redden  
General Manager  
11 September 2019



John Sevil  
Responsible Accounting Officer  
11 September 2019

## Narromine Shire Council

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	605	627
User charges	1,236	1,255
Fees	42	50
Interest	92	102
Grants and contributions provided for non-capital purposes	15	20
Other income	15	16
<b>Total income from continuing operations</b>	<b>2,005</b>	<b>2,070</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	434	460
Materials and contracts	1,054	770
Depreciation, amortisation and impairment	483	616
<b>Total expenses from continuing operations</b>	<b>1,971</b>	<b>1,846</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>34</b>	<b>224</b>
Grants and contributions provided for capital purposes	–	211
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>34</b>	<b>435</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>34</b>	<b>435</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(9)	(67)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>25</b>	<b>368</b>
<b>Plus accumulated surplus</b>	<b>11,423</b>	<b>10,988</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	9	67
<b>Closing accumulated surplus</b>	<b>11,457</b>	<b>11,423</b>
<b>Return on capital %</b>	<b>0.2%</b>	<b>1.4%</b>
<b>Subsidy from Council</b>	<b>206</b>	<b>198</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	25	368
Less: capital grants and contributions (excluding developer contributions)	–	(74)
<b>Surplus for dividend calculation purposes</b>	<b>25</b>	<b>294</b>
<b>Potential dividend calculated from surplus</b>	<b>12</b>	<b>147</b>

## Narromine Shire Council

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	1,113	1,084
User charges	354	322
Liquid trade waste charges	12	13
Fees	–	15
Interest	63	70
Grants and contributions provided for non-capital purposes	–	19
<b>Total income from continuing operations</b>	<b>1,542</b>	<b>1,523</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	174	181
Materials and contracts	628	553
Depreciation, amortisation and impairment	439	433
Other expenses	27	–
<b>Total expenses from continuing operations</b>	<b>1,268</b>	<b>1,167</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>274</b>	<b>356</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>274</b>	<b>356</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>274</b>	<b>356</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(75)	(107)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>199</b>	<b>249</b>
<b>Plus accumulated surplus</b>	<b>10,169</b>	<b>9,813</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	75	107
<b>Closing accumulated surplus</b>	<b>10,443</b>	<b>10,169</b>
<b>Return on capital %</b>	<b>1.4%</b>	<b>1.8%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>157</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	199	249
Less: capital grants and contributions (excluding developer contributions)	–	73
<b>Surplus for dividend calculation purposes</b>	<b>199</b>	<b>322</b>
<b>Potential dividend calculated from surplus</b>	<b>99</b>	<b>161</b>

## Narromine Shire Council

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	628	1,772
Investments	1,667	2,431
Receivables	343	313
<b>Total current assets</b>	<b>2,638</b>	<b>4,516</b>
<b>Non-current assets</b>		
Receivables	199	202
Infrastructure, property, plant and equipment	18,201	16,062
<b>Total non-current assets</b>	<b>18,400</b>	<b>16,264</b>
<b>TOTAL ASSETS</b>	<b>21,038</b>	<b>20,780</b>
<b>NET ASSETS</b>	<b>21,038</b>	<b>20,780</b>
<b>EQUITY</b>		
Accumulated surplus	11,456	11,423
Revaluation reserves	9,582	9,357
<b>TOTAL EQUITY</b>	<b>21,038</b>	<b>20,780</b>

## Narromine Shire Council

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,636	3,678
Investments	1,828	1,835
Receivables	289	264
<b>Total current assets</b>	<b>6,753</b>	<b>5,777</b>
<b>Non-current assets</b>		
Receivables	39	66
Infrastructure, property, plant and equipment	19,131	19,515
<b>Total non-current assets</b>	<b>19,170</b>	<b>19,581</b>
<b>TOTAL ASSETS</b>	<b>25,923</b>	<b>25,358</b>
<b><u>NET ASSETS</u></b>	<b><u>25,923</u></b>	<b><u>25,358</u></b>
<b>EQUITY</b>		
Accumulated surplus	10,444	10,169
Revaluation reserves	15,479	15,189
<b><u>TOTAL EQUITY</u></b>	<b><u>25,923</u></b>	<b><u>25,358</u></b>

## Narromine Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

#### 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 SPFS 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 2005*, 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 NCP.

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 NCP 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)

##### 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.

##### Category 2

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

##### 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.



## Narromine Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

#### Note 1. Significant Accounting Policies (continued)

##### Monetary amounts

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

As required by Department of Industry (Dol) - Water, 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 – **27.5%**

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Dol - Water, 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.

##### 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.

## Narromine Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

#### Note 1. Significant Accounting Policies (continued)

##### 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.

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 1.32% at 30 June 2019.

