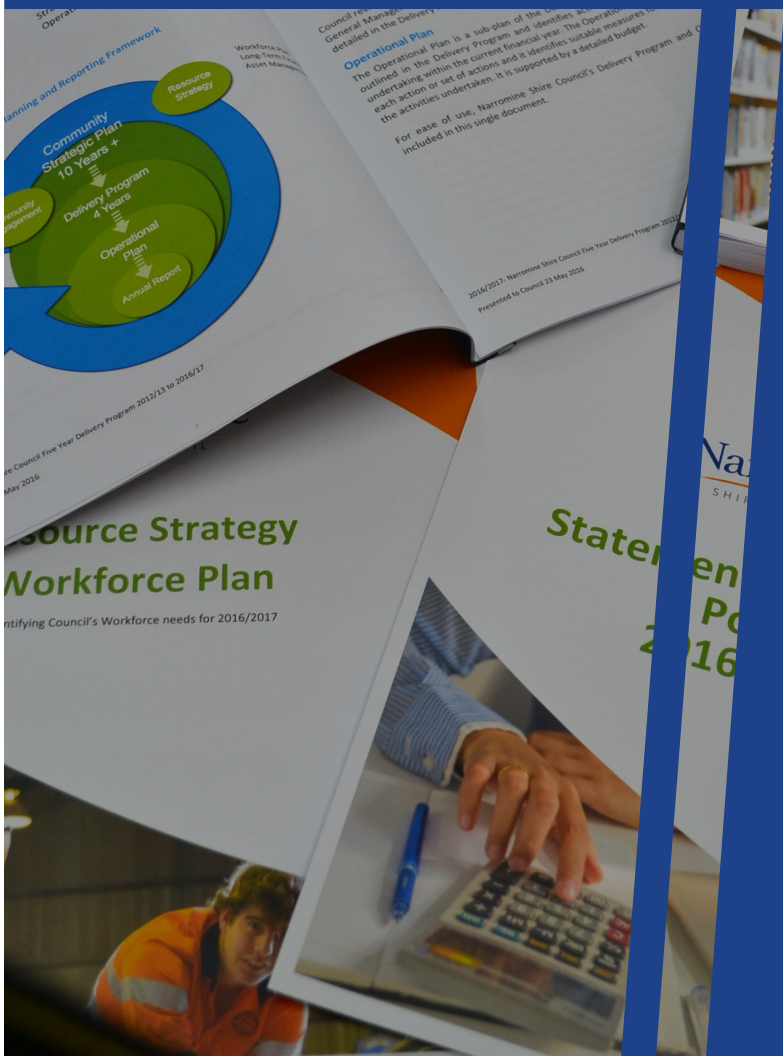




# ANNEXURE ONE

## Financial Statements



# Narromine Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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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 2016

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### Overview

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

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 29 September 2016. Council has the power to amend and reissue these financial statements.
-

# Narromine Shire Council

## General Purpose Financial Statements for the year ended 30 June 2016

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

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


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

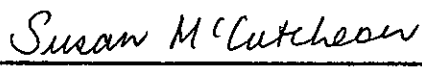
**To the best of our knowledge and belief, these financial statements:**

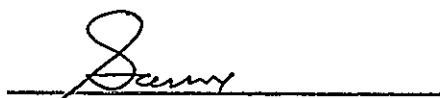
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.


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

**Signed in accordance with a resolution of Council made on 24 August 2016.**

  
Bill McAnally  
Mayor

  
Susan McCutcheon  
Councillor

  
Greg Lamont  
General manager

  
Jane Redden  
Responsible Accounting officer

## Narromine Shire Council

## Income Statement

for the year ended 30 June 2016

Budget <sup>1</sup> 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
7,732	Rates and annual charges	3a	7,664	7,211
2,399	User charges and fees	3b	2,555	2,597
701	Interest and investment revenue	3c	698	769
558	Other revenues	3d	454	478
7,330	Grants and contributions provided for operating purposes	3e,f	8,128	7,238
1,456	Grants and contributions provided for capital purposes	3e,f	2,291	815
<b>Other income:</b>				
–	Net gains from the disposal of assets	5	74	–
–	Net share of interests in joint ventures and associates using the equity method	19	4	4
<b>20,176</b>	<b>Total income from continuing operations</b>		<b>21,868</b>	<b>19,112</b>
<b>Expenses from continuing operations</b>				
6,936	Employee benefits and on-costs	4a	7,060	7,088
158	Borrowing costs	4b	154	123
3,711	Materials and contracts	4c	3,199	2,856
5,000	Depreciation and amortisation	4d	4,664	5,166
–	Impairment	4d	–	–
2,481	Other expenses	4e	2,134	2,225
70	Net losses from the disposal of assets	5	–	249
<b>18,356</b>	<b>Total expenses from continuing operations</b>		<b>17,211</b>	<b>17,707</b>
<b>1,820</b>	<b>Operating result from continuing operations</b>		<b>4,657</b>	<b>1,405</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>1,820</b>	<b>Net operating result for the year</b>		<b>4,657</b>	<b>1,405</b>
1,820	Net operating result attributable to Council		4,657	1,405
–	Net operating result attributable to non-controlling interests		–	–
<b>364</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>2,366</b>	<b>590</b>

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

## Narromine Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>4,657</b>	<b>1,405</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	389	149,578
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>389</b>	<b>149,578</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>389</b>	<b>149,578</b>
<b>Total comprehensive income for the year</b>		<b>5,046</b>	<b>150,983</b>
<b>Total comprehensive income attributable to Council</b>		<b>5,046</b>	<b>150,983</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## Narromine Shire Council

Statement of Financial Position  
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	2,026	2,842
Investments	6b	18,500	19,000
Receivables	7	1,348	1,707
Inventories	8	874	1,057
Other	8	10	36
Non-current assets classified as 'held for sale'	22	–	–
<b>Total current assets</b>		<b>22,758</b>	<b>24,642</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	508	177
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	292,422	287,019
Investments accounted for using the equity method	19	217	213
Investment property	14	–	–
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>293,147</b>	<b>287,409</b>
<b>TOTAL ASSETS</b>		<b>315,905</b>	<b>312,051</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	579	1,358
Borrowings	10	342	334
Provisions	10	1,888	1,959
<b>Total current liabilities</b>		<b>2,809</b>	<b>3,651</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	3,040	3,381
Provisions	10	62	70
<b>Total non-current liabilities</b>		<b>3,102</b>	<b>3,451</b>
<b>TOTAL LIABILITIES</b>		<b>5,911</b>	<b>7,102</b>
<b>Net assets</b>		<b>309,994</b>	<b>304,948</b>
<b>EQUITY</b>			
Retained earnings	20	124,195	119,538
Revaluation reserves	20	185,799	185,410
Council equity interest		309,994	304,948
Non-controlling equity interests		–	–
<b>Total equity</b>		<b>309,994</b>	<b>304,948</b>

## Narromine Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		119,538	184,721	<b>304,259</b>	–	<b>304,259</b>
a. Correction of prior period errors	20 (c)	–	689	<b>689</b>	–	<b>689</b>
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/15)</b>		<b>119,538</b>	<b>185,410</b>	<b>304,948</b>	–	<b>304,948</b>
<b>c. Net operating result for the year</b>		<b>4,657</b>	–	<b>4,657</b>	–	<b>4,657</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	389	<b>389</b>	–	<b>389</b>
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>389</b>	<b>389</b>	–	<b>389</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>4,657</b>	<b>389</b>	<b>5,046</b>	–	<b>5,046</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>124,195</b>	<b>185,799</b>	<b>309,994</b>	–	<b>309,994</b>

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		118,133	35,143	<b>153,276</b>	–	<b>153,276</b>
a. Correction of prior period errors	20 (c)	–	689	<b>689</b>	–	<b>689</b>
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/14)</b>		<b>118,133</b>	<b>35,832</b>	<b>153,965</b>	–	<b>153,965</b>
<b>c. Net operating result for the year</b>		<b>1,405</b>	–	<b>1,405</b>	–	<b>1,405</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	149,578	<b>149,578</b>	–	<b>149,578</b>
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>149,578</b>	<b>149,578</b>	–	<b>149,578</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>1,405</b>	<b>149,578</b>	<b>150,983</b>	–	<b>150,983</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>119,538</b>	<b>185,410</b>	<b>304,948</b>	–	<b>304,948</b>

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



## Narromine Shire Council

## Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
7,700	Rates and annual charges		7,675	7,176
2,512	User charges and fees		2,569	2,758
718	Investment and interest revenue received		682	788
8,785	Grants and contributions		10,475	8,234
–	Bonds, deposits and retention amounts received		20	27
565	Other		1,845	852
<b>Payments:</b>				
(6,907)	Employee benefits and on-costs		(7,425)	(6,934)
(3,724)	Materials and contracts		(3,432)	(3,847)
(161)	Borrowing costs		(158)	(119)
–	Bonds, deposits and retention amounts refunded		(22)	(33)
(2,482)	Other		(3,269)	(2,511)
<b>7,006</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>8,959</b>	<b>6,391</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
776	Sale of investment securities		42,500	35,500
400	Sale of real estate assets		195	377
–	Sale of infrastructure, property, plant and equipment		235	404
<b>Payments:</b>				
–	Purchase of investment securities		(43,000)	(39,000)
(9,971)	Purchase of infrastructure, property, plant and equipment		(9,321)	(8,116)
(2)	Purchase of real estate assets		(51)	(408)
<b>(8,797)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(9,442)</b>	<b>(11,243)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
–	Proceeds from borrowings and advances		–	3,000
<b>Payments:</b>				
(334)	Repayment of borrowings and advances		(333)	(206)
<b>(334)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(333)</b>	<b>2,794</b>
<b>(2,125)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(816)</b>	<b>(2,058)</b>
4,318	Plus: cash and cash equivalents – beginning of year	11a	2,842	4,900
<b>2,193</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>2,026</b>	<b>2,842</b>
Additional Information:				
plus:	Investments on hand – end of year	6b	18,500	19,000
<b>Total cash, cash equivalents and investments</b>			<b>20,526</b>	<b>21,842</b>

Please refer to Note 11 for additional cash flow information

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

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

##### (a) Basis of preparation

###### (i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

###### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

###### (iii) New and amended standards adopted by Council

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

###### (iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

###### (v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

###### (vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

##### **(vii) Critical accounting estimates**

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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 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 are set out below:

- (i) Estimated fair values of infrastructure, property, plant and equipment,

##### **Critical judgements in applying Council's accounting policies**

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

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

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it, and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

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

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

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

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

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

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 undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical 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 detailed note relating to developer contributions can be found at Note 17.

#### User charges, fees and other income

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

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

#### Sale of infrastructure, property, plant and equipment

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

#### Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

#### Dividend Income

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

#### Other Income

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

#### (c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Detailed information relating to the entities that Council controls can be found at Note 19 (a).

In the process of reporting on Council's activities as a single unit all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

#### (i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the consolidated fund:

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

#### (ii) The Trust Fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that 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 statements.

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

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

#### Joint Arrangements

Council has no interest in any joint arrangements.

#### Joint Ventures

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

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

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

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

#### Associates

Council has no interest in any associates.

#### County Councils

Council is not a member of any county councils.

#### Unconsolidated Structured Entities

Council has no interest in any unconsolidated structured entities.

#### (d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

#### Finance Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

#### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

#### (e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

- 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 that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

#### (f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

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

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

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

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

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be 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.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### Financial assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

##### General Accounting and Measurement of Financial Instruments:

###### (i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

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

###### (ii) Subsequent measurement

**Available-for-sale financial assets** and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as '**fair value through profit or loss**' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as '**available-for-sale**' are recognised in equity in the available-for-sale investments revaluation reserve.

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

###### Impairment

Council assesses at each balance date 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.

###### (iii) Types of Investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.



## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

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

#### **(g) Fair value estimation – financial instruments**

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### **(h) Receivables**

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

#### **(i) Inventories**

##### **(i) Raw Materials and Stores, Work in Progress and Finished Goods**

Raw materials and stores, work in progress and finished goods in respect of business undertakings

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

#### (ii) 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.

#### (j) Infrastructure, Property, Plant and Equipment (I,PP&E)

##### Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Operational Land** (external valuation)
- **Community Land** (internal valuation)
- **Land Improvements** (as approximated by depreciated historical cost)
- **Buildings – Specialised/Non-Specialised** (external valuation)
- **Other Structures** (as approximated by depreciated historical cost)
- **Roads Assets including Roads, Bridges and Footpaths** (external valuation)
- **Bulk Earthworks** (external valuation)
- **Stormwater Drainage** (external valuation)
- **Water and Sewerage Networks** (internal valuation)
- **Swimming pools** (internal valuation)
- **Other Open Space/Recreational Assets** (internal valuation)
- **Other Infrastructure** (internal valuation)
- **Other Assets** (as approximated by depreciated historical cost)
- **Investment Properties** – refer Note 1(p),

##### Initial Recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

##### Subsequent costs

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.

##### Asset Revaluations (including Indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

##### Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following:

##### Land

- Council land	100% capitalised
- Open space	100% capitalised
- Land under roads (purchases after 30/6/08)	100% capitalised

##### Plant and Equipment

Office furniture	> \$1,000
Office equipment	> \$1,000

Other plant and equipment	> \$1,000
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##### Buildings and Land Improvements

Park furniture and equipment	> \$2,000
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##### Building

- Construction/extensions	100% capitalised
- Renovations	> \$10,000

Other structures	> \$2,000
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##### Water and Sewer Assets

Reticulation extensions	> \$3,000
Other	> \$3,000

##### Stormwater Assets

Drains and Culverts	> \$5,000
Other	> \$5,000

##### Transport Assets

Road construction and reconstruction	> \$10,000
Reseal/re-sheet and major repairs	> \$10,000
Bridge construction and reconstruction	> \$10,000

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### Other Infrastructure Assets

Swimming pools	> \$10,000
Other open space/recreational assets	> \$10,000
Other infrastructure	> \$10,000

##### Transportation Assets

- Sealed roads: surface	15 to 25 years
- Sealed roads: structure	20 to 50 years
- Unsealed roads	10 to 25 years
- Bridge: concrete	80 to 100 years

##### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method (or describe here any other methods Council uses) in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

##### Plant and Equipment

- Office equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer equipment	4 years
- Vehicles	5 to 8 years
- Heavy plant/ road making equipment	5 to 8 years
- Other plant and equipment	5 to 15 years

##### Other Equipment

- Playground equipment	5 to 15 years
- Benches, seats etc.	10 to 20 years

##### Buildings

- Buildings: masonry	50 to 100 years
- Buildings: other	20 to 40 years

##### Water and Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: other	25 to 75 years
- Pumps and telemetry	15 to 20 years

##### Stormwater Assets

- Drains	80 to 100 years
- Culverts	50 to 80 years

##### Other infrastructure assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

##### Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

##### (k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

This classification of land is disclosed in Note 9 (a).

