

# Narrabri Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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*A strong and vibrant regional growth centre  
providing a quality living environment for the  
entire Shire community.*



# Narrabri Shire Council

## General Purpose Financial Statements for the year ended 30 June 2018

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### Overview

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

46-48 Maitland Street  
Narrabri NSW 2390

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

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

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

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

## Narrabri Shire Council

### General Purpose Financial Statements for the year ended 30 June 2018

## Understanding Council's financial statements

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### Introduction

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

### What you will find in the statements

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

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

### About the Councillor/Management Statement

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

### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

#### 1. The Income Statement

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

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

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

#### 4. The Statement of Changes in Equity

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

#### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

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

### Who uses the financial statements?

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

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

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

## Narrabri Shire Council

### General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 25 September 2018.**



Catherine Redding  
**Mayor**  
25 September 2018



Cameron Staines  
**Councillor**  
25 September 2018



Stewart Todd  
**General Manager**  
25 September 2018



Tim McClellan  
**Responsible Accounting Officer**  
25 September 2018

## Narrabri Shire Council

## Income Statement

for the year ended 30 June 2018

| Original<br>unaudited<br>budget<br>2018  | \$ '000   | Notes | Actual<br>2018 | Actual<br>2017 |
|--|---|-------|----------------|----------------|
| <b>Income from continuing operations</b>   |   |       |                |                |
| <b>Revenue:</b>  |   |       |                |                |
| 19,513   | Rates and annual charges  | 3a    | 19,298         | 18,985         |
| 7,882  | User charges and fees   | 3b    | 15,777         | 10,203         |
| 1,453  | Interest and investment revenue   | 3c    | 1,553          | 1,494          |
| 2,649  | Other revenues  | 3d    | 2,173          | 3,051          |
| 11,535   | Grants and contributions provided for operating purposes                        | 3e,f  | 12,796         | 16,478         |
| 9,858  | Grants and contributions provided for capital purposes                          | 3e,f  | 2,522          | 7,141          |
| <b>Other income:</b>   |   |       |                |                |
| –  | Net share of interests in joint ventures and associates using the equity method | 14    | 46             | 9              |
| 52,890   | <b>Total income from continuing operations</b>                                  |       | 54,165         | 57,361         |
| <b>Expenses from continuing operations</b>   |   |       |                |                |
| 16,346   | Employee benefits and on-costs  | 4a    | 16,016         | 15,175         |
| 339  | Borrowing costs   | 4b    | 340            | 405            |
| 10,777   | Materials and contracts   | 4c    | 14,275         | 11,392         |
| 10,018   | Depreciation and amortisation   | 4d    | 10,458         | 9,874          |
| 4,196  | Other expenses  | 4e    | 4,306          | 4,253          |
| –  | Net losses from the disposal of assets  | 5     | 1,344          | 667            |
| 41,676   | <b>Total expenses from continuing operations</b>                                |       | 46,739         | 41,766         |
| 11,214   | <b>Operating result from continuing operations</b>                              |       | 7,426          | 15,595         |
| 11,214   | <b>Net operating result for the year</b>  |       | 7,426          | 15,595         |
| 11,214   | Net operating result attributable to Council                                    |       | 7,426          | 15,595         |
| <b>Net operating result for the year before grants and contributions provided for capital purposes</b> |   |       |                |                |
| 1,356  |   |       | 4,904          | 8,454          |

## Narrabri Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

| \$ '000  | Notes | 2018          | 2017           |
|--|-------|---------------|----------------|
| <b>Net operating result for the year</b> (as per Income Statement)                     |       | <b>7,426</b>  | <b>15,595</b>  |
| <b>Other comprehensive income:</b>   |       |               |                |
| Amounts that will not be reclassified subsequently to the operating result             |       |               |                |
| Gain (loss) on revaluation of IPP&E  | 9a    | 6,837         | (8,136)        |
| <b>Total items which will not be reclassified subsequently to the operating result</b> |       | <b>6,837</b>  | <b>(8,136)</b> |
| <b>Total other comprehensive income for the year</b>                                   |       | <b>6,837</b>  | <b>(8,136)</b> |
| <b>Total comprehensive income for the year</b>   |       | <b>14,263</b> | <b>7,459</b>   |
| Total comprehensive income attributable to Council                                     |       | 14,263        | 7,459          |

## Narrabri Shire Council

Statement of Financial Position  
as at 30 June 2018

| \$ '000   | Notes | 2018           | 2017           |
|---|-------|----------------|----------------|
| <b>ASSETS</b>                                     |       |                |                |
| <b>Current assets</b>                             |       |                |                |
| Cash and cash equivalents                         | 6a    | 854            | 4,172          |
| Investments                                       | 6b    | 56,000         | 52,000         |
| Receivables                                       | 7     | 7,115          | 5,463          |
| Inventories                                       | 8     | 3,067          | 3,387          |
| Other   | 8     | 687            | 246            |
| <b>Total current assets</b>                       |       | <b>67,723</b>  | <b>65,268</b>  |
| <b>Non-current assets</b>                         |       |                |                |
| Infrastructure, property, plant and equipment     | 9     | 428,052        | 417,039        |
| Investments accounted for using the equity method | 14    | 227            | 181            |
| <b>Total non-current assets</b>                   |       | <b>428,279</b> | <b>417,220</b> |
| <b>TOTAL ASSETS</b>                               |       | <b>496,002</b> | <b>482,488</b> |
| <b>LIABILITIES</b>                                |       |                |                |
| <b>Current liabilities</b>                        |       |                |                |
| Payables  | 10    | 3,829          | 3,807          |
| Income received in advance                        | 10    | 503            | 564            |
| Borrowings  | 10    | 836            | 1,043          |
| Provisions  | 11    | 3,794          | 3,632          |
| <b>Total current liabilities</b>                  |       | <b>8,962</b>   | <b>9,046</b>   |
| <b>Non-current liabilities</b>                    |       |                |                |
| Payables  | 10    | 181            | 5              |
| Borrowings  | 10    | 5,913          | 6,749          |
| Provisions  | 11    | 74             | 79             |
| <b>Total non-current liabilities</b>              |       | <b>6,168</b>   | <b>6,833</b>   |
| <b>TOTAL LIABILITIES</b>                          |       | <b>15,130</b>  | <b>15,879</b>  |
| <b>Net assets</b>                                 |       | <b>480,872</b> | <b>466,609</b> |
| <b>EQUITY</b>                                     |       |                |                |
| Accumulated surplus                               | 12    | 226,330        | 218,904        |
| Revaluation reserves                              | 12    | 254,542        | 247,705        |
| <b>Total equity</b>                               |       | <b>480,872</b> | <b>466,609</b> |