##### (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 DoI - Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of the Narromine Shire Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Narromine Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2019, the Statement of Financial Position of each Declared Business Activity as at 30 June 2019, Note 1 Significant accounting policies for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2019, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter – Basis of Accounting**

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

### **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

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

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Cathy Wu

Delegate of the Auditor-General for New South Wales

28 October 2019  
SYDNEY

# Narromine Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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



# Narromine Shire Council

## Special Schedules

for the year ended 30 June 2019

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## Narromine Shire Council

Permissible income for general rates  
for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	5,718	5,577
Plus or minus adjustments <sup>2</sup>	b	(1)	15
<b>Notional general income</b>	c = a + b	<b>5,717</b>	<b>5,592</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	i = e x (c + g)	154	129
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>5,871</b>	<b>5,721</b>
Plus (or minus) last year's carry forward total	l	1	(2)
<b>Sub-total</b>	n = (l + m)	<b>1</b>	<b>(2)</b>
<b>Total permissible income</b>	o = k + n	<b>5,872</b>	<b>5,719</b>
Less notional general income yield	p	5,872	5,718
<b>Catch-up or (excess) result</b>	q = o - p	<b>-</b>	<b>1</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>-</b>	<b>1</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.





## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Narromine Shire Council

To the Councillors of Narromine Shire Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Narromine Shire Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

## Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink, appearing to read 'Cathy Wu', written in a cursive style.

Cathy Wu

Delegate of the Auditor-General for New South Wales

28 October 2019  
SYDNEY

Report on Infrastructure Assets  
as at 30 June 2019

Asset Class	Asset Category	Estimated cost			2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	Estimated cost to bring assets to agreed level of service set by Council	2018/19 Required maintenance <sup>a</sup>				1	2	3	4	5	
<b>Buildings</b>	Buildings	766	766	1,058	1,139	19,529	38,294	19.0%	59.0%	20.0%	2.0%	0.0%	0.0%
	Other	162	162	-	-	1	60	25.0%	10.0%	5.0%	0.0%	60.0%	0.0%
	<b>Sub-total</b>	<b>928</b>	<b>928</b>	<b>1,058</b>	<b>1,139</b>	<b>19,530</b>	<b>38,354</b>	<b>19.0%</b>	<b>58.9%</b>	<b>20.0%</b>	<b>2.0%</b>	<b>0.1%</b>	<b>0.1%</b>
<b>Other structures</b>	Other structures	-	-	-	-	3,506	2,241	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
	<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,506</b>	<b>2,241</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	1,333	1,333	1,436	1,165	110,639	133,281	26.0%	11.0%	62.0%	1.0%	0.0%	0.0%
	Unsealed roads	1,993	1,993	2,845	2,261	82,729	99,659	44.0%	45.0%	11.0%	0.0%	0.0%	0.0%
	Bridges	255	255	-	-	19,152	25,524	53.0%	37.0%	9.0%	1.0%	0.0%	0.0%
	Footpaths	68	68	5	5	178	3,404	17.0%	38.0%	43.0%	2.0%	0.0%	0.0%
	Other road assets	4	4	373	370	264	386	32.0%	28.0%	39.0%	1.0%	0.0%	0.0%
	Other	-	-	-	-	2,311	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>3,653</b>	<b>3,653</b>	<b>4,659</b>	<b>3,801</b>	<b>215,273</b>	<b>262,254</b>	<b>35.4%</b>	<b>26.8%</b>	<b>37.2%</b>	<b>0.6%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Water supply network</b>	Water supply network	539	539	1,370	1,345	14,548	26,931	41.0%	40.0%	15.0%	2.0%	2.0%	2.0%
	Other	-	-	-	-	1,689	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>539</b>	<b>539</b>	<b>1,370</b>	<b>1,345</b>	<b>16,237</b>	<b>26,931</b>	<b>41.0%</b>	<b>40.0%</b>	<b>15.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>
<b>Sewerage network</b>	Sewerage network	272	272	700	740	18,529	28,207	74.0%	7.0%	15.0%	1.0%	3.0%	3.0%
	Other	-	-	-	-	231	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>272</b>	<b>272</b>	<b>700</b>	<b>740</b>	<b>18,760</b>	<b>28,207</b>	<b>74.0%</b>	<b>7.0%</b>	<b>15.0%</b>	<b>1.0%</b>	<b>3.0%</b>	<b>3.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	613	613	280	245	13,510	20,423	28.0%	38.0%	31.0%	3.0%	0.0%	0.0%
	Other	-	-	-	-	72	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>613</b>	<b>613</b>	<b>280</b>	<b>245</b>	<b>13,582</b>	<b>20,423</b>	<b>28.0%</b>	<b>38.0%</b>	<b>31.0%</b>	<b>3.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Open space / recreational assets</b>	Swimming pools	27	27	256	394	3,402	2,712	3.0%	91.0%	3.0%	1.0%	2.0%	2.0%
	Other Open Space Recreational	72	72	1,006	1,039	1,702	3,610	14.0%	50.0%	33.0%	2.0%	1.0%	1.0%
	<b>Sub-total</b>	<b>99</b>	<b>99</b>	<b>1,262</b>	<b>1,433</b>	<b>5,104</b>	<b>6,322</b>	<b>9.3%</b>	<b>67.6%</b>	<b>20.1%</b>	<b>1.6%</b>	<b>1.4%</b>	<b>1.4%</b>