##### (l) 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.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

##### (m) Intangible Assets

Council has not classified any assets as intangible.

##### (n) 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.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

##### (o) Rural Fire Service assets

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

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to exclude the assets, their values and depreciation charges from these financial statements.

##### (p) Investment property

Council has not classified any Land or Buildings as Investment Property.

##### (q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

These costs are then depreciated over the lives of the assets to which they relate.

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date.

These costs are charged to the Income Statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwind of the discount, which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

#### **(s) Impairment of assets**

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

#### (t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

#### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

#### (v) Borrowing costs

Borrowing costs are expensed.

#### (w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### (x) Employee benefits

###### (i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

###### (ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

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

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

##### Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

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

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



## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

The last valuation of the scheme was performed by Mr Richard Boyfield (FIAA) on 24/02/2016 and covers the period ended 30/06/2015.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$ 83,897.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 135,095 as at 30 June 2016.

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

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

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

#### Defined Contribution Plans

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

#### (iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will

arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

#### (y) Self-insurance

Council does not self-insure.

#### (z) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

#### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

#### (aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

#### Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

#### **(ab) New accounting standards and Interpretations issued (not yet effective)**

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

**Council has not adopted any of these standards early.**

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

#### **Applicable to Local Government:**

##### **AASB 9 – Financial Instruments**

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

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

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

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

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

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

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

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

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

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

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

##### **AASB ED 260 Income of Not-for-Profit Entities**

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard or a date of applicability.

##### **AASB16 – Leases**

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

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

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

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the

first time adoption of the standard are likely to include:

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

##### **AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities**

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

##### **AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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business, even if these assets are housed in a subsidiary.

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

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

#### **(ac) Rounding of amounts**

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

#### **(ad) Comparative Figures**

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

#### **(ae) Disclaimer**

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

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	23	–	1,642	1,484	1,528	(1,642)	(1,461)	(1,528)	3	–	–	–
Organisational Services	727	250	342	1,694	1,005	1,396	(967)	(755)	(1,054)	–	–	27,688	17,247
Public Order & Safety	205	186	176	423	393	365	(218)	(207)	(189)	114	87	277	263
Environment & Health	122	59	110	487	460	482	(365)	(401)	(372)	318	77	1,622	1,697
Community & Cultural Services	193	281	465	798	751	749	(605)	(470)	(284)	45	279	339	3,217
Planning & Development	100	158	154	349	244	288	(249)	(86)	(134)	–	–	307	307
Waste Management	1,314	1,578	1,290	1,325	1,282	1,160	(11)	296	130	28	28	465	203
Infrastructure	4,053	4,163	2,780	6,458	6,550	6,911	(2,405)	(2,387)	(4,131)	2,811	764	231,235	237,286
Recreational Facilities	176	247	222	1,535	1,470	1,520	(1,359)	(1,223)	(1,298)	32	–	14,617	12,459
Economic Development	176	648	284	459	492	304	(283)	156	(20)	–	–	143	2,225
Family Day Care	793	722	709	820	756	771	(27)	(34)	(62)	604	594	234	462
Water Supplies	1,471	2,769	2,076	1,179	1,213	1,220	292	1,556	856	1,085	392	14,751	13,085
Sewerage Services	1,258	1,365	1,322	1,187	1,111	1,013	71	254	309	20	20	24,010	23,387
<b>Total functions and activities</b>	<b>10,588</b>	<b>12,449</b>	<b>9,930</b>	<b>18,356</b>	<b>17,211</b>	<b>17,707</b>	<b>(7,768)</b>	<b>(4,762)</b>	<b>(7,777)</b>	<b>5,060</b>	<b>2,241</b>	<b>315,688</b>	<b>311,838</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	4	4	–	–	–	–	4	4	–	–	217	213
General purpose income <sup>1</sup>	9,588	9,415	9,178	–	–	–	9,588	9,415	9,178	3,943	3,938	–	–
<b>Operating result from continuing operations</b>	<b>20,176</b>	<b>21,868</b>	<b>19,112</b>	<b>18,356</b>	<b>17,211</b>	<b>17,707</b>	<b>1,820</b>	<b>4,657</b>	<b>1,405</b>	<b>9,003</b>	<b>6,179</b>	<b>315,905</b>	<b>312,051</b>

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

##### **Governance**

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

##### **Organisational Services**

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

##### **Public Order & Safety**

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

##### **Environment & Health**

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

##### **Community & Cultural Services**

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

##### **Planning & Development**

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

##### Waste Management

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

##### Infrastructure

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

##### Recreational Facilities

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

##### Economic Development

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

##### Family Day Care

- Licensee of Macquarie Valley Family Day Care Centre

##### Water Supplies

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

##### Sewerage Services

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

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		1,254	1,177
Farmland		2,961	2,797
Mining		248	234
Business		513	486
<b>Total ordinary rates</b>		<b>4,976</b>	<b>4,694</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		861	831
Stormwater management services		56	55
Water supply services		442	417
Sewerage services		1,030	925
Waste management services (non-domestic)		299	289
<b>Total annual charges</b>		<b>2,688</b>	<b>2,517</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>7,664</b>	<b>7,211</b>

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



## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Water supply services		1,124	1,124
Sewerage services		222	264
Waste management services (non-domestic)		14	14
<b>Total user charges</b>		<b>1,360</b>	<b>1,402</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Impounding fees		9	12
Lifetime animal registrations		11	10
Planning and building regulation		86	70
Private works – section 67		196	240
Section 149 certificates (EPA Act)		19	20
Section 603 certificates		12	11
<b>Total fees and charges – statutory/regulatory</b>		<b>333</b>	<b>363</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Building and planning		35	42
Cemeteries		40	71
Community centres		1	–
Macquarie family day care		104	106
Plant income – private works		1	6
Plant income – RTA		302	263
Recycling income (non-domestic)		28	19
Saleyards		88	78
Sport and fitness centre		17	28
Swimming centres		76	74
Waste disposal tipping fees		103	89
Water connection fees		2	7
Showgrounds		58	–
Other		7	49
<b>Total fees and charges – other</b>		<b>862</b>	<b>832</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>2,555</b>	<b>2,597</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		62	49
– Interest earned on investments (interest and coupon payment income)		634	718
– Interest (other)		2	2
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>698</u></b>	<b><u>769</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		36	24
General Council cash and investments		453	516
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		3	2
– Section 64		2	6
Water fund operations		103	118
Sewerage fund operations		91	92
Domestic waste management operations		8	9
Other externally restricted assets		2	2
<b><u>Total interest and investment revenue recognised</u></b>		<b><u>698</u></b>	<b><u>769</u></b>
<b>(d) Other revenues</b>			
Rental income – other council properties		241	233
Diesel rebate		58	57
Family day care		8	4
Insurance claim recoveries		–	33
Insurance rebates		35	49
Refunds of contributions		51	62
Sales – general		34	28
Other		27	12
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>454</u></b>	<b><u>478</u></b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	2,585	2,573	–	–
Financial assistance – local roads component	1,317	1,326	–	–
Pensioners' rates subsidies – general component	41	39	–	–
<b>Total general purpose</b>	<b>3,943</b>	<b>3,938</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	21	21	–	–
– Sewerage	20	20	–	–
– Domestic waste management	29	28	–	–
Water supplies	–	–	1,064	371
Bushfire and emergency services	114	87	–	–
Community infrastructure grant	–	–	11	230
Environmental protection	1	1	259	–
Family day care – child assistance	494	483	–	–
Family day care – operational	110	111	–	–
Library	31	47	–	–
LIRS subsidy	86	22	–	–
Noxious weeds	58	76	–	–
Recreation and culture	–	–	34	–
Street lighting	43	42	–	–
Transport (roads to recovery)	1,787	615	–	–
Transport (other roads and bridges funding)	–	–	895	85
Other	3	2	–	–
<b>Total specific purpose</b>	<b>2,797</b>	<b>1,555</b>	<b>2,263</b>	<b>686</b>
<b>Total grants</b>	<b>6,740</b>	<b>5,493</b>	<b>2,263</b>	<b>686</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	6,293	4,700	–	–
– State funding	447	793	2,263	686
– Other funding	–	–	–	–
	<b>6,740</b>	<b>5,493</b>	<b>2,263</b>	<b>686</b>

## Narromine Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 93F – contributions using planning agreements	–	–	28	28
<b>Total developer contributions</b>	17 –	–	28	28
<b>Other contributions:</b>				
Community buildings	–	20	–	57
Community services	–	–	–	1
Dedications (other than by S94)	127	125	–	–
Employment and training	2	19	–	–
Motor vehicle leaseback	35	37	–	–
Other councils – joint works/services	138	172	–	–
Recreation and culture	–	–	–	18
Roads and bridges	–	–	–	25
RMS contributions (regional roads, block grant)	1,086	1,372	–	–
<b>Total other contributions</b>	<b>1,388</b>	<b>1,745</b>	<b>–</b>	<b>101</b>
<b>Total contributions</b>	<b>1,388</b>	<b>1,745</b>	<b>28</b>	<b>129</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>8,128</b>	<b>7,238</b>	<b>2,291</b>	<b>815</b>

\$ '000	Actual 2016	Actual 2015
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	1,072	1,661
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	640	180
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(466)	(769)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>174</b>	<b>(589)</b>
<b>Unexpended and held as restricted assets</b>	<b>1,246</b>	<b>1,072</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	953	812
– Developer contributions	293	260
	<b>1,246</b>	<b>1,072</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		5,298	5,170
Travel expenses		108	150
Employee leave entitlements (ELE)		1,070	1,122
Superannuation		694	648
Workers' compensation insurance		149	145
Fringe benefit tax (FBT)		49	51
Training costs (other than salaries and wages)		149	168
Other		91	146
<b>Total employee costs</b>		<b>7,608</b>	<b>7,600</b>
Less: capitalised costs		(548)	(512)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>7,060</b>	<b>7,088</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>79</b>	<b>83</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		154	123
<b>Total interest bearing liability costs expensed</b>		<b>154</b>	<b>123</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>154</b>	<b>123</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		2,901	2,613
Contractor and consultancy costs		193	138
Auditors remuneration <sup>(1)</sup>		43	41
Legal expenses:			
– Legal expenses: other		22	23
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		40	41
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>3,199</b>	<b>2,856</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		43	32
– Other audit and assurance services (internal audit)		–	9
<b>Remuneration for audit and other assurance services</b>		<b>43</b>	<b>41</b>
<b>Total Auditor remuneration</b>		<b>43</b>	<b>41</b>
<b>2. Operating lease payments are attributable to:</b>			
Other		40	41
		<b>40</b>	<b>41</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>(d) Depreciation, amortisation and impairment</b>					
Plant and equipment		–	–	382	526
Office equipment		–	–	29	5
Furniture and fittings		–	–	18	18
Infrastructure:					
– Buildings – non-specialised		–	–	185	146
– Buildings – specialised		–	–	592	621
– Other structures		–	–	44	64
– Roads		–	–	2,058	2,405
– Bridges		–	–	242	242
– Footpaths		–	–	76	89
– Stormwater drainage		–	–	204	208
– Water supply network		–	–	85	86
– Sewerage network		–	–	324	316
– Swimming pools		–	–	44	41
– Other open space/recreational assets		–	–	141	122
– Other infrastructure		–	–	–	10
Other assets					
– Aerodrome		–	–	240	267
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>–</b>	<b>–</b>	<b>4,664</b>	<b>5,166</b>

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Advertising		36	51
Bad and doubtful debts		3	2
Child care – carers payments		477	469
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		13	10
– NSW Fire Brigade levy		29	29
– NSW Rural Fire Service levy		206	204
– Macquarie regional library		338	325
Councillor expenses – mayoral fee		18	18
Councillor expenses – councillors' fees		94	92
Councillors' expenses (incl. mayor) – other (excluding fees above)		27	20
Donations, contributions and assistance to other organisations (Section 356)		30	64
Electricity and heating		245	319
Insurance		331	325
Office expenses (including computer expenses)		84	63
Street lighting		116	116
Telephone and communications		59	58
Other		28	60
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>2,134</u></b>	<b><u>2,225</u></b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		–	188
Less: carrying amount of property assets sold/written off		–	(340)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(152)</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		235	216
Less: carrying amount of plant and equipment assets sold/written off		(261)	(297)
<b>Net gain/(loss) on disposal</b>		<b>(26)</b>	<b>(81)</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		–	(208)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(208)</b>
<b>Real estate assets held for sale</b>			
Proceeds from disposal – real estate assets		195	377
Less: carrying amount of real estate assets sold/written off		(95)	(185)
<b>Net gain/(loss) on disposal</b>		<b>100</b>	<b>192</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		42,500	35,500
Less: carrying amount of financial assets sold/redeemed/matured		(42,500)	(35,500)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>74</b>	<b>(249)</b>



## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		123	–	381	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		1,903	–	1,461	–
– Short-term deposits		–	–	1,000	–
<b>Total cash and cash equivalents</b>		<b>2,026</b>	<b>–</b>	<b>2,842</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		18,500	–	19,000	–
<b>Total investments</b>		<b>18,500</b>	<b>–</b>	<b>19,000</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>20,526</b>	<b>–</b>	<b>21,842</b>	<b>–</b>

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

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

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'		<b>2,026</b>	<b>–</b>	<b>2,842</b>	<b>–</b>
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**Investments**

b. 'Held to maturity'	6(b-ii)	18,500	–	19,000	–
Investments		<b>18,500</b>	<b>–</b>	<b>19,000</b>	<b>–</b>