## Narrabri Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2018

| \$ '000  | Notes | 2018                |                           |                | 2017                |                           |                |
|--|-------|---------------------|---------------------------|----------------|---------------------|---------------------------|----------------|
|  |       | Accumulated surplus | IPP&E revaluation reserve | Total equity   | Accumulated surplus | IPP&E revaluation reserve | Total equity   |
| <b>Opening balance</b>                                 |       | 218,904             | 247,705                   | <b>466,609</b> | 203,464             | 255,686                   | <b>459,150</b> |
| <b>Net operating result for the year</b>               |       | <b>7,426</b>        | –                         | <b>7,426</b>   | <b>15,595</b>       | –                         | <b>15,595</b>  |
| <b>Other comprehensive income</b>                      |       |                     |                           |                |                     |                           |                |
| Gain (loss) on revaluation of IPP&E                    | 9a    | –                   | 6,837                     | <b>6,837</b>   | –                   | (8,136)                   | <b>(8,136)</b> |
| <b>Other comprehensive income</b>                      |       | <b>–</b>            | <b>6,837</b>              | <b>6,837</b>   | <b>–</b>            | <b>(8,136)</b>            | <b>(8,136)</b> |
| <b>Total comprehensive income</b>                      |       | <b>7,426</b>        | <b>6,837</b>              | <b>14,263</b>  | <b>15,595</b>       | <b>(8,136)</b>            | <b>7,459</b>   |
| Transfers between equity items                         |       | –                   | –                         | –              | (155)               | 155                       | –              |
| <b>Equity – balance at end of the reporting period</b> |       | <b>226,330</b>      | <b>254,542</b>            | <b>480,872</b> | <b>218,904</b>      | <b>247,705</b>            | <b>466,609</b> |

## Narrabri Shire Council

## Statement of Cash Flows

for the year ended 30 June 2018

| Original<br>unaudited<br>budget<br>2018     | \$ '000  | Notes | Actual<br>2018  | Actual<br>2017  |
|---|--|-------|-----------------|-----------------|
| <b>Cash flows from operating activities</b> |  |       |                 |                 |
| <b>Receipts:</b>                            |  |       |                 |                 |
| 19,469                                      | Rates and annual charges                                     |       | 19,176          | 18,995          |
| 8,079                                       | User charges and fees  |       | 16,001          | 10,984          |
| 1,559                                       | Investment and interest revenue received                     |       | 1,483           | 1,283           |
| 21,433                                      | Grants and contributions                                     |       | 15,689          | 22,981          |
| –   | Bonds, deposits and retention amounts received               |       | 216             | –               |
| 2,826                                       | Other  |       | 3,523           | 4,714           |
| <b>Payments:</b>                            |  |       |                 |                 |
| (16,325)                                    | Employee benefits and on-costs                               |       | (15,836)        | (15,338)        |
| (10,754)                                    | Materials and contracts                                      |       | (17,107)        | (13,749)        |
| (341)                                       | Borrowing costs  |       | (292)           | (341)           |
| –   | Bonds, deposits and retention amounts refunded               |       | –               | (37)            |
| (4,196)                                     | Other  |       | (5,384)         | (4,067)         |
| <b>21,750</b>                               | <b>Net cash provided (or used in) operating activities</b>   | 13b   | <b>17,469</b>   | <b>25,425</b>   |
| <b>Cash flows from investing activities</b> |  |       |                 |                 |
| <b>Receipts:</b>                            |  |       |                 |                 |
| 61,332                                      | Sale of investment securities                                |       | 51,000          | 42,500          |
| 1,139                                       | Sale of infrastructure, property, plant and equipment        |       | 903             | 736             |
| <b>Payments:</b>                            |  |       |                 |                 |
| (50,000)                                    | Purchase of investment securities                            |       | (55,000)        | (50,500)        |
| (33,311)                                    | Purchase of infrastructure, property, plant and equipment    |       | (16,592)        | (16,190)        |
| –   | Purchase of real estate assets                               |       | –               | (34)            |
| <b>(20,840)</b>                             | <b>Net cash provided (or used in) investing activities</b>   |       | <b>(19,689)</b> | <b>(23,488)</b> |
| <b>Cash flows from financing activities</b> |  |       |                 |                 |
| <b>Receipts:</b>                            |  |       |                 |                 |
| Nil   |  |       |                 |                 |
| <b>Payments:</b>                            |  |       |                 |                 |
| (1,042)                                     | Repayment of borrowings and advances                         |       | (1,096)         | (1,051)         |
| (2)   | Repayment of finance lease liabilities                       |       | (2)             | (26)            |
| <b>(1,044)</b>                              | <b>Net cash flow provided (used in) financing activities</b> |       | <b>(1,098)</b>  | <b>(1,077)</b>  |
| <b>(134)</b>                                | <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | <b>(3,318)</b>  | <b>860</b>      |
| 4,634                                       | Plus: cash and cash equivalents – beginning of year          | 13a   | 4,172           | 3,312           |
| <b>4,500</b>                                | <b>Cash and cash equivalents – end of the year</b>           | 13a   | <b>854</b>      | <b>4,172</b>    |
| Additional Information:                     |  |       |                 |                 |
|   | plus: Investments on hand – end of year                      | 6b    | 56,000          | 52,000          |
|   | <b>Total cash, cash equivalents and investments</b>          |       | <b>56,854</b>   | <b>56,172</b>   |

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 28/09/2018.

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

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

##### **Basis of preparation**

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

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

Full dollars have been used in Related Party Disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income Statement
- Statement of Cash Flows
- Material Budget Variations note

and are clearly marked.

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

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

##### **(b) Historical cost convention**

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

##### **(c) Significant accounting estimates and judgements**

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

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

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

- (i) Estimated fair values of infrastructure, property, plant and equipment; and
- (ii) Employee benefit provisions.