(a) Report on Infrastructure Assets - Values

Report on Infrastructure Assets - Values (continued)  
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost						
		Estimated cost to bring assets to satisfactory standard	to bring the agreed level of service set by Council					1	2	3	4	5		
Other	Other	158	158	1,766	1,777	265	15,848	13.0%	17.0%	68.0%	1.0%	1.0%		
<b>Infrastructure assets</b>	<b>Sub-total</b>	<b>158</b>	<b>158</b>	<b>1,766</b>	<b>1,777</b>	<b>265</b>	<b>15,848</b>	<b>13.0%</b>	<b>17.0%</b>	<b>68.0%</b>	<b>1.0%</b>	<b>1.0%</b>		
<b>TOTAL - ALL ASSETS</b>		<b>6,262</b>	<b>6,262</b>	<b>11,095</b>	<b>10,480</b>	<b>292,257</b>	<b>400,580</b>	<b>35.0%</b>	<b>30.1%</b>	<b>32.9%</b>	<b>1.0%</b>	<b>1.0%</b>		

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

Infrastructure asset condition assessment 'key'

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

## Narromine Shire Council

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>10,119</b>	<b>190.39%</b>	148.36%	93.43%	>=100.00%
Depreciation, amortisation and impairment	<b>5,315</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>6,262</b>	<b>2.14%</b>	7.23%	11.64%	<2.00%
Net carrying amount of infrastructure assets	<b>292,257</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>10,480</b>	<b>94.46%</b>	97.92%	60.37%	>100.00%
Required asset maintenance	<b>11,095</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>6,262</b>	<b>1.56%</b>	5.01%	6.08%	
Gross replacement cost	<b>400,580</b>				

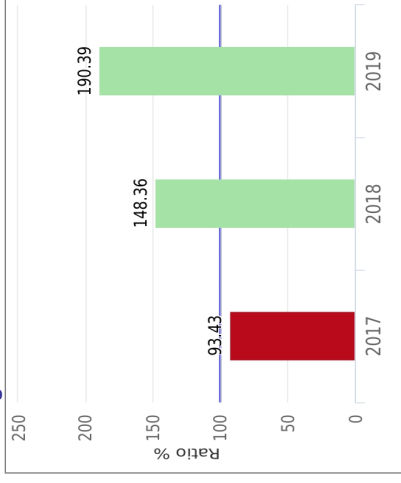
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes 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.

Report on Infrastructure Assets (continued)  
as at 30 June 2019

Buildings and infrastructure renewals ratio <sup>1</sup>



Benchmark: — >= 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

**Infrastructure renewals ratio**

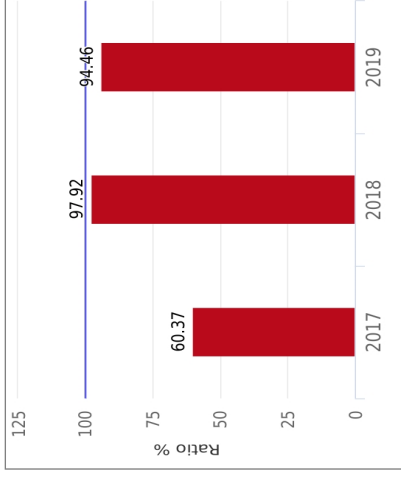
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**Commentary on result**

18/19 ratio 190.39%

Council is renewing its assets at a cost which is higher than its annual depreciation by a factor of 1.897 to 1.

Asset maintenance ratio



Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

**Asset maintenance ratio**

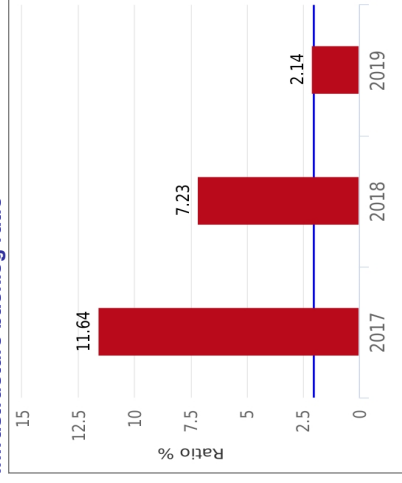
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

**Commentary on result**

18/19 ratio 94.46%

Council's maintenance expenditure of 94.46% is marginally below OLG's NSW benchmark of 100%.