**Note 6(b-i)**

**Reconciliation of investments classified as 'held to maturity'**

Balance at the beginning of the year		19,000	–	15,500	–
Additions		42,000	–	39,000	–
Disposals (sales and redemptions)		(42,500)	–	(35,500)	–
<b>Balance at end of year</b>		<b>18,500</b>	<b>–</b>	<b>19,000</b>	<b>–</b>

**Comprising:**

– Other long term financial assets		18,500	–	19,000	–
<b>Total</b>		<b>18,500</b>	<b>–</b>	<b>19,000</b>	<b>–</b>

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

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	20,526	–	21,842	–
<b>attributable to:</b>				
External restrictions (refer below)	12,653	–	13,678	–
Internal restrictions (refer below)	5,968	–	6,193	–
Unrestricted	1,905	–	1,971	–
	<b>20,526</b>	<b>–</b>	<b>21,842</b>	<b>–</b>

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended loans – general (A)	1,709	–	(1,484)	225
<b>External restrictions – included in liabilities</b>	<b>1,709</b>	<b>–</b>	<b>(1,484)</b>	<b>225</b>

**External restrictions – other**

Developer contributions – general (D)	56	29	–	156
Developer contributions – water fund (D)	133	4	–	137
Developer contributions – sewer fund (D)	71	–	–	–
Specific purpose unexpended grants (F)	401	405	–	806
Specific purpose unexpended grants-water fund (F)	411	–	(264)	147
Water supplies (G)	4,571	–	(69)	4,502
Sewerage services (G)	5,329	90	–	5,419
Domestic waste management (G)	791	317	(109)	999
Board of control	46	32	–	78
OROC	160	24	–	184
<b>External restrictions – other</b>	<b>11,969</b>	<b>901</b>	<b>(442)</b>	<b>12,428</b>
<b>Total external restrictions</b>	<b>13,678</b>	<b>901</b>	<b>(1,926)</b>	<b>12,653</b>

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

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

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

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

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	699	1,583	(1,550)	732
Employees leave entitlement	593	7	–	600
Carry over works	912	646	(912)	646
Deposits, retentions and bonds	191	–	(191)	–
Depot improvements	62	25	(27)	60
Administration building	12	30	(24)	18
Aerodrome development	386	50	(79)	357
Alkane community contributions	2	58	(13)	47
Alkane environmental monitoring	38	21	(28)	31
Alkane roads contribution	93	48	–	141
Alkane tomingley water tank project	20	–	–	20
Bridge replacement	50	–	(50)	–
Cemetery improvements	41	20	(41)	20
Council buildings	13	30	(15)	28
Drainage construction	93	10	–	103
Economic development reserve	33	–	(19)	14
Election expenses	20	21	–	41
Employees leave entitlement – family day care	15	35	–	50
Family day care	209	722	(814)	117
Footpaths	3	45	(48)	–
Fowler engine restoration	10	–	(10)	–
Industrial land planning	32	–	–	32
IT strategy	260	268	(6)	522
Kerb and gutter	118	68	(31)	155
Land development	279	195	(57)	417
Library improvements	71	20	(8)	83
Medical centre	315	72	(17)	370
Natfly	4	–	–	4
Office equipment	13	5	(2)	16
OHS	61	21	(23)	59
Other waste management	32	–	(32)	–
Pigeon program	5	–	(5)	–
Playground equipment/fencing	95	60	(15)	140
Pound improvements	62	25	(49)	38
Public amenities upgrade	76	10	(59)	27
Quarries	617	360	(465)	512
Roads contingency	86	102	–	188
RFS – tanker replacement	40	30	–	70
Saleyards	78	88	(116)	50
Showground improvements	17	21	(26)	12
SIMC warranty	52	–	(52)	–
Skate park improvements	5	–	(5)	–

(continued on the next page...)

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions (continued)</b>				
Sports centre upgrades	15	10	(4)	21
Sprinkler/sofffall replacement/sporting facilities	91	104	(116)	79
Stormwater – levy bank	2	–	–	2
Strategic planning	48	–	(48)	–
Street lighting	48	–	(33)	15
Street tree planting/irrigation	21	5	(6)	20
Swimming facilities upgrades	36	20	(26)	30
Tourism promotions	28	–	(28)	–
Waste management facility upgrades	31	–	(31)	–
Wetlands development	46	–	–	46
Youth centre	5	–	(5)	–
Youth education activities	9	18	(9)	18
Community Hall upgrades	–	20	(3)	17
<b>Total internal restrictions</b>	<b>6,193</b>	<b>4,873</b>	<b>(5,098)</b>	<b>5,968</b>
<b>TOTAL RESTRICTIONS</b>	<b>19,871</b>	<b>5,774</b>	<b>(7,024)</b>	<b>18,621</b>

## Narromine Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		267	309	409	177
Interest and extra charges		61	70	106	–
User charges and fees		282	128	370	–
Accrued revenues					
– Interest on investments		151	–	159	–
– Other income accruals		36	–	110	–
Government grants and subsidies		220	–	263	–
Net GST receivable		181	–	149	–
Other debtors		177	1	166	–
<b>Total</b>		<b>1,375</b>	<b>508</b>	<b>1,732</b>	<b>177</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		(16)	–	(15)	–
Interest and extra charges		(11)	–	(10)	–
<b>Total provision for impairment – receivables</b>		<b>(27)</b>	<b>–</b>	<b>(25)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>1,348</b>	<b>508</b>	<b>1,707</b>	<b>177</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Specific purpose grants		220	–	219	–
– Rates and availability charges		42	24	31	14
– Other		124	193	291	–
<b>Sewerage services</b>					
– Rates and availability charges		93	47	84	37
– Other		151	–	130	–
<b>Domestic waste management</b>		<b>80</b>	<b>6</b>	<b>83</b>	<b>32</b>
<b>Stormwater management</b>		<b>4</b>	<b>1</b>	<b>4</b>	<b>1</b>
<b>Total external restrictions</b>		<b>714</b>	<b>271</b>	<b>842</b>	<b>84</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>634</b>	<b>237</b>	<b>865</b>	<b>93</b>
<b>TOTAL NET RECEIVABLES</b>		<b>1,348</b>	<b>508</b>	<b>1,707</b>	<b>177</b>

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		556	–	600	–
Stores and materials		318	–	457	–
<b>Total inventories at cost</b>		<b>874</b>	<b>–</b>	<b>1,057</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>		<b>874</b>	<b>–</b>	<b>1,057</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		10	–	36	–
<b>TOTAL OTHER ASSETS</b>		<b>10</b>	<b>–</b>	<b>36</b>	<b>–</b>
<b>Externally restricted assets</b>					
There are no restrictions applicable to the above assets.					
<b>(i) Other disclosures</b>					
<b>(a) Details for real estate development</b>					
Residential		489	–	533	–
Industrial/commercial		67	–	67	–
<b>Total real estate for resale</b>		<b>556</b>	<b>–</b>	<b>600</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		67	–	67	–
Development costs		489	–	533	–
<b>Total costs</b>		<b>556</b>	<b>–</b>	<b>600</b>	<b>–</b>
<b>Total real estate for resale</b>		<b>556</b>	<b>–</b>	<b>600</b>	<b>–</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		600	–	361	–
– Purchases and other costs		51	–	408	–
– Transfers in from (out to) Note 9		–	–	16	–
– WDV of sales (expense)	5	(95)	–	(185)	–
<b>Total real estate for resale</b>		<b>556</b>	<b>–</b>	<b>600</b>	<b>–</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
<b>(i) Other disclosures (continued)</b>				
<b>(b) Current assets not anticipated to be settled within the next 12 months</b>				
The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;				
Real estate for resale			2016	2015
			456	385
			<b>456</b>	<b>385</b>
<b>(c) Inventories recognised as an expense for the year included:</b>				
– Stores and materials			484	501

**(d) Inventory write downs**

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

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

## Narromine Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	as at 30/6/2015				Asset movements during the reporting period							as at 30/6/2016				
					Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Other Adjustments (Reclassification)	WIP transfers	Revaluation increments to equity (ARR)					
	At cost	At fair value	Accumulated depreciation	Carrying value								At cost	At fair value	Accumulated depreciation	Carrying value	
Capital work in progress	1,225	–	–	1,225	1,432	180	–	–	–	–	(701)	–	2,136	–	–	2,136
Plant and equipment	–	7,060	3,633	3,427	–	728	(261)	(382)	83	–	–	–	–	7,465	3,870	3,595
Office equipment	–	656	309	347	67	29	–	(29)	(3)	–	–	–	–	752	341	411
Furniture and fittings	–	288	201	87	17	7	–	(18)	(11)	–	–	–	–	301	219	82
<b>Land:</b>																
– Operational land	–	4,478	–	4,478	–	1	–	–	–	–	–	–	–	4,479	–	4,479
– Community land	–	1,832	–	1,832	–	–	–	–	1	–	41	–	–	1,874	–	1,874
<b>Infrastructure:</b>																
– Buildings – non-specialised	–	5,147	2,341	2,806	35	–	–	(185)	40	–	–	–	–	5,182	2,486	2,696
– Buildings – specialised	–	28,725	11,847	16,878	101	144	–	(592)	(107)	–	–	–	–	28,876	12,452	16,424
– Other structures	–	2,421	816	1,605	380	193	–	(44)	101	27	–	–	–	3,145	883	2,262
– Roads	–	217,267	29,459	187,808	4,800	427	–	(2,058)	(30)	524	–	–	–	222,840	31,369	191,471
– Bridges	–	24,672	5,644	19,028	40	–	–	(242)	–	–	–	–	–	24,712	5,886	18,826
– Footpaths	–	3,244	1,389	1,855	–	–	–	(76)	70	–	–	–	–	3,314	1,465	1,849
– Other road assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– Stormwater drainage	–	20,582	6,361	14,221	2	8	–	(204)	(149)	–	–	–	–	20,591	6,713	13,878
– Water supply network	–	16,024	9,762	6,262	233	503	–	(85)	–	116	93	–	–	17,117	9,995	7,122
– Sewerage network	–	28,169	10,857	17,312	501	36	–	(324)	1	–	255	–	–	29,129	11,348	17,781
– Swimming pools	–	2,607	943	1,664	–	–	–	(44)	(2)	–	–	–	–	2,606	988	1,618
– Other open space/recreational assets	–	3,582	1,575	2,007	–	–	–	(141)	–	–	–	–	–	3,582	1,716	1,866
– Other infrastructure	–	245	67	178	–	–	–	–	80	–	–	–	–	325	67	258
<b>Other assets:</b>																
– Aerodrome	–	15,583	11,584	3,999	73	2	–	(240)	(74)	34	–	–	–	15,618	11,824	3,794
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>1,225</b>	<b>382,582</b>	<b>96,788</b>	<b>287,019</b>	<b>7,681</b>	<b>2,258</b>	<b>(261)</b>	<b>(4,664)</b>	<b>–</b>	<b>–</b>	<b>389</b>	<b>2,136</b>	<b>391,908</b>	<b>101,622</b>	<b>292,422</b>	



## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual				Actual			
	2016				2015			
Class of asset	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Water supply</b>								
WIP	1,719	–	–	1,719	620	–	–	620
Plant and equipment	–	56	34	22	–	56	34	22
Land								
– Operational land	–	442	–	442	–	442	–	442
Other structures	–	118	57	61	–	118	48	70
Infrastructure	–	17,117	9,995	7,122	–	16,024	9,762	6,262
<b>Total water supply</b>	<b>1,719</b>	<b>17,733</b>	<b>10,086</b>	<b>9,366</b>	<b>620</b>	<b>16,640</b>	<b>9,844</b>	<b>7,416</b>
<b>Sewerage services</b>								
WIP	118	–	–	118	20	–	–	20
Plant and equipment	–	110	46	64	–	110	45	65
Land								
– Operational land	–	226	–	226	–	226	–	226
Buildings	–	125	48	77	–	125	46	79
Other structures	–	59	25	34	–	59	25	34
Infrastructure	–	29,129	11,348	17,781	–	28,169	10,857	17,312
<b>Total sewerage services</b>	<b>118</b>	<b>29,649</b>	<b>11,467</b>	<b>18,300</b>	<b>20</b>	<b>28,689</b>	<b>10,973</b>	<b>17,736</b>
<b>Domestic waste management</b>								
WIP	2	–	–	2	16	–	–	16
Plant and equipment	–	407	343	64	–	373	341	32
Land								
– Community land	–	98	–	98	–	98	–	98
Buildings	–	214	5	209	–	214	36	178
Other assets	–	240	108	132	–	240	97	143
<b>Total DWM</b>	<b>2</b>	<b>959</b>	<b>456</b>	<b>505</b>	<b>16</b>	<b>925</b>	<b>474</b>	<b>467</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>1,839</b>	<b>48,341</b>	<b>22,009</b>	<b>28,171</b>	<b>656</b>	<b>46,254</b>	<b>21,291</b>	<b>25,619</b>

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

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

## Narromine Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		220	–	361	–
Goods and services – capital expenditure		189	–	571	–
Payments received in advance		132	–	121	–
Accrued expenses:					
– Borrowings		8	–	12	–
– Salaries and wages		11	–	284	–
Security bonds, deposits and retentions		3	–	5	–
Other		16	–	4	–
<b>Total payables</b>		<b>579</b>	<b>–</b>	<b>1,358</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		342	3,040	334	3,381
<b>Total borrowings</b>		<b>342</b>	<b>3,040</b>	<b>334</b>	<b>3,381</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		657	–	676	–
Long service leave		1,187	62	1,245	70
Other leave		44	–	38	–
<b>Total provisions</b>		<b>1,888</b>	<b>62</b>	<b>1,959</b>	<b>70</b>
<b><u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u></b>		<b><u>2,809</u></b>	<b><u>3,102</u></b>	<b><u>3,651</u></b>	<b><u>3,451</u></b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		3	–	135	–
Sewer		–	–	13	–
Domestic waste management		–	–	25	–
Liabilities relating to externally restricted assets		<b>3</b>	<b>–</b>	<b>173</b>	<b>–</b>
<b>Internally restricted assets</b>					
Nil		–	–	–	–
<b>Total liabilities relating to restricted assets</b>		<b>3</b>	<b>–</b>	<b>173</b>	<b>–</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>2,806</b>	<b>3,102</b>	<b>3,478</b>	<b>3,451</b>
<b><u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u></b>		<b><u>2,809</u></b>	<b><u>3,102</u></b>	<b><u>3,651</u></b>	<b><u>3,451</u></b>

<sup>1</sup> Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

## Narromine Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
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#### (ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,220	1,161
	<u>1,220</u>	<u>1,161</u>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	2,026	2,842
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>2,026</b>	<b>2,842</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>4,657</b>	<b>1,405</b>
Adjust for non-cash items:			
Depreciation and amortisation		4,664	5,166
Net losses/(gains) on disposal of assets		(74)	249
Share of net (profits) or losses of associates/joint ventures		(4)	(4)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		26	(20)
Increase/(decrease) in provision for doubtful debts		2	3
Decrease/(increase) in inventories		139	(105)
Decrease/(increase) in other assets		26	(8)
Increase/(decrease) in payables		(141)	(484)
Increase/(decrease) in accrued interest payable		(4)	4
Increase/(decrease) in other accrued expenses payable		(273)	111
Increase/(decrease) in other liabilities		21	(2)
Increase/(decrease) in employee leave entitlements		(79)	76
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>8,959</b>	<b>6,391</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Credit cards/purchase cards		56	59
<b>Total financing arrangements</b>		<b>56</b>	<b>59</b>
<b>(ii) Secured loan liabilities</b>			

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Capital commitments (exclusive of GST)</b>			
Belmuir Constructions - Footpath construction - \$ 223,746.			
<b>(b) Finance lease commitments</b>			
Nil			
<b>(c) Operating lease commitments (non-cancellable)</b>			
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>			
Within the next year		26	23
Later than one year and not later than 5 years		25	27
Later than 5 years		–	–
<b>Total non-cancellable operating lease commitments</b>		<b>51</b>	<b>50</b>

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

Council utilises computer and copier equipment assets under operating lease.