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

- (iii) Impairment of receivables

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

#### **Monies and other assets received by Council**

##### **(a) The Consolidated Fund**

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

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

- *Narrabri Shire Council General Fund*
- *Narrabri Shire Council Water Supply Fund*
- *Narrabri Shire Council Sewerage Fund*
- *Friends of The Crossing Theatre Committee*

The following committees, entities or operations are excluded from consolidation due to their immaterial value:

- *Gwabegar Hall Committee*
- *Narrabri Youth Centre Advisory Committee*

##### **(b) The Trust Fund**

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

#### **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

## Narrabri Shire Council

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

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

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

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

As at the date of authorisation of these financial statements, Council does not consider that, any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

Council has elected not to apply any pronouncements before their operative date.

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

| Functions/activities                 | Income, expenses and assets have been directly attributed to the following functions/activities.<br>Details of these functions/activities are provided in Note 2(b). |       |                                     |       |   |         |  |      |   |        |
|--------------------------------------|--|-------|-------------------------------------|-------|---|---------|--|------|---|--------|
|                                      | Income from continuing operations  |       | Expenses from continuing operations |       | Operating result from continuing operations |         | Grants included in income from continuing operations |      | Total assets held (current and non-current) |        |
|                                      | 2018   | 2017  | 2018                                | 2017  | 2018  | 2017    | 2018   | 2017 | 2018  | 2017   |
| Strategic Management and Governance  | –  | 1     | 1,121                               | 1,163 | (1,121)                                     | (1,162) | –  | –    | 997   | 267    |
| Workforce Management                 | 99   | 133   | 928                                 | 737   | (829)                                       | (604)   | –  | 20   | 152   | 112    |
| Corporate Support                    | 80   | 137   | 114                                 | 318   | (34)  | (181)   | –  | –    | 23,766                                      | 20,986 |
| Financial Services                   | 61   | 635   | 963                                 | 828   | (902)                                       | (193)   | –  | –    | 21,984                                      | 21,443 |
| Information Services                 | –  | –     | 967                                 | 772   | (967)                                       | (772)   | –  | –    | 853   | 243    |
| Property Services                    | 240  | 280   | 1,075                               | 985   | (835)                                       | (705)   | –  | 50   | 7,893                                       | 6,868  |
| Airport                              | 213  | 92    | 650                                 | 629   | (437)                                       | (537)   | –  | –    | 12,687                                      | 12,257 |
| The Crossing Theatre                 | 1,115  | 1,225 | 1,941                               | 1,912 | (826)                                       | (687)   | –  | –    | 7,348                                       | 6,407  |
| Libraries                            | 122  | 66    | 639                                 | 652   | (517)                                       | (586)   | 112  | 56   | 1,783                                       | 1,179  |
| Caravan Parks                        | 86   | 85    | 64                                  | 68    | 22  | 17      | –  | –    | 888   | 815    |
| Private Works                        | 4  | 178   | 25                                  | 202   | (21)  | (24)    | –  | –    | –   | 53     |
| Development Services                 | 3,189  | 5,150 | 1,154                               | 997   | 2,035                                       | 4,153   | 80   | 35   | 195   | 145    |
| Environmental, Health and Compliance | 290  | 382   | 466                                 | 752   | (176)                                       | (370)   | 159  | 234  | 65  | 132    |
| Solid Waste Management               | 3,661  | 3,189 | 3,270                               | 2,665 | 391   | 524     | 37   | 56   | 2,408                                       | 2,185  |
| Economic Development                 | 248  | 36    | 921                                 | 451   | (673)                                       | (415)   | 248  | 36   | 2,147                                       | 2,436  |
| Cemeteries                           | 182  | 209   | 244                                 | 244   | (62)  | (35)    | –  | –    | 742   | 728    |
| Swimming Pools                       | 521  | 482   | 1,456                               | 1,435 | (935)                                       | (953)   | 163  | 137  | 8,806                                       | 9,080  |
| Parks and Open Spaces                | 428  | 95    | 2,297                               | 2,447 | (1,869)                                     | (2,352) | 264  | 36   | 10,163                                      | 9,490  |
| Saleyards                            | 201  | 195   | 291                                 | 303   | (90)  | (108)   | –  | –    | 1,984                                       | 1,980  |
| Tourism                              | 189  | 193   | 607                                 | 545   | (418)                                       | (352)   | 27   | 15   | 1,203                                       | 802    |
| Infrastructure Delivery Support      | 3  | 9     | 405                                 | 583   | (402)                                       | (574)   | –  | –    | 30  | 37     |
| Design and Investigation Services    | 1  | –     | 530                                 | 429   | (529)                                       | (429)   | –  | –    | –   | –      |
| Fleet Management                     | 247  | 280   | –                                   | 224   | 247   | 56      | –  | –    | 11,717                                      | 11,601 |
| Emergency Management                 | 203  | 648   | 827                                 | 671   | (624)                                       | (23)    | 202  | 638  | 1,098                                       | 1,733  |

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

| Functions/activities                               | Income, expenses and assets have been directly attributed to the following functions/activities.<br>Details of these functions/activities are provided in Note 2(b). |               |                                     |               |   |               |  |               |   |                |
|--|--|---------------|-------------------------------------|---------------|---|---------------|--|---------------|---|----------------|
|  | Income from continuing operations  |               | Expenses from continuing operations |               | Operating result from continuing operations |               | Grants included in income from continuing operations |               | Total assets held (current and non-current) |                |
|  | 2018   | 2017          | 2018                                | 2017          | 2018  | 2017          | 2018   | 2017          | 2018  | 2017           |
| Transport  | 13,023   | 11,942        | 19,487                              | 15,479        | (6,464)                                     | (3,537)       | 3,547  | 6,424         | 285,548                                     | 284,311        |
| Water Services                                     | 6,105  | 5,578         | 3,240                               | 3,139         | 2,865                                       | 2,439         | 1,001  | 1,457         | 46,427                                      | 43,269         |
| Sewerage Services                                  | 3,778  | 3,533         | 3,057                               | 3,136         | 721   | 397           | 150  | 53            | 44,891                                      | 43,748         |
| Share of Gain in Central Northern Regional Library | 46   | 9             | –                                   | –             | 46  | 9             | –  | –             | 227   | 181            |
| General Purpose Income                             | 19,830   | 22,599        | –                                   | –             | 19,830                                      | 22,599        | 7,079  | 10,057        | –   | –              |
| <b>Total functions and activities</b>              | <b>54,165</b>  | <b>57,361</b> | <b>46,739</b>                       | <b>41,766</b> | <b>7,426</b>                                | <b>15,595</b> | <b>13,069</b>  | <b>19,304</b> | <b>496,002</b>                              | <b>482,488</b> |

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **Strategic Management and Governance**

Civic leadership and organisational management setting and implementing Council's strategic agenda.