Infrastructure backlog ratio <sup>1</sup>



Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

**Infrastructure backlog ratio**

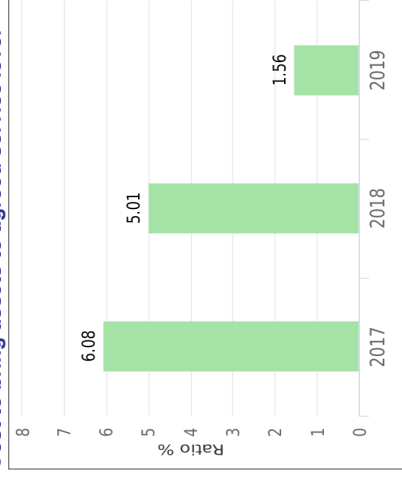
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

**Commentary on result**

18/19 ratio 2.14%

Council is reducing its infrastructure backlog whose ratio of 2.14% is marginally above OLG's benchmark of 2.0%.

Cost to bring assets to agreed service level



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 result**

18/19 ratio 1.56%

Council has reduced its cost to bring assets to an agreed service level. Whilst OLG has set a goal of reducing this to zero Council has achieved a favourable trend arriving at 1.56 % for the year.

(1) Excludes WIP

## Narromine Shire Council

### Report on Infrastructure Assets (continued)

as at 30 June 2019

	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>\$ '000</b>							
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals <sup>2</sup>	<b>183.31%</b>	154.07%	<b>351.55%</b>	215.10%	<b>83.83%</b>	3.70%	>=100.00%
Depreciation, amortisation and impairment							
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard	<b>2.12%</b>	4.98%	<b>3.32%</b>	48.13%	<b>1.45%</b>	5.87%	<2.00%
Net carrying amount of infrastructure assets							
<b>Asset maintenance ratio</b>							
Actual asset maintenance	<b>93.02%</b>	97.96%	<b>98.18%</b>	97.81%	<b>105.71%</b>	97.38%	>100.00%
Required asset maintenance							
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	<b>1.58%</b>	3.51%	<b>2.00%</b>	26.00%	<b>0.96%</b>	4.00%	
Gross replacement cost							

(1) Excludes 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**

## **Quarterly Budget Review**

**2019-2020**

**First Quarter (Q1)  
30 September 2019**



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### **Report by Responsible Accounting Officer**

The following statement is made in accordance with Clause 203(2) of the Local Government (General) Regulations 2005:

**30 September 2019**

It is my opinion that the Quarterly Budget Review Statement for Narromine Shire Council for the quarter ended 30/09/19 indicates that Council's projected financial position at 30/6/20 will be satisfactory at year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

John Sevil  
**Responsible Accounting Officer**

Narramine Shire Council

**Quarterly Budget Review Statement**  
for the period 01/07/19 to 30/09/19

**Income & Expenses Budget Review Statement**

Budget review for the quarter ended 30 September 2019

**Income & Expenses - Council Consolidated**

(\$000's)	Original Budget 2019/20	Approved Changes				Revised Budget 2019/20	Variations for this Sep Qtr	Notes	Projected Year End Result	Actual YTD figures
		Carry Forwards	Other than by QBRS	Sep QBRS	Dec QBRS					
<b>Income</b>										
Development and Environmental Services										
Building	204				204			204	56	
Fire Prevention and Emergency Services	183				183	2	9	181	1	
Planning	26				26			26	1	
Regulatory Services	93				93	54	19	147	42	
Manager Development and Environmental Serv	1				1			1	-	
Public Health	6				6			6	0	
Engineering										
Water	1,773				1,773			1,773	947	
Roads Bridges Footpaths	2,548				2,548			2,548	768	
Manager Engineering Office	14				14			14	7	
Parks and Reserves	6				6			6	0	
Sport and Recreation Facilities	134				134	22	1,14	156	29	
Mining	135				135			135	136	
Street Lighting	45				45			45	-	
Stormwater Drainage	147				147			147	127	
Aerodrome	106				106			106	22	
Quarry Operations	315				315			315	30	
Cemeteries	74				74			74	25	
Plant Operations	1,808				1,808			1,808	529	
Private Works	21				21	381	9	402	36	
Sewer	1,473				1,473			1,473	1,191	
Waste Management	1,623				1,623			1,623	1,634	
Buildings and Property	22				22			22	0	
Governance										
CEO Office	65				65			65	30	
Corporate Services					-			-		
Manager Corporate Service Office	100				100			100	23	
Finance	3,776				3,776			3,776	527	
Human Resources	24				24	4	12	28	9	
Rates	5,738				5,738			5,738	5,725	
Community & Economic Development										
Community and Social Development	-				-			-	11	