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

**Conditions relating to operating leases:**

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

**(d) Investment property commitments**

Nil

**(e) Investment in joint operations – commitments**

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>2,288</u>	<b>11.73%</b>	4.56%	-12.21%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>19,499</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>11,371</u>	<b>52.18%</b>	57.86%	63.41%
Total continuing operating revenue <sup>(1)</sup>	<u>21,790</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>8,935</u>	<b>5.63x</b>	4.20x	4.92x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>1,586</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>7,106</u>	<b>14.59x</b>	18.61x	24.93x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>487</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>680</u>	<b>8.10%</b>	8.45%	8.09%
Rates, annual and extra charges collectible	<u>8,393</u>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>20,526</u>	<b>16.83 mths</b>	19.2 mths	18.8 mths
Payments from cash flow of operating and financing activities	<u>1,220</u>			

## Notes

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

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

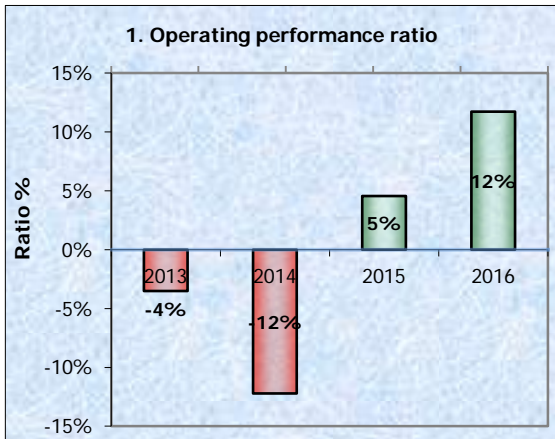
<sup>(3)</sup> Refer to Note 10(a).

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

# Narromine Shire Council

## Notes to the Financial Statements for the year ended 30 June 2016

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



**Purpose of operating performance ratio**

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

**Commentary on 2015/16 result**

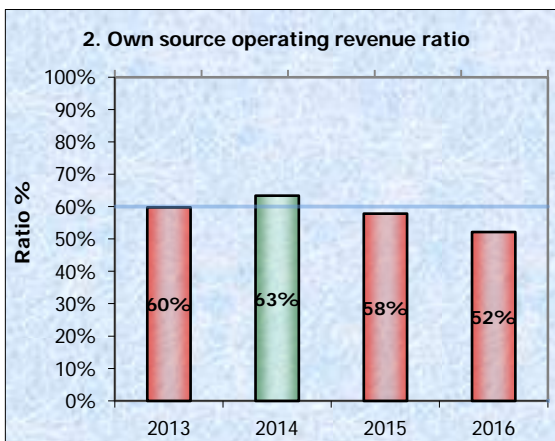
**2015/16 ratio 11.73%**

Council continues to improve the operating result of all funds providing greater scope for asset renewals.

Benchmark: ——— Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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

**Commentary on 2015/16 result**

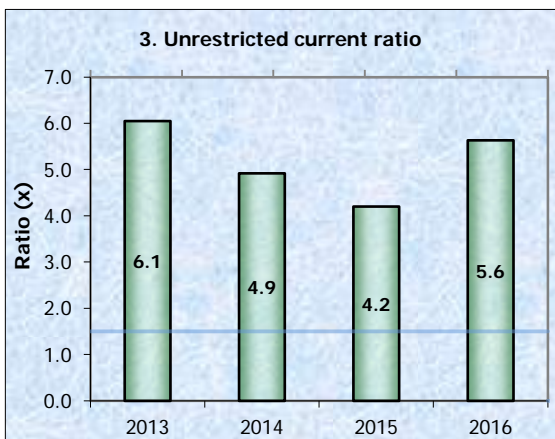
**2015/16 ratio 52.18%**

This ratio is marginally below the industry minimum benchmark of 60% reflecting Council's reliance on external funding sources to supplement operations.

Benchmark: ——— Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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

**Commentary on 2015/16 result**

**2015/16 ratio 5.63x**

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

Benchmark: ——— Minimum  $\geq 1.50$

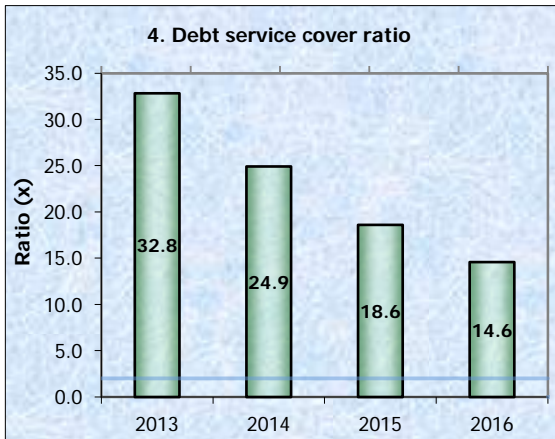
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

# Narromine Shire Council

## Notes to the Financial Statements for the year ended 30 June 2016

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



**Purpose of debt service cover ratio**

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

**Commentary on 2015/16 result**

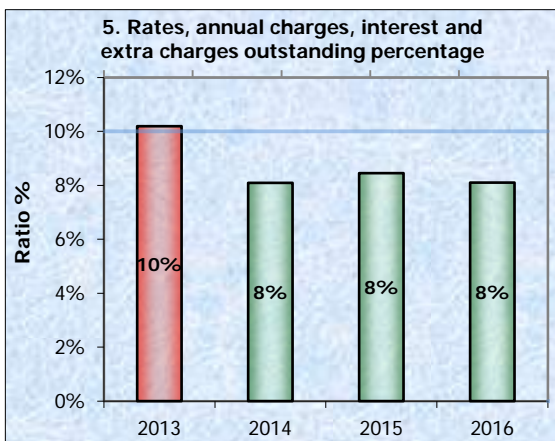
**2015/16 ratio 14.59x**

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

Benchmark: ——— Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

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

**Commentary on 2015/16 result**

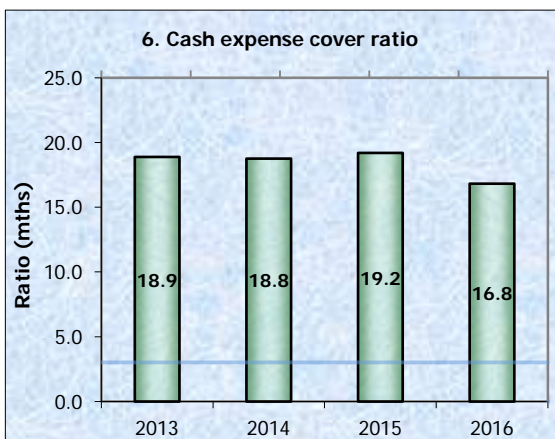
**2015/16 ratio 8.10%**

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

Benchmark: ——— Maximum  $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2015/16 result**

**2015/16 ratio 16.83 mths**

Council continues to be in a sound position for cash flows. As shown in Note 6, most of Councils cash reserves are externally restricted for designated future needs.

Benchmark: ——— Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Water 2016	Sewer 2016	General <sup>5</sup> 2016
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding capital grants and contributions less operating expenses</u>	<b>29.78%</b>	<b>19.81%</b>	<b>9.18%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: 19.31%	4.80%	2.89%
<b>2. Own source operating revenue ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding all grants and contributions</u>	<b>60.83%</b>	<b>98.55%</b>	<b>47.19%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 81.15%	98.50%	51.32%
<b>3. Unrestricted current ratio</b>			
<u>Current assets less all external restrictions<sup>(2)</sup></u>	<b>1662.67x</b>	No liabilities	<b>5.63x</b>
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period: 37.79x	395.38x	4.19x
<b>4. Debt service cover ratio</b>			
<u>Operating result<sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation</u>	<b>0.00</b>	<b>0.00</b>	<b>12.12x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	0.00x	16.40x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
<u>Rates, annual and extra charges outstanding</u>	<b>14.44%</b>	<b>13.46%</b>	<b>6.87%</b>
Rates, annual and extra charges collectible	prior period: 10.66%	13.17%	7.65%
<b>6. Cash expense cover ratio</b>			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	<b>25.61 mths</b>	<b>55.06 mths</b>	<b>13.71 mths</b>
Payments from cash flow of operating and financing activities	prior period: 25.18 mths	45.96 mths	16.35 mths

## Notes

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

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

## Narromine Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 14. Investment properties

\$ '000

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

#### Note 15. Financial risk management

##### Risk management

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

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	2,026	2,842	2,026	2,842
Investments				
– 'Held to maturity'	18,500	19,000	18,500	19,000
Receivables	1,856	1,884	1,856	1,884
<b>Total financial assets</b>	<b>22,382</b>	<b>23,726</b>	<b>22,382</b>	<b>23,726</b>
<b>Financial liabilities</b>				
Payables	447	1,237	447	1,237
Loans/advances	3,382	3,715	3,382	3,715
<b>Total financial liabilities</b>	<b>3,829</b>	<b>4,952</b>	<b>3,829</b>	<b>4,952</b>

Fair value is determined as follows:

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

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

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

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

The risks associated with the investments held are:

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

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

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

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2016</b>				
Possible impact of a 10% movement in market values	2,157	2,157	(2,157)	(2,157)
Possible impact of a 1% movement in interest rates	215	215	(215)	(215)
<b>2015</b>				
Possible impact of a 10% movement in market values	2,095	2,095	(2,095)	(2,095)
Possible impact of a 1% movement in interest rates	209	209	(209)	(209)

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

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

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

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

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	34%	0%	35%
Overdue	100%	66%	100%	65%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>		<b>Other receivables</b>		
Current	–	225	–	418
< 1 year overdue	343	697	409	485
1 – 2 years overdue	233	27	177	52
2 – 5 years overdue	–	132	–	5
> 5 years overdue	–	226	–	363
	<b>576</b>	<b>1,307</b>	<b>586</b>	<b>1,323</b>

##### (iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	25	22
– amounts provided for but recovered during the year	2	3
<b>Balance at the end of the year</b>	<b>27</b>	<b>25</b>

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2016</b>									
Trade/other payables	3	444	–	–	–	–	–	447	447
Loans and advances	–	477	473	473	473	441	1,642	3,979	3,382
<b>Total financial liabilities</b>	<b>3</b>	<b>921</b>	<b>473</b>	<b>473</b>	<b>473</b>	<b>441</b>	<b>1,642</b>	<b>4,426</b>	<b>3,829</b>
<b>2015</b>									
Trade/other payables	5	1,232	–	–	–	–	–	1,237	1,237
Loans and advances	–	492	465	462	462	463	2,080	4,424	3,715
<b>Total financial liabilities</b>	<b>5</b>	<b>1,724</b>	<b>465</b>	<b>462</b>	<b>462</b>	<b>463</b>	<b>2,080</b>	<b>5,661</b>	<b>4,952</b>

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	447	0.00%	1,237	0.00%
Loans and advances – fixed interest rate	3,382	4.24%	3,715	4.60%
	<u>3,829</u>		<u>4,952</u>	

## Narromine Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 24 June 2015.

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

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

**Note that for variations\* of budget to actual :**

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>REVENUES</b>					
Rates and annual charges	7,732	7,664	(68)	(1%)	<b>U</b>
User charges and fees	2,399	2,555	156	7%	<b>F</b>
Interest and investment revenue	701	698	(3)	(0%)	<b>U</b>
Other revenues	558	454	(104)	(19%)	<b>U</b>
Reduction due to lower utilisation of saleyards, cemeteries and depressed planning activities.					
Operating grants and contributions	7,330	8,128	798	11%	<b>F</b>
Higher due to unanticipated increase in Roads to Recovery grant funds.					
Capital grants and contributions	1,456	2,291	835	57%	<b>F</b>
Additional capital funding received under Fixing Country Roads and the Organics Waste program not originally budgeted. Significant capital funded works completed under Restart NSW program higher than anticipated.					
Joint ventures and associates - net profits	-	4	4	0%	<b>F</b>
The final share of income from the Macquarie Regional Library is not known until year end and is not budgetted for.					