##### **Workforce Management**

Staff management, recruitment, work health and safety compliance and organisational development.

##### **Corporate Support**

Managerial and administrative support to the Corporate Services directorate.

##### **Financial Services**

Financial reporting, financial support, investment services, rates management, accounts receivable, front counter reception, accounts payable, payroll services, asset administration, procurement services and stores management.

##### **Information Services**

Maintenance of Council's information technology infrastructure, technical support and records management services.

##### **Property Services**

Management of land, buildings and property assets, provision of geospatial information services (GIS), management of Council's property insurance portfolio and overseeing asset management across the organisation.

##### **Airport**

Management services for the Narrabri Airport including airside and landside operations and aviation fuel facilities.

##### **The Crossing Theatre**

Provides, promotes, attracts and facilitates event and entertainment opportunities for residents and visitors. Services include cinemas, front of house services (box office, candy bar & point of sale), The Crossing Café, user pays events, user pays live events and entrepreneurial live events.

##### **Libraries**

Provision of library services in Narrabri, Wee Waa and Boggabri.

##### **Caravan Parks**

Council operates the Boggabri caravan park and leases out the Tibbereena Street, Narrabri caravan park.

##### **Private Works**

Council carries-out lawful works on private land by agreement with an owner or occupier. Services are provided on a commercial basis.

##### **Development Services**

Managerial and administrative support to the Development and Economic Growth directorate, town planning services, building regulation and provision of property transaction certificates.

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **Environmental, Health and Compliance**

Noxious weeds control, environmental health control and ranger / regulatory control.

##### **Solid Waste Management**

Kerbside domestic and commercial waste collection, operation of a waste disposal facility at Narrabri, kerbside recycling collection, reprocessing services for kerbside collected organic material and co-mingled recycling and "drop-off" facilities at Council sites throughout the shire to divert material from landfill to reprocessing / reuse.

##### **Economic Development**

Economic promotion and marketing of Narrabri Shire, investment attraction and lobbying, assist existing business community, management of Council's communication engagements, community development and seeking grant opportunities for Council and the community.

##### **Cemeteries**

Cemetery management services for eight operational cemeteries and four closed cemeteries in towns and villages across the shire; including cemetery information management, interment services and on-going grounds maintenance.

##### **Swimming Pools**

Outdoor swimming pools in Narrabri, Wee Waa and Boggabri, an indoor heated pool in Narrabri and an artesian bore bath (swimming pool) at Pilliga.

##### **Parks and Open Spaces**

Management and maintenance of amenity and open spaces, sporting facilities, recreation parks, public amenities and dump points, public waste / litter control, monuments and memorials, street trees and town CBD precincts.

##### **Saleyards**

Facilitates the sale of cattle in Narrabri by local graziers and provides ancillary services for stock transporters and drovers.

##### **Tourism**

Information services to visitors, tourism and business operators, the tourism industry and the shire community. This includes tourism marketing and promotion of the shire, supporting local event organisers and products and tourism infrastructure co-ordination and development.

##### **Infrastructure Delivery Support**

Business support to the Infrastructure Delivery directorate including co-ordination of activities, annual budget maintenance and supervision, financial analysis, monitoring and reporting, long-term asset management planning, contracts administration and tender management services.

##### **Design and Investigation Services**

Site survey work, design and drafting infrastructure projects, capturing traffic count data, assessing heavy vehicle applications and maintaining alcohol free zones.

## Narrabri Shire Council

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

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

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

##### **Fleet Management**

Acquisition, maintenance and disposal of Council's plant and vehicle fleet.

##### **Emergency Management**

Financial support to the NSW Rural Fire Service (RFS), Fire and Rescue NSW (town fire brigades) and the NSW State Emergency Service (SES).

##### **Transport**

Quarries management, stormwater management, street lighting, routine maintenance of urban, local and regional roads (sealed and unsealed), bridges, footpaths, kerb and guttering and parking areas. Also includes the asset renewal / replacement of all of these infrastructure asset categories.

##### **Water Services**

Water supplies provided to Baan Baa, Bellata, Boggabri, Gwabegar, Narrabri, Pilliga and Wee Waa.

##### **Sewerage Services**

Sewerage services provided to Boggabri, Narrabri and Wee Waa.

##### **Share of Gain in Central Northern Regional Library**

Central Northern Regional Library (CNRL) is a regional library service that provides library services to the residents of Tamworth, Narrabri, Liverpool Plains, Uralla and Walcha local government areas.

##### **General Purpose Income**

Ordinary rates income, untied general purpose grants and unrestricted interest and investment income.

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 3. Income from continuing operations

| \$ '000  | 2018          | 2017          |
|--|---------------|---------------|
| <b>(a) Rates and annual charges</b>                                      |               |               |
| <b>Ordinary rates</b>  |               |               |
| Residential  | 4,323         | 4,183         |
| Farmland   | 6,219         | 6,048         |
| Mining   | 954           | 1,038         |
| Business   | 912           | 934           |
| Less: pensioner rebates (mandatory)                                      | (144)         | (152)         |
| <b>Total ordinary rates</b>  | <b>12,264</b> | <b>12,051</b> |
| <b>Special rates</b>   |               |               |
| Tourism  | 69            | 70            |
| <b>Total special rates</b>   | <b>69</b>     | <b>70</b>     |
| <b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611) |               |               |
| Domestic waste management services                                       | 1,288         | 1,233         |
| Water supply services  | 1,827         | 1,712         |
| Sewerage services  | 2,788         | 2,913         |
| Waste management services (non-domestic)                                 | 1,174         | 1,123         |
| Less: pensioner rebates (mandatory)                                      | (112)         | (117)         |
| <b>Total annual charges</b>  | <b>6,965</b>  | <b>6,864</b>  |
| <b>TOTAL RATES AND ANNUAL CHARGES</b>                                    | <b>19,298</b> | <b>18,985</b> |