(\$000's)	Original Budget 2019/20	Approved Changes			Revised Budget 2019/20	Variations for this Sep Qtr	Notes	Projected Year End Result	Actual YTD figures
		Carry Forwards	Other than by QBRs	Sep QBRs					
Libraries	32				32		32	-	
Manager Community Services Office	20				20		20	-	
Health Services	104				104		104	24	
Children Youth and Family Services	1				1		1	-	
Tourism and Events	7				7		7	5	
<b>Total Income from Continuing Operations</b>	<b>20,624</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,624</b>	<b>459</b>	<b>21,083</b>	<b>11,936</b>	
<b>Expenses</b>									
Development and Environmental Services									
Building	77				77		77	6	
Fire Prevention and Emergency Services	429				429	4	425	97	
Planning	127				127		127	83	
Regulatory Services	548				548	149	697	103	
Manager Development and Environmental Serv	23				23		23	7	
Public Health	157				157		157	41	
Engineering									
Water	1,788				1,788		1,788	385	
Roads Bridges Footpaths	1,573				1,573		1,573	654	
Depot Operations	265				265		265	93	
Manager Engineering Office	1,218				1,218	57	1,161	226	
Parks and Reserves	731				731	20	751	129	
Sport and Recreation Facilities	405				405	44	449	197	
Mining	135				135		135	40	
Street Lighting	137				137		137	29	
Stormwater Drainage	138				138		138	7	
Aerodrome	224				224		224	100	
Quarry Operations	315				315	150	465	80	
Cemeteries	55				55		55	34	
Plant Operations	959				959	383	959	375	
Private Works	-				-		383	38	
Sewer	1,067				1,067	35	1,067	107	
Waste Management	1,635				1,635	13	1,670	411	
Buildings and Property	17				17		30	21	
Governance									
CEO Office	1,144				1,144	68	1,076	223	
Elected Members	226				226		226	66	
Governance	522				522		522	128	
Corporate Services					-		-		
Manager Corporate Service Office	394				394	57	451	112	
Finance	302				302		302	15	

(\$000's)	Original Budget 2019/20	Approved Changes				Revised Budget 2019/20	Variations for this Sep Qtr	Notes	Projected Year End Result	Actual YTD figures
		Carry Forwards	Other than by QBRS	Sep QBRS	Dec QBRS					
Information Technology	552					552		552	229	
Records Management	187					187		187	37	
Human Resources	647					647	4	651	194	
Community & Economic Development										
Community and Social Development	90					90	32	122	7	
Libraries	453					453		453	21	
Manager Community Services Office	29					29		29	25	
Health Services	45					45		45	14	
Children Youth and Family Services	3					3		3	1	
Tourism and Events	533					533	8	541	141	
Business and Economic Development	22					22		22	11	
<b>Total Expenses from Continuing Operations</b>	<b>17,173</b>	-	-	-	-	<b>17,173</b>	<b>766</b>	<b>17,939</b>	<b>4,488</b>	
<b>Net Operating Result from Continuing Operations</b>	<b>3,451</b>	-	-	-	-	<b>3,451</b>	<b>(307)</b>	<b>3,144</b>	<b>7,448</b>	
Discontinued Operations - Surplus/(Deficit)										
<b>Net Operating Result from All Operations</b>	<b>3,451</b>	-	-	-	-	<b>3,451</b>	<b>(307)</b>	<b>3,144</b>	<b>7,448</b>	
<b>Funding</b>										
Rates & Other Untied Funding						-				
Capital Grants & Contributions										
Reserves:										
- External Restrictions/Reserves							67			
- Internal Restrictions/Reserves							240			
New Loans										
<b>Total Funding</b>							<b>307</b>			
<b>Net Funding - Surplus/(Deficit)</b>										