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>EXPENSES</b>					
Employee benefits and on-costs	6,936	7,060	(124)	(2%)	U
Borrowing costs	158	154	4	3%	F
Materials and contracts	3,711	3,199	512	14%	F
Lower due to delays in some projects which have been carried forward to future financial years.					
Depreciation and amortisation	5,000	4,664	336	7%	F
Other expenses	2,481	2,134	347	14%	F
Reduction due to lower electricity and energy costs and decline in numbers of carers in family day care operations.					
Net losses from disposal of assets	70	-	70	100%	F
No budget					
Joint ventures and associates – net losses	-	-	-	0%	F
The final share of expenditure from the Macquarie Regional Library is not known until year end and is not budgetted for.					

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

Cash flows from operating activities	7,006	8,959	1,953	27.9%	F
Higher due to variation in Roads to Recovery grant phasing and lower material and contract costs.					
Cash flows from investing activities	(8,797)	(9,442)	(645)	7.3%	U
Cash flows from financing activities	(334)	(333)	1	(0.3%)	F

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 17. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	5	2	–	3	–	–	10	–
Roads	5	3	–	–	–	–	8	–
Open space	16	10	–	–	–	–	26	–
Community facilities	30	13	–	–	–	–	43	–
<b>S94 contributions – under a plan</b>	<b>56</b>	<b>28</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>87</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>56</b>	<b>28</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>87</b>	<b>–</b>
S64 contributions	204	–	–	2	–	–	206	–
<b>Total contributions</b>	<b>260</b>	<b>28</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>293</b>	<b>–</b>

## S94 CONTRIBUTIONS – UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	5	2	–	3	–	–	10	–
Roads	5	3	–	–	–	–	8	–
Open space	16	10	–	–	–	–	26	–
Community facilities	30	13	–	–	–	–	43	–
<b>Total</b>	<b>56</b>	<b>28</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>87</b>	<b>–</b>



## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

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

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

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

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

##### (iv) Other guarantees

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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

##### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) S94 plans

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

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

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

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

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

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

##### ASSETS NOT RECOGNISED:

##### (i) Land under roads

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

##### (ii) Infringement notices/fines

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

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

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

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 19. Interests in other entities

\$ '000

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

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

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

##### Controlled entities (subsidiaries)

*Note 19(a)*

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

##### Joint ventures and associates

*Note 19(b)*

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

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

##### Joint operations

*Note 19(c)*

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

##### Unconsolidated structured entities

*Note 19(d)*

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

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

*Note 19(e)*

#### Accounting recognition:

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

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

	Council's share of net income		Council's share of net assets	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Joint ventures	4	4	217	213
Associates	—	—	—	—
<b>Total</b>	<b>4</b>	<b>4</b>	<b>217</b>	<b>213</b>

## Narromine Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000

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

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

## (b) Joint ventures and associates

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

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

Name of entity	Nature of relationship	Measurement method	2016	2015
Macquarie Regional Library	Joint Venture		217	213
<b>Total carrying amounts – material joint ventures and associates</b>			<b>217</b>	<b>213</b>

## (b) Details

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

## (c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015	2016	2015
Macquarie Regional Library		n/a	13%	13%	14%	14%	25%	25%

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

	Macquarie Regional Library	
	2016	2015
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,355	1,317
Other current assets	81	62
<b>Total current assets</b>	<b>1,436</b>	<b>1,379</b>
<b>Non-current assets</b>	<b>982</b>	<b>876</b>
<b>Current liabilities</b>		
Other current liabilities	826	689
<b>Total current liabilities</b>	<b>826</b>	<b>689</b>
<b>Non-current liabilities</b>	<b>30</b>	<b>37</b>
<b>Net assets</b>	<b>1,562</b>	<b>1,529</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	1,527	1,498
Profit/(loss) for the period	34	29
<b>Closing net assets</b>	<b>1,561</b>	<b>1,527</b>
<b>Council's share of net assets (%)</b>	<b>13.9%</b>	<b>13.9%</b>
<b>Council's share of net assets (\$)</b>	<b>217</b>	<b>213</b>

## Narromine Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000

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

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

	<b>Macquarie Regional Library</b>	
	<b>2016</b>	<b>2015</b>
<b>Statement of comprehensive income</b>		
Income	2,643	2,536
Interest income	36	37
Depreciation and amortisation	(289)	(286)
Other expenses	(2,356)	(2,257)
<b>Profit/(loss) from continuing operations</b>	<b>34</b>	<b>30</b>
<b>Profit/(loss) for period</b>	<b>34</b>	<b>30</b>
<b>Total comprehensive income</b>	<b>34</b>	<b>30</b>
<b>Share of income – Council (%)</b>	<b>13.1%</b>	<b>13.0%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>4</b>	<b>4</b>
<b>Total comprehensive income – Council (\$)</b>	<b>4</b>	<b>4</b>

##### (c) Joint operations

Council has no interest in any joint operations.

##### (d) Unconsolidated structured entities

Council has no unconsolidated structured entities

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

None.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		119,538	118,133
a. Net operating result for the year		4,657	1,405
<b>Balance at end of the reporting period</b>		<b>124,195</b>	<b>119,538</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		185,799	184,721
<b>Total</b>		<b>185,799</b>	<b>184,721</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		184,721	35,143
– Revaluations for the year	9(a)	389	149,578
– Correction of prior period errors	20(c)	689	–
<b>– Balance at end of year</b>		<b>185,799</b>	<b>184,721</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>185,799</b>	<b>184,721</b>

**(iii) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

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

Change to the valuation approach for community land.

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

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

**(e) Changes in accounting estimates**

Council made no changes in accounting estimates during the year.

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	442	1,030	6,192
User charges and fees	1,134	240	1,181
Interest and investment revenue	105	84	509
Other revenues	4	2	448
Grants and contributions provided for operating purposes	21	20	8,087
Grants and contributions provided for capital purposes	1,064	–	1,227
<b>Other income</b>			
Net gains from disposal of assets	–	–	74
Share of interests in joint ventures and associates using the equity method	–	–	4
<b>Total income from continuing operations</b>	<b>2,770</b>	<b>1,376</b>	<b>17,722</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	141	129	6,790
Borrowing costs	–	–	154
Materials and contracts	831	608	1,760
Depreciation and amortisation	94	326	4,244
Impairment	–	–	–
Other expenses	132	46	1,956
<b>Total expenses from continuing operations</b>	<b>1,198</b>	<b>1,109</b>	<b>14,904</b>
<b>Operating result from continuing operations</b>	<b>1,572</b>	<b>267</b>	<b>2,818</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>1,572</b>	<b>267</b>	<b>2,818</b>
<b>Net operating result attributable to each council fund</b>	<b>1,572</b>	<b>267</b>	<b>2,818</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>508</b>	<b>267</b>	<b>1,591</b>

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

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

## Narromine Shire Council

## Notes to the Financial Statements

as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	2,356	3,597	2,206
Investments	2,431	1,823	8,113
Receivables	385	243	720
Inventories	–	–	874
Other	–	–	10
Non-current assets classified as 'held for sale'	–	–	–
<b>Total current assets</b>	<b>5,172</b>	<b>5,663</b>	<b>11,923</b>
<b>Non-current assets</b>			
Investments	–	–	–
Receivables	217	47	244
Inventories	–	–	–
Infrastructure, property, plant and equipment	9,366	18,300	264,756
Investments accounted for using the equity method	–	–	217
Investment property	–	–	–
Intangible assets	–	–	–
<b>Total non-current assets</b>	<b>9,583</b>	<b>18,347</b>	<b>265,217</b>
<b>TOTAL ASSETS</b>	<b>14,755</b>	<b>24,010</b>	<b>277,140</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	3	–	576
Borrowings	–	–	342
Provisions	–	–	1,888
<b>Total current liabilities</b>	<b>3</b>	<b>–</b>	<b>2,806</b>
<b>Non-current liabilities</b>			
Payables	–	–	–
Borrowings	–	–	3,040
Provisions	–	–	62
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>3,102</b>
<b>TOTAL LIABILITIES</b>	<b>3</b>	<b>–</b>	<b>5,908</b>
<b>Net assets</b>	<b>14,752</b>	<b>24,010</b>	<b>271,232</b>
<b>EQUITY</b>			
Retained earnings	10,261	9,472	104,462
Revaluation reserves	4,491	14,538	166,770
<b>Total equity</b>	<b>14,752</b>	<b>24,010</b>	<b>271,232</b>

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

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



## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Assets 'held for sale'	
	2016	2015
(i) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations		
<b>Opening balance</b>	–	16
<b>Balance still unsold after 12 months:</b>	–	16
<u>Less: assets no longer classified as 'held for sale'</u>	–	(16)
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<u>–</u>	<u>–</u>

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

Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 29/09/16.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

#### Note 24. Discontinued operations

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 25. Intangible assets

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\$ '000

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

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

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

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

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

- the remaining useful lives of these assets being estimated at beyond 20 years and accordingly the effects of discounting the future cash outflows to present values deems the amounts immaterial,
- preliminary estimates of the individual amounts required to undertake the future restoration works do not materially affect either Council's financial results or financial position as at 30/6/16.

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

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

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/14	—	—	3,427	3,427
Office equipment	30/06/14	—	—	347	347
Furniture and fittings	30/06/14	—	—	87	87
Operational land	30/06/13	—	—	4,478	4,478
Community land	30/06/13	—	—	1,143	1,143
Buildings – non-specialised	30/06/13	—	—	2,806	2,806
Buildings – specialised	30/06/13	—	—	16,878	16,878
Other structures	30/06/14	—	—	1,605	1,605
Roads	30/06/13	—	—	187,808	187,808
Bridges	30/06/15	—	—	19,028	19,028
Footpaths	30/06/15	—	—	1,855	1,855
Stormwater drainage	30/06/15	—	—	14,221	14,221
Water supply network	30/06/12	—	—	6,262	6,262
Sewerage network	30/06/12	—	—	17,312	17,312
Swimming pools	30/06/14	—	—	1,664	1,664
Other open space/recreational assets	30/06/14	—	—	2,007	2,007
Other infrastructure	30/06/15	—	—	178	178
Aerodrome	30/06/14	—	—	3,999	3,999
<b>Total infrastructure, property, plant and equipment</b>		<b>—</b>	<b>—</b>	<b>285,105</b>	<b>285,105</b>

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

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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\$ '000

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

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

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

##### Infrastructure, property, plant and equipment (IPP&E)

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

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

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

###### Operational and community land and land under roads

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

It is based on average unit rate based on the Land Value for similar properties, having regard to the highest and best use for the land. Operational Land is based on the Valuer land value of the actual market values in the Narromine Shire LGA. Community Land has been valued in 2016 having regard to adjoining valuations. Land under Roads is the actual market purchase price of such land made by Council in 2014. As these rates were not considered to be observable market evidence they have been classified a Level 3.

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

Non-Specialised & Specialised Buildings values were provided by an external Valuer in 2013. The approach estimated the replacement cost for each building by componentising the building into significant parts. While all buildings were physically inspected and the unit rates based on square metres no market based evidence (Level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs.

###### Other structures

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

###### Roads

Roads Externally valued during 15/16 by AssetVal Pty Ltd, major changes include giving road pavement and Seal a long life and a short life component, and seperating the floodways which have shorter lives Market based evidence (level 2) were used for Gravel pavement, Seal, Culverts, Footpath, and K&G

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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\$ '000

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

##### Bridges

Bridges Externally valued during 15/16 by AssetVal Pty Ltd, major changes include compositing bridges from one asset into components, Substructure, superstructure, abutments ect  
Major Culverts over 6m long were considered bridges and transferred from stormwater into bridges.

##### Footpaths

Footpaths Externally valued during 15/16 by AssetVal Pty Ltd,  
Market based evidence (level 2) were used for concrete Footpaths and cycleways

##### Stormwater drainage

Stormwater externally valued during 15/16 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 2012. 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 are 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 2012. 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 are indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

##### Open space recreation

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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

##### Aerodrome

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

##### Swimming pools

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

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Total
<b>Opening balance – 1/7/14</b>	3,538	116	105	4,389	8,148
Purchases (GBV)	713	236	–	89	1,038
Disposals (WDV)	(298)	–	–	–	(298)
Depreciation and impairment	(526)	(5)	(18)	–	(549)
<b>Closing balance – 30/6/15</b>	<b>3,427</b>	<b>347</b>	<b>87</b>	<b>4,478</b>	<b>8,339</b>
Purchases (GBV)	728	96	24	1	849
Disposals (WDV)	(261)	–	–	–	(261)
Depreciation and impairment	(382)	(32)	(18)	–	(432)
Other movement ( Reclassifications)	83	–	(11)	–	72
<b>Closing balance – 30/6/16</b>	<b>3,595</b>	<b>411</b>	<b>82</b>	<b>4,479</b>	<b>8,567</b>

## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Community Land	Land under roads	Buildings - Non- specialised	Buildings Specialised	Total
<b>Opening balance – 1/7/14</b>	1,080	63	2,950	17,206	21,299
Transfers from/(to) another asset class	63	(63)	–	–	–
Purchases (GBV)	–	–	2	633	635
Disposals (WDV)	–	–	–	(340)	(340)
Depreciation and impairment	–	–	(146)	(621)	(767)
FV gains – other comprehensive income	689	–	–	–	689
<b>Closing balance – 30/6/15</b>	<b>1,832</b>	<b>–</b>	<b>2,806</b>	<b>16,878</b>	<b>21,516</b>
Purchases (GBV)	–	–	35	245	280
Depreciation and Impairment	–	–	(146)	(617)	(763)
FV gains – other comprehensive income	42	–	–	–	42
Other movement ( Reclassifications)	–	–	–	(82)	(82)
<b>Closing balance – 30/6/16</b>	<b>1,874</b>	<b>–</b>	<b>2,695</b>	<b>16,424</b>	<b>20,993</b>
	Other Structures	Roads	Bridges	Footpaths	Total
<b>Opening balance – 1/7/14</b>	1,416	58,539	6,161	1,852	67,968
Transfers from/(to) another asset class	28	18	315	(19)	342
Purchases (GBV)	225	4,829	36	131	5,221
Disposals (WDV)	–	(113)	–	–	(113)
Depreciation and impairment	(64)	(2,405)	(242)	(89)	(2,800)
FV gains – Income Statement <sup>1</sup>	–	126,940	12,758	(20)	139,678
<b>Closing balance – 30/6/15</b>	<b>1,605</b>	<b>187,808</b>	<b>19,028</b>	<b>1,855</b>	<b>210,296</b>
Purchases (GBV)	600	5,750	40	–	6,390
Depreciation and impairment	(78)	(2,051)	(241)	(76)	(2,446)
Other movement ( Reclassifications)	135	(36)	–	70	169
<b>Closing balance – 30/6/16</b>	<b>2,262</b>	<b>191,471</b>	<b>18,827</b>	<b>1,849</b>	<b>214,409</b>