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

#### Accounting policy for rates and annual charges

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

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

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

| \$ '000   | 2018          | 2017          |
|---|---------------|---------------|
| <b>(b) User charges and fees</b>  |               |               |
| <b>Specific user charges</b> (per s.502 – specific 'actual use' charges)      |               |               |
| Water supply services   | 2,857         | 2,012         |
| Sewerage services   | 558           | 197           |
| Waste management services (non-domestic)                                      | 1,033         | 561           |
| Other   | 7             | 89            |
| <b>Total specific user charges</b>  | <b>4,455</b>  | <b>2,859</b>  |
| <b>Other user charges and fees</b>  |               |               |
| <b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>  |               |               |
| Planning and building regulation  | 222           | 223           |
| Private works – section 67  | 6             | 178           |
| Regulatory/ statutory fees  | 142           | 156           |
| Registration fees   | –             | 1             |
| <b>Total fees and charges – statutory/regulatory</b>                          | <b>370</b>    | <b>558</b>    |
| <b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b> |               |               |
| Aerodrome   | 207           | 92            |
| Caravan park  | 86            | 85            |
| Cemeteries  | 181           | 209           |
| Contribution to works   | 109           | 69            |
| Gravel tonnage charges  | 122           | 83            |
| Leaseback fees – Council vehicles   | 152           | 139           |
| Mining tonnage charges  | 1,301         | 1,262         |
| Quarry revenues   | 5             | 78            |
| RMS (formerly RTA) charges (state roads not controlled by Council)            | 8,298         | 4,298         |
| Saleyards   | 199           | 194           |
| Swimming centres  | 280           | 263           |
| Other   | 12            | 14            |
| <b>Total fees and charges – other</b>   | <b>10,952</b> | <b>6,786</b>  |
| <b>TOTAL USER CHARGES AND FEES</b>  | <b>15,777</b> | <b>10,203</b> |

**Accounting policy for user charges and fees**

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

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

| \$ '000  | 2018         | 2017         |
|--|--------------|--------------|
| <b>(c) Interest and investment revenue (including losses)</b>    |              |              |
| <b>Interest</b>  |              |              |
| – Overdue rates and annual charges (incl. special purpose rates) | 127          | 122          |
| – Cash and investments   | 1,426        | 1,372        |
| <b>TOTAL INTEREST AND INVESTMENT REVENUE</b>                     | <b>1,553</b> | <b>1,494</b> |

#### Interest revenue is attributable to:

##### Unrestricted investments/financial assets:

|   |     |     |
|---|-----|-----|
| Overdue rates and annual charges (general fund) | 127 | 69  |
| General Council cash and investments            | 361 | 422 |

##### Restricted investments/funds – external:

|   |              |              |
|---|--------------|--------------|
| Development contributions                               |              |              |
| – Section 7.11  | 347          | 345          |
| Water fund operations                                   | 438          | 411          |
| Sewerage fund operations                                | 266          | 236          |
| Domestic waste management operations                    | 14           | 11           |
| <b>Total interest and investment revenue recognised</b> | <b>1,553</b> | <b>1,494</b> |

#### Accounting policy for interest and investment revenue

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

#### (d) Other revenues

|   |              |              |
|---|--------------|--------------|
| Rental income – other council properties                | 177          | 148          |
| Fines   | 14           | 18           |
| Legal fees recovery – rates and charges (extra charges) | 48           | 108          |
| Crossing theatre  | 1,108        | 1,221        |
| Diesel rebate   | 91           | 100          |
| Insurance claim recoveries                              | 101          | 151          |
| Recoverable expenses                                    | 264          | 785          |
| Sales – general   | 273          | 286          |
| Other   | 97           | 234          |
| <b>TOTAL OTHER REVENUE</b>                              | <b>2,173</b> | <b>3,051</b> |

#### Accounting policy for other revenue

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

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

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

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

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

| \$ '000  | 2018<br>Operating | 2017<br>Operating | 2018<br>Capital | 2017<br>Capital |
|--|-------------------|-------------------|-----------------|-----------------|
| <b>(e) Grants</b>                                  |                   |                   |                 |                 |
| <b>General purpose (untied)</b>                    |                   |                   |                 |                 |
| <b>Current year allocation</b>                     |                   |                   |                 |                 |
| Financial assistance – general component           | 2,317             | 4,379             | –               | –               |
| Financial assistance – local roads component       | 1,132             | 2,200             | –               | –               |
| <b>Payment in advance – future year allocation</b> |                   |                   |                 |                 |
| FAG prepayment – general component                 | 2,378             | 2,264             | –               | –               |
| FAG prepayment – local roads component             | 1,173             | 1,129             | –               | –               |
| <b>Other</b>                                       |                   |                   |                 |                 |
| Pensioners' rates subsidies – general component    | 79                | 85                | –               | –               |
| <b>Total general purpose</b>                       | <b>7,079</b>      | <b>10,057</b>     | <b>–</b>        | <b>–</b>        |
| <b>Specific purpose</b>                            |                   |                   |                 |                 |
| Pensioners' rates subsidies:                       |                   |                   |                 |                 |
| – Water  | 33                | 35                | –               | –               |
| – Sewerage   | 28                | 31                | –               | –               |
| – Domestic waste management                        | 35                | 38                | –               | –               |
| Water supplies                                     | –                 | –                 | 968             | 1,422           |
| Sewerage services                                  | –                 | –                 | 122             | 22              |
| Bushfire and emergency services                    | 202               | 638               | –               | –               |
| Community events                                   | 32                | –                 | –               | –               |
| Economic development                               | 150               | –                 | –               | –               |
| Employment and training programs                   | –                 | 20                | –               | –               |
| Environmental protection                           | 46                | 103               | –               | –               |
| Flood restoration                                  | 912               | 661               | –               | –               |
| Heritage and cultural                              | 14                | –                 | –               | –               |
| Library  | 64                | 56                | 48              | –               |
| Noxious weeds                                      | 159               | 127               | –               | –               |
| Pools – LIRS subsidy                               | 163               | 137               | –               | –               |
| Recreation and culture                             | 96                | –                 | 210             | –               |
| Traffic route subsidy                              | 56                | 55                | –               | –               |
| Transport (roads to recovery)                      | 2,110             | 2,880             | –               | –               |
| Transport (other roads and bridges funding)        | 400               | 400               | 70              | 2,428           |
| Waste management                                   | –                 | 19                | –               | –               |
| Other  | 71                | 94                | 1               | 81              |
| <b>Total specific purpose</b>                      | <b>4,571</b>      | <b>5,294</b>      | <b>1,419</b>    | <b>3,953</b>    |
| <b>Total grants</b>                                | <b>11,650</b>     | <b>15,351</b>     | <b>1,419</b>    | <b>3,953</b>    |
| <b>Grant revenue is attributable to:</b>           |                   |                   |                 |                 |
| – Commonwealth funding                             | 9,110             | 12,851            | –               | –               |
| – State funding                                    | 2,540             | 2,500             | 1,419           | 3,953           |
|  | <b>11,650</b>     | <b>15,351</b>     | <b>1,419</b>    | <b>3,953</b>    |