Narramaine Shire Council

**Quarterly Budget Review Statement**  
for the period 01/07/19 to 30/09/19

**Income & Expenses Budget Review Statement**  
**Recommended changes to revised budget**

Budget Variations being recommended include the following material items:

note	WO Description	Comments	Total
Revenue			
1	Swimming Pool Narramine - Residence Maintenance	new lease	(13,000)
	Sports Centre - Staying Active Program Grant	new grant	(4,000)
9	RFS - private works - Weemabah Station - new	19/20 budget allocation	(225,000)
	RFS - private works - Other vehicle - 4x4 ute crew	19/20 budget allocation	(60,000)
	RFS - private works - equipment	19/20 budget allocation	(42,500)
	RFS - private works - hazard reduction	19/20 budget allocation	(53,475)
	Rural Fire Service Maintenance - Operations (M & R)	RFS 19/20 budget allocation	1,656
12	Health and Wellbeing Program - Inland Rail Sponsorship	grant income	(4,000)
14	Lets Light Up Football Grant - Upgrade Burns Oval Lighting	grant income	(5,000)
19	Landcare Program NSWLP-006 - Landcare Co-Ordinator 2	(position funded by grant	(53,915)
<b>Total</b>			<b>(459,234)</b>
Expenses			
1	Swimming Pool Trangie - Maintenance	increase due to overspend forecast	20,000
	Administration Buildings - Maintenance - Customer Service	forecast overspend	13,000
	Parks & Gardens Operations	to fund overspend in Publ Conven	(40,000)
	Public Conveniences Trangie - Maintenance	increase due to forecast overspend	10,000
	Public Conveniences Tomingley - Maintenance	forecast overspend	10,000
	Sports Centre - Staying Active Program Grant	new grant	4,000
3	NSRAC - Operations	NSRAC show jumps	10,000
		NSRAC bitumen reseal	21,650
4	Work Health & Safety Operations	reallocate	95,000
	Human Resources Management	reallocate	(68,732)
	Recruitment	reallocate	(26,268)
7	Executive Services - Operations	reallocate	56,734
	Engineering Management Operations	reallocate	(56,734)
8	Noxious Weeds - Operations	return of CMCW funds	95,442
9	RFS - private works - Weemabah Station - new	19/20 budget allocation	225,000
	RFS - private works - Other vehicle - 4x4 ute crew	19/20 budget allocation	60,000
	RFS - private works - fire fighting equipment	19/20 budget allocation	32,500
	RFS - private works - personal protective equipment	19/20 budget allocation	10,000
	RFS - opex - hazard reduction	19/20 budget allocation	53,475
	Rural Fire Service Maintenance - Operations (M & R)	RFS 19/20 budget allocation reduction	(1,656)
11	Parks & Reserves - Tree Management	funded from GM opex	30,000
	Parks & Reserves - Rotary Park Masterplan	funded from GM opex	30,000
12	employee benefit contractor	grant funded - play	4,000
16	Quarry - approval process - consultants	extractive industry approval process - funded from	150,000
17	Tourism - Narramine Show Sponsorship	gate fee - Narramine show - children entry	7,500
18	Dom Waste - Tomingley	asbestos clean-up	26,250
	Com Waste - Tomingley	asbestos clean-up	8,750
19	Landcare Program NSWLP-006 - Landcare Co-Ordinator 2	(4 year funding agreement	53,915
		to fund tree mgt \$30k, Rotary Park Mplan \$30k,	
		Nme Show entry \$7.5k	(67,500)
<b>Total</b>			<b>766,326</b>

Narrormine Shire Council  
**Capital Budget Review Statement**

Budget review for the quarter ended 30 September 2019  
**Capital Budget - Council Consolidated**

**Quarterly Budget Review Statement**  
 for the period 01/07/19 to 30/09/19

(\$000's)	Original Budget 2019/20	Approved Changes			Revised Budget 2019/20	Variations for this Sep Qtr	Notes	Projected Year End Result	Actual YTD figures
		Carry Forwards	Sep QBRs	Dec QBRs					
<b>Capital Expenditure</b>									
New Assets									
- Plant & Equipment	-	-	-	-	-	3		3	-
- Land & Buildings	3,040	-	-	3,040			3,040	3,040	6
- Roads, Bridges, Footpaths	-	-	-	-			-	-	-
- Other Infrastructure	675	1,622	-	2,297			2,297	2,297	1,482
- Water & Sewer	1,000	191	-	1,191			1,191	1,191	0
Renewal Assets (Replacement)									
- Plant & Equipment	780	-	-	780		20	800	800	13
- Land & Buildings	1,647	214	-	1,861		34	1,895	1,895	33
- Roads, Bridges, Footpaths	3,303	-	-	3,303			3,303	3,303	434
- Other Infrastructure	676	875	-	1,550			1,550	1,550	98
- Water & Sewer	3,143	1,877	-	5,020			5,020	5,020	251
<b>Total Capital Expenditure</b>	<b>14,264</b>	<b>4,779</b>	-	<b>19,044</b>	<b>57</b>		<b>19,101</b>	<b>19,101</b>	<b>2,318</b>
<b>Capital Funding</b>									
Rates & Other Untied Funding									
Capital Grants & Contributions			1,268			(10)		(10)	
Reserves:									
- External Restrictions/Reserves			2,068						
- Internal Restrictions/Reserves			1,443			(47)		(47)	
New Loans									
Receipts from Sale of Assets									
- Plant & Equipment									
- Land & Buildings									
<b>Total Capital Funding</b>	<b>-</b>	<b>4,779</b>	-	<b>-</b>	<b>(57)</b>		<b>(57)</b>	<b>(57)</b>	<b>-</b>
<b>Net Funding - Surplus/(Deficit)</b>									