## Narromine Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Stormwater drainage	Water supply network	Sewerage network	Swimming pools	Total
<b>Opening balance – 1/7/14</b>	4,675	6,060	16,747	1,688	29,170
Transfers from/(to) another asset class	(315)	–	–	–	(315)
Purchases (GBV)	198	290	625	17	1,130
Disposals (WDV)	–	(95)	–	–	(95)
Depreciation and impairment	(208)	(86)	(316)	(41)	(651)
FV gains – other comprehensive income	9,871	93	256	–	10,220
<b>Closing balance – 30/6/15</b>	<b>14,221</b>	<b>6,262</b>	<b>17,312</b>	<b>1,664</b>	<b>39,459</b>
Purchases (GBV)	10	851	537	–	1,398
Depreciation and impairment	(204)	(85)	(320)	(42)	(651)
FV gains – other comprehensive income	–	93	255	–	348
Other movement ( Reclassifications)	(149)	–	(3)	(4)	(156)
<b>Closing balance – 30/6/16</b>	<b>13,878</b>	<b>7,121</b>	<b>17,781</b>	<b>1,618</b>	<b>40,398</b>

	Other open space/re- creational	Other infra- structure	Aerodrome	Total
<b>Opening balance – 1/7/14</b>	2,029	427	4,214	6,670
Transfers from/(to) another asset class	(9)	(20)	–	(29)
Purchases (GBV)	109	101	52	262
Depreciation and impairment	(122)	(10)	(267)	(399)
FV gains – other comprehensive income	–	(320)	–	(320)
<b>Closing balance – 30/6/15</b>	<b>2,007</b>	<b>178</b>	<b>3,999</b>	<b>6,184</b>
Purchases (GBV)	–	–	109	109
Depreciation and impairment	(132)	–	(240)	(372)
Other movement ( Reclassifications)	(9)	80	(74)	(3)
<b>Closing balance – 30/6/16</b>	<b>1,866</b>	<b>258</b>	<b>3,794</b>	<b>5,918</b>

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

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

## Narromine Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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\$ '000

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

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

Nil

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

###### Fair Value- Valuation techniques

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

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

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

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

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

###### Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows: Level 2 valuation process for some asset classes where the basis was Cost Approach under level 2 input which were determined based on, whereby maximising observable inputs and minimising unobservable inputs as below:

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

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

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

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

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



## NARROMINE SHIRE COUNCIL

### GENERAL PURPOSE FINANCIAL STATEMENTS

#### INDEPENDENT AUDITORS' REPORT

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#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying general purpose financial statements of Narromine Shire Council, which comprises the Statement of Financial Position as at 30 June 2016, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

#### *Responsibility of Council for the Financial Statements*

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Accordingly, no opinion is expressed on these matters.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

#### Assurance Partners



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

***Auditor's Opinion***

In our opinion,

- (a) 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; and
- (b) the financial statements:
  - (i) have been presented in accordance with the requirements of this Division;
  - (ii) are consistent with the Council's accounting records;
  - (iii) present fairly the Council's financial position, the results of its operations and its cash flows; and
  - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

**HILL ROGERS**



**BRETT HANGER**

Partner

Dated at Sydney this 29th day of September 2016



29 September 2016

The Mayor  
Narromine Shire Council  
124 Dandaloo Street  
**NARROMINE NSW 2821**

Mayor,

## **Audit Report - Year Ended 30 June 2016**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2016 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Statements of the Council. We have ensured that the financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

### **1. RESULTS FOR THE YEAR**

#### **1.1 *Operating Result***

The operating result for the year was a surplus of \$4.657 million as compared with \$1.405 million in the previous year.

### **Assurance Partners**

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The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	<b>2016</b>	<b>% of</b>	<b>2015</b>	<b>% of</b>	<b>Increase</b>
	\$000	<b>Total</b>	\$000	<b>Total</b>	<b>(Decrease)</b>
					\$000
<b>Revenues before capital items</b>					
Rates & annual charges	7,664	39%	7,211	39%	453
User charges, fees & other revenues	3,087	16%	3,079	17%	8
Grants & contributions provided for operating purposes	8,128	42%	7,238	40%	890
Interest & investment revenue	698	4%	769	4%	(71)
	<b>19,577</b>	<b>100%</b>	<b>18,297</b>	<b>100%</b>	<b>1,280</b>
<b>Expenses</b>					
Employee benefits & costs	7,060	41%	7,088	40%	(28)
Materials, contracts & other expenses	5,333	31%	5,330	30%	3
Depreciation, amortisation & impairment	4,664	27%	5,166	29%	(502)
Borrowing costs	154	1%	123	1%	31
	<b>17,211</b>	<b>100%</b>	<b>17,707</b>	<b>100%</b>	<b>(496)</b>
<b>Surplus (Deficit) before capital items</b>	<b>2,366</b>		<b>590</b>		<b>1,776</b>
Grants & contributions provided for capital purposes	2,291		815		1,476
<b>Net Surplus (Deficit) for the year</b>	<b>4,657</b>		<b>1,405</b>		<b>3,252</b>
<b>Performance Measures</b>					
	<b>2016</b>		<b>2015</b>		
Operating Performance	11.73%		4.56%		
Own Source Operating Revenue	52.18%		57.86%		

The above table shows an overall increase of \$3.252 million and mainly attributable to an increase in revenue from grants and contributions of \$2.366 million; coupled with a decrease of \$502,000 in depreciation expenses.

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2016, this indicator was 11.73%; above the benchmark of 0%.

**Own Source Operating Revenue** measures the degree of reliance on external funding sources such as grants and contributions. For 2016, this indicator was 52.18%; below the benchmark of 60%.

## 1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the year which is illustrated in the table below.

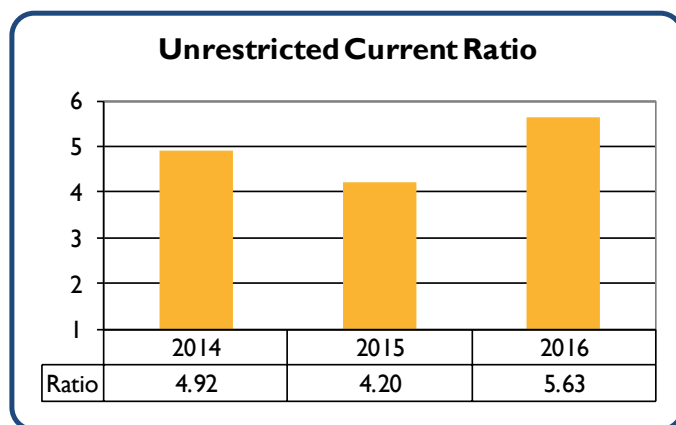
	2016	2015
<b>Funds were provided by:-</b>	\$000	\$000
<b>Operating Result (as above)</b>	<b>4,657</b>	<b>1,405</b>
Add back non funding items:-		
- Depreciation, amortisation & impairment	4,664	5,166
- Book value of non-current assets sold	261	845
- (Surplus)/Deficit in joint ventures	(4)	(4)
	<u>9,578</u>	<u>7,412</u>
New loan borrowings	0	3,000
Transfers from externally restricted assets (net)	983	0
Transfers from internal reserves (net)	225	0
	<u>10,786</u>	<u>10,412</u>
<b>Funds were applied to:-</b>		
Purchase and construction of assets	(9,939)	(8,423)
Principal repaid on loans	(333)	(206)
Transfers to externally restricted assets (net)	0	(1,405)
Transfers to internal reserves (net)	0	(705)
Net Changes in current/non current assets & liabilities	(484)	(14)
	<u>(10,756)</u>	<u>(10,753)</u>
<b>Increase/(Decrease) in Available Working Capital</b>	<b>30</b>	<b>(341)</b>

## 2. FINANCIAL POSITION

### 2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$7.349 million representing a factor of 5.63 to 1.



## 2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$2.394 million as detailed below;

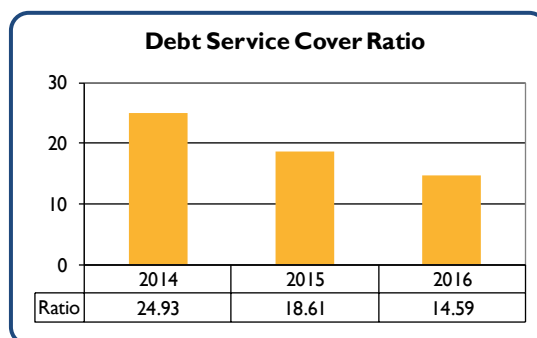
	2016	2015	Change
	\$000	\$000	\$000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>19,949</b>	<b>20,991</b>	<b>(1,042)</b>
<b>Add:</b> Payables, provisions & inventories not expected to be realised in the next 12 months included above	764	776	(12)
<b>Adjusted Net Current Assets</b>	<b>20,713</b>	<b>21,767</b>	<b>(1,054)</b>
<b>Add:</b> Budgeted & expected to pay in the next 12 months			
- Borrowings	342	334	8
- Employees leave entitlements	668	798	(130)
- Deposits & retention moneys	3	5	(2)
<b>Less:</b> Externally restricted assets	<b>(13,364)</b>	<b>(14,347)</b>	<b>983</b>
<b>Less:</b> Internally restricted assets	<b>(5,968)</b>	<b>(6,193)</b>	<b>225</b>
<b>Available Working Capital as at 30 June</b>	<b>2,394</b>	<b>2,364</b>	<b>30</b>

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was sound.

## 2.3 Debt

After repaying principal and interest of \$487,000, total debt as at 30 June 2016 stood at \$3.382 million (2015 - \$3.715 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2016, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 14.59 to 1.



## 2.4 Summary

Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

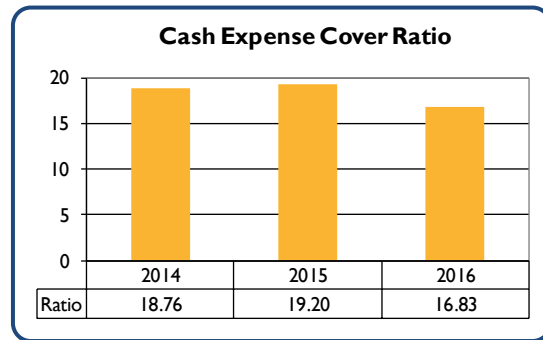


### 3. CASH ASSETS

#### 3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

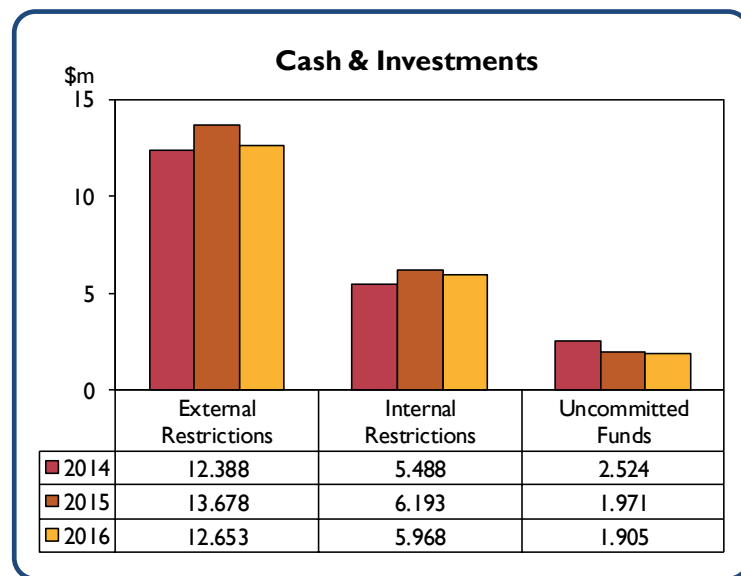
For 2016, this ratio stood at 16.83 months compared to the benchmark of 3.



#### 3.2 Cash & Investment Securities

Cash and investments amounted to \$20.526 million at 30 June 2016 as compared with \$21.842 million in 2015 and \$20.4 million in 2014.

The chart alongside summarises the purposes for which cash and investments securities were held.



**Externally restricted cash and investments** are restricted in their use by externally imposed requirements and consist of unexpended loans, grants and contributions (\$1.733 million), domestic waste funds (\$999,000) and water and sewerage funds (\$9.921 million).

**Internally restricted cash and investments** have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$5.968 million and their purposes are more fully disclosed in Note 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$1.905 million, which is available to provide liquidity for day to day operations.

### 3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash decreased by \$816,000 to \$2.026 million at the close of the year.

In addition to operating activities which contributed net cash of \$8.959 million were the proceeds from the sale of investment securities (\$42.5 million) and sale of assets (\$430,000). Cash outflows other than operating activities were used to purchase investment securities (\$42 million), repay borrowings (\$333,000) and to purchase and construct assets (\$10.372 million).

## 4. RECEIVABLES

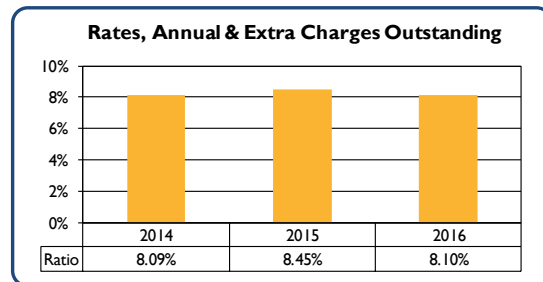
### 4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$7.664 million and represented 35% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$8.235 million of which \$7.675 million (93%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$680,000 at the end of the year and represented 8.10% of those receivables.



### 4.3 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$1.176 million and included amounts due from other levels of government of \$401,000 and user charges amounting to \$410,000.