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

| \$ '000   | Notes | 2018<br>Operating | 2017<br>Operating | 2018<br>Capital | 2017<br>Capital |
|---|-------|-------------------|-------------------|-----------------|-----------------|
| <b>(f) Contributions</b>                                  |       |                   |                   |                 |                 |
| <b>Developer contributions:</b>                           |       |                   |                   |                 |                 |
| <b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b> |       |                   |                   |                 |                 |
| <b>Cash contributions</b>                                 |       |                   |                   |                 |                 |
| S 7.4 – contributions using planning agreements           |       | –                 | –                 | 1,000           | 2,669           |
| S 7.11 – contributions towards amenities/services         |       | –                 | –                 | –               | 1               |
| S 7.12 – fixed development consent levies                 |       | –                 | –                 | 103             | 518             |
| <b>Total developer contributions – cash</b>               |       | <b>–</b>          | <b>–</b>          | <b>1,103</b>    | <b>3,188</b>    |
| <b>Total developer contributions</b>                      | 20    | <b>–</b>          | <b>–</b>          | <b>1,103</b>    | <b>3,188</b>    |
| <b>Other contributions:</b>                               |       |                   |                   |                 |                 |
| <b>Cash contributions</b>                                 |       |                   |                   |                 |                 |
| RMS contributions (regional roads, block grant)           |       | 1,146             | 1,127             | –               | –               |
| <b>Total other contributions – cash</b>                   |       | <b>1,146</b>      | <b>1,127</b>      | <b>–</b>        | <b>–</b>        |
| <b>Total other contributions</b>                          |       | <b>1,146</b>      | <b>1,127</b>      | <b>–</b>        | <b>–</b>        |
| <b>Total contributions</b>                                |       | <b>1,146</b>      | <b>1,127</b>      | <b>1,103</b>    | <b>3,188</b>    |
| <b>TOTAL GRANTS AND CONTRIBUTIONS</b>                     |       | <b>12,796</b>     | <b>16,478</b>     | <b>2,522</b>    | <b>7,141</b>    |

**Accounting policy for contributions**

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were not discharged at reporting date, the unused grant or contribution is disclosed.

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

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

| \$ '000  | 2018          | 2017          |
|--|---------------|---------------|
| <b>(g) Unspent grants and contributions</b>  |               |               |
| <b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b> |               |               |
| <b>Operating grants</b>  |               |               |
| Unexpended at the close of the previous reporting period   | 1,218         | 356           |
| <b>Add:</b> operating grants recognised in the current period but not yet spent  | 569           | 1,213         |
| <b>Less:</b> operating grants recognised in a previous reporting period now spent                                      | (1,321)       | (351)         |
| <b>Unexpended and held as restricted assets (operating grants)</b>   | <u>466</u>    | <u>1,218</u>  |
| <b>Capital grants</b>  |               |               |
| Unexpended at the close of the previous reporting period   | 28            | 183           |
| <b>Add:</b> capital grants recognised in the current period but not yet spent  | 208           | 18            |
| <b>Less:</b> capital grants recognised in a previous reporting period now spent  | (24)          | (173)         |
| <b>Unexpended and held as restricted assets (capital grants)</b>   | <u>212</u>    | <u>28</u>     |
| <b>Contributions</b>   |               |               |
| Unexpended at the close of the previous reporting period   | 12,752        | 10,705        |
| <b>Add:</b> contributions recognised in the current period but not yet spent   | 1,450         | 3,533         |
| <b>Less:</b> contributions recognised in a previous reporting period now spent   | (2,111)       | (1,486)       |
| <b>Unexpended and held as restricted assets (contributions)</b>  | <u>12,091</u> | <u>12,752</u> |

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations

| \$ '000  | 2018          | 2017          |
|--|---------------|---------------|
| <b>(a) Employee benefits and on-costs</b>      |               |               |
| Salaries and wages                             | 11,843        | 11,251        |
| Travel expenses                                | 53            | 45            |
| Employee leave entitlements (ELE)              | 1,666         | 1,583         |
| Superannuation                                 | 1,235         | 1,196         |
| Workers' compensation insurance                | 777           | 799           |
| Fringe benefit tax (FBT)                       | 131           | 135           |
| Training costs (other than salaries and wages) | 183           | 135           |
| Protective clothing                            | 64            | 52            |
| Other  | 703           | 639           |
| <b>Total employee costs</b>                    | <b>16,655</b> | <b>15,835</b> |
| Less: capitalised costs                        | (639)         | (660)         |
| <b>TOTAL EMPLOYEE COSTS EXPENSED</b>           | <b>16,016</b> | <b>15,175</b> |

#### Accounting policy for employee benefits and on-costs

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

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

|  |  |  |             |             |
|--|--|--|-------------|-------------|
| <b>(b) Borrowing costs</b>   |  |  | <b>2018</b> | <b>2017</b> |
| <b>(i) Interest bearing liability costs</b>                            |  |  |             |             |
| Interest on loans  |  |  | 285         | 328         |
| Charges relating to finance leases                                     |  |  | —           | 6           |
| <b>Total interest bearing liability costs expensed</b>                 |  |  | <b>285</b>  | <b>334</b>  |
| <b>(ii) Other borrowing costs</b>                                      |  |  |             |             |
| Interest applicable on interest free (and favourable) loans to Council |  |  | 55          | 71          |
| <b>Total other borrowing costs</b>                                     |  |  | <b>55</b>   | <b>71</b>   |
| <b>TOTAL BORROWING COSTS EXPENSED</b>                                  |  |  | <b>340</b>  | <b>405</b>  |