## Narrormine Shire Council

**Quarterly Budget Review Statement**  
for the period 01/07/19 to 30/09/19

**Capital Budget Review Statement**  
**Recommended changes to revised budget**

Budget Variations being recommended include the following material items:

	<b>note</b>	<b>WO Description</b>	<b>Comments</b>	<b>Total</b>
new	10	Narrormine Learn to swim pool - cleaner	reallocate	3,400
<b>new Total</b>				<b>3,400</b>
renew	1	iPad replacements - Outdoor staff	additional cost	20,000
	2	Grant Burns Oval Redevelopment	additional costs needed, unspent budget from last y	22,481
	13	Council Wifi Upgrade	reallocate	(10,000)
		IT Equipment Upgrade Switches	reallocate	10,000
	14	Let's Light Up Football Grant - upgrade Burns oval lighting	funded by GM Conting. And grant	15,000
	10	Narrormine Learn to Swim Pool	reallocate	(3,400)
<b>renew Total</b>				<b>54,081</b>



Narramine Shire Council

**Quarterly Budget Review Statement**  
for the period 01/07/19 to 30/09/19

**Cash & Investments Budget Review Statement**

Budget review for the quarter ended 30 September 2019  
**Cash & Investments - Council Consolidated**

(\$000's)	Original Budget 2019/20	Approved Changes				Revised Budget 2019/20	Variations for this Sep Qtr	Notes	Projected Year End Result
		Carry Forwards	Other than by QBRs	Sep QBRs	Dec QBRs				
<b>Externally Restricted <sup>(1)</sup></b>	299					299		299	
Developers Contributions	1,452	(190)				1,262		1,262	
Special Purpose Unexpended Grants	842					842	(35)	807	
Domestic Waste Management	38					38		38	
OROC Surplus Operating Funds	70					70		70	
OROC - Unexpended Grant	120					120	(32)	88	
NSRAC - Operating Funds	19					19		19	
TSRAC - Operating Funds	3					3		3	
TSRAC - Bonds									
<b>WATER FUND</b>									
Water Network - Operating Funds	793					793		793	
Water Network - S64 Contributions	144					144		144	
Water Network - Capital Works Carried Forward	1,358	(1,358)							
<b>SEWERAGE FUND</b>									
Sewerage - Operating Funds	5,677					5,677		5,677	
Sewerage Funds - S64 Contributions	77					77		77	
Sewerage Fund - Capital Works Carried Forward	710	(710)							
<b>Total Externally Restricted</b>	<b>11,602</b>	<b>(2,258)</b>				<b>9,344</b>	<b>(67)</b>	<b>9,277</b>	
(1) Funds that must be spent for a specific purpose									
<b>Internally Restricted <sup>(2)</sup></b>									
<b>Executive Services</b>									
Election Expenses	32					32		32	
<b>Financial Management</b>									
Employee Leave Entitlements	545					545		545	
Capital Works Carried Forward	1,600	(1,600)							
OHS Bonus	102					102		102	
FAGS Advanced Grant	2,287					2,287		2,287	
<b>Environment</b>									
Wetlands Development	46					46		46	
<b>Youth Services</b>									
Youth Education Activities (Mac 2100 Grant)	18					18		18	
<b>Health Facilities</b>									
Medical Centre	144					144		144	
<b>Cultural Development</b>									
Trangie Local History Group	1					1		1	
<b>Aerodrome</b>									
Aerodrome Development	752					752		752	
Natfly	4					4		4	
<b>Mining</b>									