## 5. PAYABLES

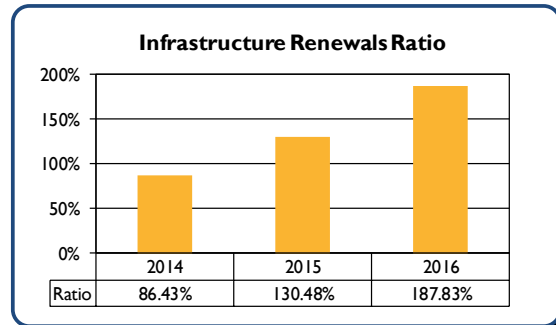
### Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$1.95 million. Internally restricted cash and investments of \$650,000 was held representing 33% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

**6. INFRASTRUCTURE RENEWALS**

The Infrastructure Renewals Ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

Special Schedule No. 7 discloses that asset renewals for 2016 represented 188% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



**7. REVALUATION OF ASSETS**

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

During the year, water and sewerage asset values were indexed and community land was revalued. This resulted in a net increase of \$389,000 that was credited directly to Equity. Notes 1(j) and 9 of the financial statements provide further details.


**8. MANAGEMENT LETTER**

An audit management letter addressing the findings from our interim audit was issued on 14 March 2016. This included our recommendations on possible ways to strengthen and/or improve procedures and management’s comments and proposed actions.

**9. CONCLUSION**

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,  
**HILL ROGERS**

  
**BRETT HANGER**  
Partner

# Narromine Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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



## Narromine Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

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<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
<b>3. Notes to the Special Purpose Financial Statements</b>	7
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#### Background

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

# Narromine Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2016

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

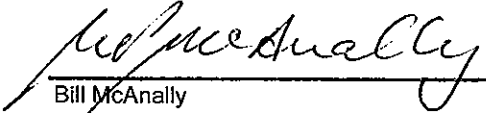
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

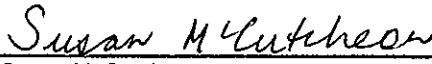
**To the best of our knowledge and belief, these financial statements:**


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

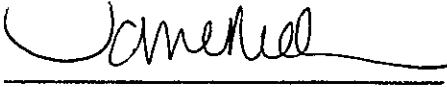
**We are not aware of any matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 24 August 2016.**

  
 Bill McAnally  
 Mayor

  
 Susan McCutcheon  
 Councillor

  
 Greg Lamont  
 General Manager

  
 Jane Redden  
 Responsible Accounting officer

## Narromine Shire Council

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

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	442	418
User charges	1,105	1,106
Fees	29	25
Interest	105	118
Interest – internal loan to general fund	–	5
Grants and contributions provided for non-capital purposes	21	21
Profit from the sale of assets	–	–
Other income	4	16
<b>Total income from continuing operations</b>	<b>1,706</b>	<b>1,709</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	141	403
Borrowing costs	–	–
Materials and contracts	831	705
Depreciation and impairment	94	100
Water purchase charges	–	–
Loss on sale of assets	–	95
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	132	171
<b>Total expenses from continuing operations</b>	<b>1,198</b>	<b>1,474</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>508</b>	<b>235</b>
Grants and contributions provided for capital purposes	1,064	371
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,572</b>	<b>606</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>1,572</b>	<b>606</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(152)	(71)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,420</b>	<b>536</b>
<b>Plus opening retained profits</b>	<b>8,553</b>	<b>7,774</b>
<b>Plus/less: prior period adjustments</b>	<b>136</b>	<b>173</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	152	71
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>10,261</b>	<b>8,553</b>
<b>Return on capital %</b>	<b>5.4%</b>	<b>3.2%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,420	536
Less: capital grants and contributions (excluding developer contributions)	(1,064)	(371)
<b>Surplus for dividend calculation purposes</b>	<b>356</b>	<b>165</b>
<b>Potential dividend calculated from surplus</b>	<b>178</b>	<b>82</b>

## Narromine Shire Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	1,030	925
User charges	223	264
Liquid trade waste charges	14	14
Fees	3	2
Interest	84	92
Interest – internal loan to general fund	7	11
Grants and contributions provided for non-capital purposes	20	20
Profit from the sale of assets	–	–
Other income	2	5
<b>Total income from continuing operations</b>	<b>1,383</b>	<b>1,333</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	129	366
Borrowing costs	–	–
Materials and contracts	608	519
Depreciation and impairment	326	330
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	46	54
<b>Total expenses from continuing operations</b>	<b>1,109</b>	<b>1,269</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>274</b>	<b>64</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>274</b>	<b>64</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>274</b>	<b>64</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(82)	(19)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>192</b>	<b>45</b>
<b>Plus opening retained profits</b>	<b>9,187</b>	<b>8,855</b>
<b>Plus/less: prior period adjustments</b>	<b>11</b>	<b>268</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	82	19
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>9,472</b>	<b>9,187</b>
<b>Return on capital %</b>	<b>1.5%</b>	<b>0.4%</b>
<b>Subsidy from Council</b>	<b>123</b>	<b>472</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	192	45
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>192</b>	<b>45</b>
<b>Potential dividend calculated from surplus</b>	<b>96</b>	<b>22</b>



## Narromine Shire Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,356	2,684
Investments	2,431	2,431
Receivables	385	541
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>5,172</b>	<b>5,656</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	217	14
Inventories	–	–
Infrastructure, property, plant and equipment	9,366	7,416
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>9,583</b>	<b>7,430</b>
<b>TOTAL ASSETS</b>	<b>14,755</b>	<b>13,086</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	3	135
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>3</b>	<b>135</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>3</b>	<b>135</b>
<b>NET ASSETS</b>	<b>14,752</b>	<b>12,951</b>
<b>EQUITY</b>		
Retained earnings	10,261	8,553
Revaluation reserves	4,491	4,398
Council equity interest	14,752	12,951
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>14,752</b>	<b>12,951</b>

## Narromine Shire Council

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

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,597	3,577
Investments	1,823	1,823
Receivables	243	310
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>5,663</b>	<b>5,710</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	47	37
Inventories	–	–
Infrastructure, property, plant and equipment	18,300	17,736
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>18,347</b>	<b>17,773</b>
<b>TOTAL ASSETS</b>	<b>24,010</b>	<b>23,483</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	13
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>13</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>13</b>
<b>NET ASSETS</b>	<b>24,010</b>	<b>23,470</b>
<b>EQUITY</b>		
Retained earnings	9,472	9,187
Revaluation reserves	14,538	14,283
Council equity interest	24,010	23,470
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>24,010</b>	<b>23,470</b>

## Narromine Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

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

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

## Narromine Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

#### Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, 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 the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 government policy statement, *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 standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

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

##### Category 1

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

Nil

##### Category 2

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

##### a. Narromine Shire Council Water Supply

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

##### b. Narromine Shire Council Sewerage Service

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

#### Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

## Narromine Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

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

##### (i) Taxation Equivalent Charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

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

##### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$482,000 of combined land values attracts 0%. For that valued from \$482,001 to \$2,947,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of 2.0% applies.

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

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

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

##### Income Tax

An income tax equivalent has been applied on the profits of each reported business activity.

While 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 or 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 positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this 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 Council's General Purpose Financial Statements.

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

##### Local Government Rates and Charges

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

##### Loan and Debt Guarantee Fees

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

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

## Narromine Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

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

##### (ii) Subsidies

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

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

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

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

##### (iii) Return on investments (Rate of Return)

The 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 rate of return on capital is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

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

##### (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.

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

## Narromine Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements

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

2016

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

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	6,834
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	177,800
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	68,340
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	786,800

2016 Surplus	355,600	2015 Surplus	164,500	2014 Surplus	266,700
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	68,340
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 6 criteria**

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

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

## Narromine Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

#### Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

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

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,606
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	72.79%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	9,310
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,104
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,943
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	4.36%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	1,064

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



## Narromine Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements

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

2016

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

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	6,387
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	95,900
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	63,870
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	380,800

2016 Surplus	191,800	2015 Surplus	44,800	2014 Surplus	144,200
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	63,870
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 4 criteria**

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

## Narromine Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016


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

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,304
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	18,235
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	774
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	529
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.11%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	2,910
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.41%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	2,588
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	2.21%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Narromine Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2016

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	<b>-26.33%</b>
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): <b>612</b> Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: <b>- 180</b> Interest expense (w4a + s4a) – interest income (w9 + s10)		<b>&gt; 100</b>
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	<b>782</b>
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<b>41</b>

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



## NARROMINE SHIRE COUNCIL

### SPECIAL PURPOSE FINANCIAL STATEMENTS

#### INDEPENDENT AUDITORS' REPORT

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#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying special purpose financial statements of Narromine Shire Council, which comprises the Statement of Financial Position as at 30 June 2016, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

#### *Responsibility of Council for the Financial Statements*

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Division of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and, accordingly, no opinion is expressed on these disclosures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

#### Assurance Partners



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

***Auditor's Opinion***

In our opinion, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

***Basis of Accounting***

Without modifying our opinion, we 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 financial reporting requirements of the Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

**HILL ROGERS**



**BRETT HANGER**

Partner

Dated at Sydney this 29th day of September 2016

# Narromine Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2016

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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 2016

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

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### Background

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

## Narromine Shire Council

## Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,449</b>	<b>23</b>	<b>–</b>	<b>(1,426)</b>
<b>Administration</b>	<b>1,570</b>	<b>263</b>	<b>–</b>	<b>(1,307)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	393	205	–	(188)
Beach control	–	–	–	–
Enforcement of local government regulations	82	72	–	(10)
Animal control	184	23	–	(161)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>659</b>	<b>300</b>	<b>–</b>	<b>(359)</b>
<b>Health</b>	<b>112</b>	<b>–</b>	<b>–</b>	<b>(112)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	177	59	–	(118)
Other environmental protection	13	–	–	(13)
Solid waste management	1,281	1,070	259	48
Street cleaning	179	–	–	(179)
Drainage	–	–	–	–
Stormwater management	399	56	–	(343)
<b>Total environment</b>	<b>2,049</b>	<b>1,185</b>	<b>259</b>	<b>(605)</b>
<b>Community services and education</b>				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	806	724	–	(82)
<b>Total community services and education</b>	<b>806</b>	<b>724</b>	<b>–</b>	<b>(82)</b>
<b>Housing and community amenities</b>				
Public cemeteries	103	40	–	(63)
Public conveniences	90	–	–	(90)
Street lighting	116	43	–	(73)
Town planning	162	102	–	(60)
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>471</b>	<b>185</b>	<b>–</b>	<b>(286)</b>
<b>Water supplies</b>	<b>1,213</b>	<b>1,722</b>	<b>1,063</b>	<b>1,572</b>
<b>Sewerage services</b>	<b>1,111</b>	<b>1,381</b>	<b>–</b>	<b>270</b>



## Narromine Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	451	31	–	(420)
Museums	8	–	–	(8)
Art galleries	–	–	–	–
Community centres and halls	19	22	–	3
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	1,158	21	45	(1,092)
Swimming pools	312	76	–	(236)
Parks and gardens (lakes)	–	–	–	–
Other sport and recreation	25	–	–	(25)
<b>Total recreation and culture</b>	<b>1,973</b>	<b>150</b>	<b>45</b>	<b>(1,778)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	313	–	–	(313)
Other mining, manufacturing and construction	–	99	28	127
<b>Total mining, manufacturing and const.</b>	<b>313</b>	<b>99</b>	<b>28</b>	<b>(186)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	565	–	–	(565)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	1,345	1,730	416	801
Sealed rural roads (SRR) – regional	800	–	400	(400)
Unsealed rural roads (URR) – local	1,053	–	–	(1,053)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	41	–	80	39
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	6	–	–	(6)
Aerodromes	509	98	–	(411)
Other transport and communication	715	1,953	–	1,238
<b>Total transport and communication</b>	<b>5,034</b>	<b>3,781</b>	<b>896</b>	<b>(357)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	451	352	–	(99)
<b>Total economic affairs</b>	<b>451</b>	<b>352</b>	<b>–</b>	<b>(99)</b>
<b>Totals – functions</b>	<b>17,211</b>	<b>10,165</b>	<b>2,291</b>	<b>(4,755)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>9,408</b>		<b>9,408</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>4</b>		<b>4</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>17,211</b>	<b>19,577</b>	<b>2,291</b>	<b>4,657</b>

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

## Narromine Shire Council

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

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	2	16	18	–	3	–	–	1	2	13	15
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	332	3,365	3,697	–	330	–	–	153	340	3,027	3,367
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>334</b>	<b>3,381</b>	<b>3,715</b>	<b>–</b>	<b>333</b>	<b>–</b>	<b>–</b>	<b>154</b>	<b>342</b>	<b>3,040</b>	<b>3,382</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>334</b>	<b>3,381</b>	<b>3,715</b>	<b>–</b>	<b>333</b>	<b>–</b>	<b>–</b>	<b>154</b>	<b>342</b>	<b>3,040</b>	<b>3,382</b>

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

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

## Narromine Shire Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993]  
for the year ended 30 June 2016

\$'000

## Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General	520	74	29
Water			
Sewer			
Domestic waste management			
Gas			
Other			
<b>Totals</b>	<b>520</b>	<b>74</b>	<b>29</b>

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

## Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
General Fund	Water Fund	17/08/04	30/06/06	10	30/06/16	6.50%	–	–	–
General Fund	Sewer Fund	05/01/11	30/06/12	10	30/06/17	7.00%	520	74	29
<b>Totals</b>							<b>520</b>	<b>74</b>	<b>29</b>

## Narromine Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	340	319
b. Engineering and supervision	135	379
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– <b>Mains</b>		
c. Operation expenses	–	–
d. Maintenance expenses	198	157
– <b>Reservoirs</b>		
e. Operation expenses	–	–
f. Maintenance expenses	33	10
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	15	14
h. Energy costs	114	148
i. Maintenance expenses	125	148
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	67	31
k. Chemical costs	–	–
l. Maintenance expenses	50	43
– <b>Other</b>		
m. Operation expenses	21	19
n. Maintenance expenses	6	11
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	94	95
b. Plant and equipment	–	5
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,198</b>	<b>1,379</b>