#### Accounting policy for borrowing costs

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

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

| \$ '000                                     | 2018                 | 2017                 |
|---|----------------------|----------------------|
| <b>(c) Materials and contracts</b>          |                      |                      |
| Raw materials and consumables               | 12,978               | 9,727                |
| Contractor and consultancy costs            |                      |                      |
| – Contractor and consultancy costs          | 234                  | 621                  |
| – Waste collection                          | 896                  | 821                  |
| Auditors remuneration <sup>(1)</sup>        | 60                   | 44                   |
| Legal expenses:                             |                      |                      |
| – Legal expenses: planning and development  | 30                   | –                    |
| – Legal expenses: debt recovery             | 48                   | 107                  |
| – Legal expenses: other                     | 29                   | 72                   |
| <b><u>TOTAL MATERIALS AND CONTRACTS</u></b> | <b><u>14,275</u></b> | <b><u>11,392</u></b> |

**1. Auditor remuneration**

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

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

|  |           |           |
|--|-----------|-----------|
| Audit and review of financial statements                   | 60        | 19        |
| <b>Remuneration for audit and other assurance services</b> | <b>60</b> | <b>19</b> |
| <b>Total Auditor-General remuneration</b>                  | <b>60</b> | <b>19</b> |

**Non NSW Auditor-General audit firms:****(i) Audit and other assurance services**

|  |           |           |
|--|-----------|-----------|
| Audit and review of financial statements: Council's Auditor      | –         | 25        |
| <b>Remuneration for audit and other assurance services</b>       | <b>–</b>  | <b>25</b> |
| <b>Total remuneration of non NSW Auditor-General audit firms</b> | <b>–</b>  | <b>25</b> |
| <b>Total Auditor remuneration</b>                                | <b>60</b> | <b>44</b> |

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

| \$ '000   | Notes | 2018          | 2017         |
|---|-------|---------------|--------------|
| <b>(d) Depreciation, amortisation and impairment</b>  |       |               |              |
| <b>Depreciation and amortisation</b>  |       |               |              |
| Plant and equipment   |       | 1,024         | 1,056        |
| Office equipment  |       | 107           | 75           |
| Furniture and fittings  |       | 71            | 60           |
| Land improvements (depreciable)   |       | 88            | 86           |
| <b>Infrastructure:</b>  |       |               |              |
| – Buildings   |       | 602           | 571          |
| – Other structures  |       | 653           | 599          |
| – Roads   |       | 4,880         | 4,499        |
| – Bridges   |       | 328           | 269          |
| – Footpaths   |       | 75            | 74           |
| – Stormwater drainage   |       | 123           | 123          |
| – Water supply network  |       | 832           | 783          |
| – Sewerage network  |       | 1,388         | 1,385        |
| – Swimming pools  |       | 202           | 208          |
| – Other open space/recreational assets  |       | 85            | 86           |
| <b>Total gross depreciation and amortisation costs</b>  |       | <b>10,458</b> | <b>9,874</b> |
| <b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</b> |       | <b>10,458</b> | <b>9,874</b> |

#### Accounting policy for depreciation, amortisation and impairment expenses

##### Depreciation and amortisation

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

##### Impairment of non-financial assets

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

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

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

##### Impairment of financial assets

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

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

| \$ '000  | 2018                | 2017                |
|--|---------------------|---------------------|
| <b>(e) Other expenses</b>  |                     |                     |
| Advertising  | 188                 | 176                 |
| Bad and doubtful debts   | 26                  | 150                 |
| Bank charges   | 101                 | 84                  |
| Cleaning   | 133                 | 126                 |
| Contributions/levies to other levels of government                           |                     |                     |
| – Emergency services levy (includes FRNSW, SES, and RFS levies)              | 378                 | 370                 |
| Councillor expenses – mayoral fee  | 25                  | 25                  |
| Councillor expenses – councillors' fees                                      | 104                 | 105                 |
| Councillors' expenses (incl. mayor) – other (excluding fees above)           | 95                  | 82                  |
| Donations, contributions and assistance to other organisations (Section 356) |                     |                     |
| – donations, contributions and assistance                                    | 158                 | 206                 |
| – donations, contributions and assistance (central northern libraries)       | 218                 | 224                 |
| Election expenses  | –                   | 113                 |
| Electricity and heating  | 744                 | 649                 |
| Fire control expenses  | 144                 | 162                 |
| Insurance  | 559                 | 612                 |
| Office expenses (including computer expenses)                                | 413                 | 290                 |
| Postage  | 18                  | 15                  |
| Printing and stationery  | 65                  | 77                  |
| Recoverable expenses   | 104                 | 13                  |
| Street lighting  | 278                 | 248                 |
| Subscriptions and publications   | 169                 | 158                 |
| Telephone and communications   | 104                 | 169                 |
| Tourism expenses (excluding employee costs)                                  | 203                 | 141                 |
| Valuation fees – assets  | 22                  | 2                   |
| Valuation fees – rates   | 57                  | 56                  |
| <b><u>TOTAL OTHER EXPENSES</u></b>   | <b><u>4,306</u></b> | <b><u>4,253</u></b> |