(\$000's)	Original Budget 2019/20	Approved Changes				Revised Budget 2019/20	Variations for this Sep Qtr	Notes	Projected Year End Result
		Carry Forwards	Other than by QBRS	Sep QBRS	Dec QBRS				
Alkane - Roads Contribution	-	-	-	-	-	-	-	-	
Alkane - Community Contributions (future fund)	106	-	-	-	-	106	-	106	
Alkane - Environmental Monitoring	92	-	-	-	-	92	-	92	
Alkane - Tomingley Water Tanks Project	80	-	-	-	-	80	-	80	
<b>Economic Development</b>									
Economic Development Reserve	12	-	-	-	-	12	-	12	
<b>Real Estate Development</b>									
Land Development	499	-	-	-	-	499	-	499	
<b>Long Term Asset Plans</b>									
Office Equipment (LTP)	7	-	-	-	-	7	-	7	
IT Strategy (LTP)	129	-	-	-	-	129	-	129	
Administration Buildings (LTP)	8	-	-	-	-	8	-	8	
Pound Improvements (LTP)	8	-	-	-	-	8	-	8	
Community Hall Upgrades (LTP)	-	-	-	-	-	-	-	-	
Public Amenities Upgrades (LTP)	45	-	-	-	-	45	-	45	
Library Improvements (LTP)	133	-	-	-	-	133	-	133	
Cemetery Improvements (LTP)	26	-	-	-	-	26	-	26	
Council Buildings	62	-	-	-	-	62	-	62	
Depot Improvements (LTP)	62	-	-	-	-	62	-	62	
Plant and Vehicle Replacement (LTP)	-	-	-	-	-	-	-	-	
Quarries	264	-	-	-	-	264	(150)	114	
Footpaths (LTP)	16	-	-	-	-	16	-	16	
Street Lighting Works	9	-	-	-	-	9	-	9	
Drainage Construction (LTP)	322	-	-	-	-	322	-	322	
Kerb & Gutter Construction - Narromine (LTP)	60	-	-	-	-	60	-	60	
Kerb & Gutter Construction - Triangle (LTP)	135	-	-	-	-	135	-	135	
Kerb & Gutter Construction - Tomingley (LTP)	15	-	-	-	-	15	-	15	
Stormwater Levee Bank	2	-	-	-	-	2	-	2	
Aerodrome Capital Improvements (LTP)	147	-	-	-	-	147	-	147	
Playground Equipment Upgrades (LTP)	76	-	-	-	-	76	-	76	
Playground Shade Structure Upgrades (LTP)	49	-	-	-	-	49	-	49	
Playground/Sporting Fields Fencing (LTP)	33	-	-	-	-	33	-	33	
Park Amenities (LTP)	95	-	-	-	-	95	(20)	75	
Street Tree Planting Program	7	-	-	-	-	7	-	7	
Softfall Establishment (LTP)	73	-	-	-	-	73	-	73	
Sporting Facility Upgrades (LTP)	54	-	-	-	-	54	-	54	
Irrigation System Establishment (LTP)	72	-	-	-	-	72	-	72	
Sports Centre Upgrades (LTP)	35	-	-	-	-	35	-	35	
Swimming Facilities Upgrade (LTP)	42	-	-	-	-	42	-	42	
Tomingley - Dicken Park Landscaping	5	-	-	-	-	5	-	5	
<b>Total Internally Restricted</b>	<b>8,311</b>	<b>(1,600)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,711</b>	<b>(170)</b>	<b>6,541</b>	
(2) Funds that Council has earmarked for a specific purpose									
<b>Unrestricted (ie. available after the above Restricti</b>	<b>4,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,319</b>	<b>(3)</b>	<b>4,316</b>	
<b>Total Cash &amp; Investments</b>	<b>24,232</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,232</b>	<b>(240)</b>	<b>23,992</b>	

## Narramine Shire Council

## Quarterly Budget Review Statement

for the period 01/07/19 to 30/09/19

### Contracts Budget Review Statement

Budget review for the quarter ended 30 September 2019

#### Part A - Contracts Listing - contracts entered into during the quarter

Contractor	Contract detail & purpose	Contract Value	Start Date	Duration of Contract	Budgeted (Y/N)	Notes
Beau Corp Projects Pty Ltd	Construct Learn to Swim Pool and Splashpark	1,662,733	05/07/19	8 month	Y	
Inland Petroleum	Bulk Fuel Supply	750,000	01/07/19	12 month	Y	
Strategic Services Australia t/a Regional Procurement	Bitumen Spray Sealing	3,000,000	01/07/19	12 month	Y	

Narromine Shire Council

**Quarterly Budget Review Statement**  
for the period 01/07/19 to 30/09/19

**Consultancy & Legal Expenses Budget Review Statement**

Consultancy & Legal Expenses Overview

<b>Expense</b>	<b>YTD Expenditure (Actual Dollars)</b>	<b>Budgeted (Y/N)</b>
Consultancies	41,980	Y
Legal Fees	5,940	Y

**Definition of a consultant:**

A consultant is a person or organisation engaged under contract on a temporary basis to provide recommendations or high level specialist or professional advice to assist decision making by management. Generally it is the advisory nature of the work that differentiates a consultant from other contractors.

**Comments**

Expenditure included in the above YTD figure but not budgeted includes:

**Details**

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