## Narromine Shire Council

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

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	413	391
b. Usage charges	1,105	1,124
<b>7. Non-residential charges</b>		
a. Access (including rates)	29	28
b. Usage charges	–	–
<b>8. Extra charges</b>	15	6
<b>9. Interest income</b>	100	123
<b>10. Other income</b>	23	16
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	1,064	371
b. Grants for pensioner rebates	21	21
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>13. Total income</b>	<b>2,770</b>	<b>2,080</b>
<b>14. Gain (or loss) on disposal of assets</b>	–	(95)
<b>15. Operating result</b>	<b>1,572</b>	<b>606</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	508	235

## Narromine Shire Council

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

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	503	15
b. New assets for growth	–	11
c. Renewals	1,450	265
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	–	–
<b>18. Totals</b>	<b>1,953</b>	<b>291</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	1,908	1,937
b. Residential (unoccupied, ie. vacant lot)	80	19
c. Non-residential (occupied)	270	265
d. Non-residential (unoccupied, ie. vacant lot)	20	15
<b>23. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 19,142	\$ 19,070

## Narromine Shire Council

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

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	137	–	137
b. Special purpose grants	147	–	147
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	4,502	–	4,502
<b>26. Receivables</b>			
a. Specific purpose grants	220	–	220
b. Rates and availability charges	42	24	66
c. User charges	213	93	306
d. Other	11	–	11
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	9,310	9,310
b. Plant and equipment	–	56	56
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<u>5,272</u>	<u>9,483</u>	<u>14,755</u>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	3	–	3
<b>33. Borrowings</b>	–	–	–
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<u>3</u>	<u>–</u>	<u>3</u>
<b>36. NET ASSETS COMMITTED</b>	<u>5,269</u>	<u>9,483</u>	<u>14,752</u>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			10,261
<b>38. Asset revaluation reserve</b>			4,491
<b>39. TOTAL EQUITY</b>			<u>14,752</u>
<b>Note to system assets:</b>			
<b>40. Current replacement cost</b> of system assets			19,362
<b>41. Accumulated current cost</b> depreciation of system assets			(10,052)
<b>42. Written down current cost</b> of system assets			<u>9,310</u>

## Narromine Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	333	279
b. Engineering and supervision	174	405
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	35	37
– Pumping stations		
c. Operation expenses (excluding energy costs)	64	57
d. Energy costs	–	–
e. Maintenance expenses	8	2
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	119	98
g. Chemical costs	–	–
h. Energy costs	32	44
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	6	2
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	3	5
<b>3. Depreciation expenses</b>		
a. System assets	326	322
b. Plant and equipment	–	8
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	10	10
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,110</b>	<b>1,269</b>



## Narromine Shire Council

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

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	974	941
<b>7. Non-residential charges</b>		
a. Access (including rates)	52	(25)
b. Usage charges	225	268
<b>8. Trade waste charges</b>		
a. Annual fees	6	6
b. Usage charges	13	12
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	10	–
<b>10. Interest income</b>	80	103
<b>11. Other income</b>	4	8
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	20	20
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<u>1,384</u>	<u>1,333</u>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<u>274</u>	<u>64</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	274	64

## Narromine Shire Council

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

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	134	–
b. New assets for growth	–	–
c. Renewals	501	625
d. Plant and equipment	–	63
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<b>635</b>	<b>688</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	1,713	1,758
b. Residential (unoccupied, ie. vacant lot)	67	26
c. Non-residential (occupied)	332	260
d. Non-residential (unoccupied, ie. vacant lot)	17	14
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 18,420	\$ 18,249

## Narromine Shire Council

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

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,419	–	5,419
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	93	47	140
c. User charges	104	–	104
d. Other	47	–	47
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	18,235	18,235
b. Plant and equipment	–	65	65
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>5,663</u>	<u>18,347</u>	<u>24,010</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	–	–	–
<b>34. Borrowings</b>	–	–	–
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<u>–</u>	<u>–</u>	<u>–</u>
<b>37. NET ASSETS COMMITTED</b>	<u>5,663</u>	<u>18,347</u>	<u>24,010</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			9,471
<b>39. Asset revaluation reserve</b>			14,539
<b>40. TOTAL EQUITY</b>			<u>24,010</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			29,656
<b>42. Accumulated current cost</b> depreciation of system assets			(11,421)
<b>43. Written down current cost</b> of system assets			<u>18,235</u>

## Narromine Shire Council

### Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Notes:

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

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

## Narromine Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	1,906	38	150	130	19,120	28,156	4%	34%	24%	38%	0%
	<b>Sub-total</b>	<b>1,906</b>	<b>38</b>	<b>150</b>	<b>130</b>	<b>19,120</b>	<b>28,156</b>	<b>4.0%</b>	<b>34.0%</b>	<b>24.0%</b>	<b>38.0%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	1,342	895	35	30	2,262	403	7%	59%	25%	0%	9%
	<b>Sub-total</b>	<b>1,342</b>	<b>895</b>	<b>35</b>	<b>30</b>	<b>2,262</b>	<b>403</b>	<b>7.0%</b>	<b>59.0%</b>	<b>25.0%</b>	<b>0.0%</b>	<b>9.0%</b>
<b>Roads</b>	Sealed roads	2,619	1,095	900	850	140,855	58,504	6%	22%	42%	20%	10%
	Unsealed roads	4,407	437	1,000	600	46,951	22,873	2%	0%	19%	75%	4%
	Bridges	2,082	1,388	10	–	18,826	11,530	49%	33%	5%	0%	13%
	Footpaths	1,209	806	25	1	1,849	2,480	35%	47%	10%	0%	8%
	Other road assets	1,659	–	70	50	–	2,260	0%	24%	43%	33%	0%
	<b>Sub-total</b>	<b>11,976</b>	<b>3,726</b>	<b>2,005</b>	<b>1,501</b>	<b>212,146</b>	<b>97,647</b>	<b>10.7%</b>	<b>18.8%</b>	<b>31.5%</b>	<b>30.3%</b>	<b>8.7%</b>
<b>Water supply network</b>	Water supply network	4,082	648	60	52	7,122	17,250	5%	16%	11%	62%	6%
	<b>Sub-total</b>	<b>4,082</b>	<b>648</b>	<b>60</b>	<b>52</b>	<b>7,122</b>	<b>17,250</b>	<b>5.0%</b>	<b>16.0%</b>	<b>11.0%</b>	<b>62.0%</b>	<b>6.0%</b>
<b>Sewerage network</b>	Sewerage network	10,356	6,904	50	42	17,781	13,936	7%	19%	5%	0%	69%
	<b>Sub-total</b>	<b>10,356</b>	<b>6,904</b>	<b>50</b>	<b>42</b>	<b>17,781</b>	<b>13,936</b>	<b>7.0%</b>	<b>19.0%</b>	<b>5.0%</b>	<b>0.0%</b>	<b>69.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	290	38	25	2	13,878	21,474	1%	31%	63%	5%	0%
	<b>Sub-total</b>	<b>290</b>	<b>38</b>	<b>25</b>	<b>2</b>	<b>13,878</b>	<b>21,474</b>	<b>1.0%</b>	<b>31.0%</b>	<b>63.0%</b>	<b>5.0%</b>	<b>0.0%</b>
<b>Open space/recreational assets</b>	Swimming pools	1,072	31	15	5	1,618	–	0%	0%	0%	0%	0%
	Other	1,170	91	250	18	1,866	7,826	3%	51%	24%	21%	1%
	<b>Sub-total</b>	<b>2,242</b>	<b>122</b>	<b>265</b>	<b>23</b>	<b>3,484</b>	<b>7,826</b>	<b>3.0%</b>	<b>51.0%</b>	<b>24.0%</b>	<b>21.0%</b>	<b>1.0%</b>

## Narromine Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Other infrastructure assets</b>	Other	525	137	35	30	4,052	9,643	3%	9%	81%	6%	1%
	<b>Sub-total</b>	<b>525</b>	<b>137</b>	<b>35</b>	<b>30</b>	<b>258</b>	<b>9,643</b>	<b>3.0%</b>	<b>9.0%</b>	<b>81.0%</b>	<b>6.0%</b>	<b>1.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>32,719</b>	<b>12,508</b>	<b>2,625</b>	<b>1,810</b>	<b>276,051</b>	<b>196,335</b>	<b>7.2%</b>	<b>23.0%</b>	<b>32.3%</b>	<b>27.7%</b>	<b>9.8%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Narromine Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>7,504</u>	<b>187.83%</b>	130.48%	86.43%
Depreciation, amortisation and impairment	<u>3,995</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>32,719</u>	<b>11.85%</b>	1.34%	5.70%
Carrying value of infrastructure assets	<u>276,051</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>1,810</u>	<b>0.69</b>	1.01	1.00
Required asset maintenance	<u>2,625</u>			
<b>4. Capital expenditure ratio</b>				
Annual capital expenditure	<u>9,678</u>	<b>2.08</b>	1.47	1.04
Annual depreciation	<u>4,664</u>			

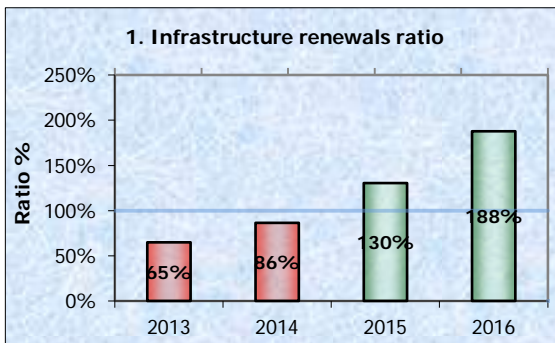
## Notes

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

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

# Narromine Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



### Purpose of asset renewals ratio

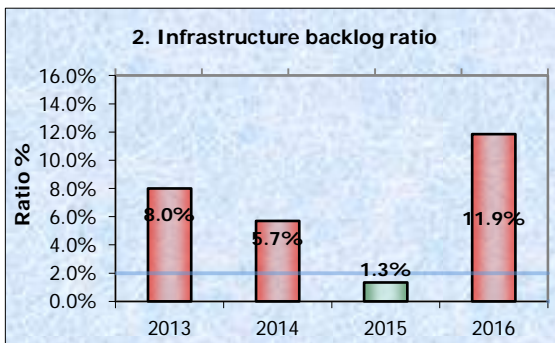
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**2015/16 Ratio 187.83%**

Benchmark: Minimum  $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of infrastructure backlog ratio

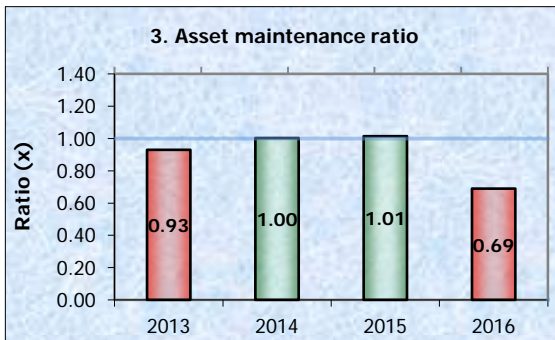
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

**2015/16 Ratio 11.85%**

Benchmark: Maximum  $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of asset maintenance ratio

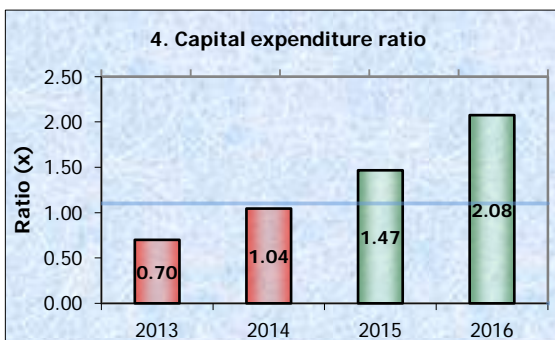
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

**2015/16 Ratio 0.69 x**

Benchmark: Minimum  $> 1.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of capital expenditure ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

**2015/16 Ratio 2.08 x**

Benchmark: Minimum  $> 1.10$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



## Narromine Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General <sup>(1)</sup> 2016
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
<u>Asset renewals <sup>(2)</sup></u>	<b>1705.88%</b>	<b>154.63%</b>	<b>154.85%</b>
Depreciation, amortisation and impairment			
prior period:	218.95%	161.18%	125.83%
<b>2. Infrastructure backlog ratio</b>			
<u>Estimated cost to bring assets to a satisfactory standard</u>	<b>57.32%</b>	<b>58.24%</b>	<b>7.28%</b>
Carrying value of infrastructure assets			
prior period:	4.79%	1.88%	1.22%
<b>3. Asset maintenance ratio</b>			
<u>Actual asset maintenance</u>	<b>0.87</b>	<b>0.84</b>	<b>0.68</b>
Required asset maintenance			
prior period:	0.94	1.01	1.02
<b>4. Capital expenditure ratio</b>			
<u>Annual capital expenditure</u>	<b>20.78</b>	<b>1.95</b>	<b>1.67</b>
Annual depreciation			
prior period:	1.96	2.08	1.41

## Notes

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

## Narromine Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	4,857	5,143
Plus or minus adjustments <sup>(2)</sup>	b	(1)	9
<b>Notional general income</b>	c = (a + b)	<b>4,856</b>	<b>5,152</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	5.90%	6.50%
Or rate peg percentage	e		1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	287	335
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>5,143</b>	<b>5,487</b>
Plus (or minus) last year's carry forward total	l	–	–
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>–</b>	<b>–</b>
<b>Total permissible income</b>	o = k + n	<b>5,143</b>	<b>5,487</b>
Less notional general income yield	p	5,143	5,423
<b>Catch-up or (excess) result</b>	q = o – p	<b>–</b>	<b>64</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>–</b>	<b>64</b>

**Notes**

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



## NARROMINE SHIRE COUNCIL

### SPECIAL SCHEDULE NO. 8

#### INDEPENDENT AUDITORS' REPORT

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#### REPORT ON SPECIAL SCHEDULE NO. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Narromine Shire Council for the year ending 30 June 2017.

#### *Responsibility of Council for Special Schedule No. 8*

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

#### Assurance Partners



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

***Audit Opinion***

In our opinion, Special Schedule No. 8 of Narromine Shire Council for 2016/17 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

***Basis of Accounting***

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

**HILL ROGERS**



**BRETT HANGER**

Partner

Dated at Sydney this 29th day of September 2016