#### Accounting policy for other expenses

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

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

| \$ '000  | Notes | 2018           | 2017         |
|--|-------|----------------|--------------|
| <b>Property</b> (excl. investment property)                          | 9     |                |              |
| Proceeds from disposal – property                                    |       | 35             | –            |
| Less: carrying amount of property assets sold/written off            |       | (40)           | –            |
| <b>Net gain/(loss) on disposal</b>                                   |       | <b>(5)</b>     | <b>–</b>     |
| <b>Plant and equipment</b>   | 9     |                |              |
| Proceeds from disposal – plant and equipment                         |       | 737            | 456          |
| Less: carrying amount of plant and equipment assets sold/written off |       | (741)          | (796)        |
| <b>Net gain/(loss) on disposal</b>                                   |       | <b>(4)</b>     | <b>(340)</b> |
| <b>Infrastructure</b>  | 9     |                |              |
| Proceeds from disposal – infrastructure                              |       | 131            | 280          |
| Less: carrying amount of infrastructure assets sold/written off      |       | (1,177)        | (607)        |
| <b>Net gain/(loss) on disposal</b>                                   |       | <b>(1,046)</b> | <b>(327)</b> |
| <b>Real estate assets held for sale</b>                              | 8     |                |              |
| Less: carrying amount of real estate assets sold/written off         |       | (289)          | –            |
| <b>Net gain/(loss) on disposal</b>                                   |       | <b>(289)</b>   | <b>–</b>     |
| <b>Financial assets</b> <sup>(1)</sup>                               | 6     |                |              |
| Proceeds from disposal/redemptions/maturities – financial assets     |       | 51,000         | 42,500       |
| Less: carrying amount of financial assets sold/redeemed/matured      |       | (51,000)       | (42,500)     |
| <b>Net gain/(loss) on disposal</b>                                   |       | <b>–</b>       | <b>–</b>     |
| <b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>                         |       | <b>(1,344)</b> | <b>(667)</b> |

**Accounting policy for disposal of assets**

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

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

|  |  |            |              |
|--|--|------------|--------------|
| <b>Cash and cash equivalents</b>       |  |            |              |
| Cash on hand and at bank               |  | 354        | 172          |
| Cash-equivalent assets                 |  |            |              |
| – Deposits at call                     |  | 500        | 4,000        |
| <b>Total cash and cash equivalents</b> |  | <b>854</b> | <b>4,172</b> |

**Accounting policy for cash and cash equivalents**

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

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 6(b). Investments

| \$ '000   | 2018                 |                 | 2017                 |                 |
|---|----------------------|-----------------|----------------------|-----------------|
|   | Current              | Non-current     | Current              | Non-current     |
| <b>Investments</b>  |                      |                 |                      |                 |
| 'Held to maturity'  | 56,000               | –               | 52,000               | –               |
| <b>Total investments</b>  | <b>56,000</b>        | <b>–</b>        | <b>52,000</b>        | <b>–</b>        |
| <b><u>TOTAL CASH ASSETS, CASH<br/>EQUIVALENTS AND INVESTMENTS</u></b> | <b><u>56,854</u></b> | <b><u>–</u></b> | <b><u>56,172</u></b> | <b><u>–</u></b> |
| <b>Held to maturity investments</b>                                   |                      |                 |                      |                 |
| Long term deposits  | 56,000               | –               | 52,000               | –               |
| <b>Total</b>  | <b>56,000</b>        | <b>–</b>        | <b>52,000</b>        | <b>–</b>        |

#### Accounting policy for investments

##### Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

##### Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

##### Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

##### Impairment of available for sale investments

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

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

| \$ '000                                      | 2018          |             | 2017          |             |
|--|---------------|-------------|---------------|-------------|
|  | Current       | Non-current | Current       | Non-current |
| Total cash, cash equivalents and investments | 56,854        | –           | 56,172        | –           |
| <b>attributable to:</b>                      |               |             |               |             |
| External restrictions (refer below)          | 36,041        | –           | 35,788        | –           |
| Internal restrictions (refer below)          | 20,747        | –           | 20,335        | –           |
| Unrestricted                                 | 66            | –           | 49            | –           |
|  | <b>56,854</b> | <b>–</b>    | <b>56,172</b> | <b>–</b>    |

| \$ '000 | 2018 | 2017 |
|---------|------|------|
|---------|------|------|

## Details of restrictions

**External restrictions – included in liabilities**

|  |            |            |
|--|------------|------------|
| Specific purpose unexpended loans – general            | 466        | 466        |
| <b>External restrictions – included in liabilities</b> | <b>466</b> | <b>466</b> |

**External restrictions – other**

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Developer contributions – general    | 12,091        | 12,752        |
| RMS contributions                    | 406           | 105           |
| Specific purpose unexpended grants   | 678           | 1,246         |
| Water supplies                       | 12,543        | 13,131        |
| Sewerage services                    | 9,509         | 8,024         |
| Domestic waste management            | 348           | 64            |
| <b>External restrictions – other</b> | <b>35,575</b> | <b>35,322</b> |
| <b>Total external restrictions</b>   | <b>36,041</b> | <b>35,788</b> |

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

| \$ '000   | 2018          | 2017          |
|---|---------------|---------------|
| <b>Internal restrictions</b>                      |               |               |
| Plant and Vehicle Replacement                     | 2,562         | 3,056         |
| Employees Leave Entitlement                       | 1,160         | 1,114         |
| Carry Over Works                                  | 309           | –             |
| Deposits, Retentions and Bonds                    | 305           | 89            |
| Airport Reserve                                   | 479           | 264           |
| Boggabri (Oakham Street) Reserve                  | 100           | 100           |
| Buildings Infrastructure                          | 1,527         | 2,164         |
| Corporate Information System                      | 839           | 1,488         |
| Crown Reserves Management                         | 68            | –             |
| Election Costs                                    | 97            | 67            |
| FAG Payments Received in Advance                  | 3,550         | 3,392         |
| Friends of the Crossing Theatre                   | 47            | 70            |
| Heritage (Old Gaol)                               | 3             | 15            |
| Housing (Doctors) Reserve                         | 152           | 105           |
| Infrastructure Backlog Reserve                    | –             | 2,500         |
| Leards Forest Precinct Environmental Trust        | 261           | –             |
| Library   | 47            | 47            |
| Narrabri CBD Masterplan                           | 136           | 534           |
| Narrabri Depot Reserve                            | 171           | 257           |
| Office Equipment                                  | 45            | 371           |
| Parks & Gardens (Bulk Water Sale Reserve)         | 279           | 185           |
| Parks & Gardens (Tree Replacement Reserve)        | 7             | 7             |
| Quarries Restoration and Improvements             | 275           | 232           |
| Risk Management                                   | 152           | 112           |
| RMS Single Invitation Contract (warranty)         | 100           | 100           |
| Roads Infrastructure Reserve                      | 1,830         | –             |
| Roads Infrastructure (Stormwater) Reserve         | 487           | 245           |
| Roads: Narrabri West (Old Turrawan Rd) Masterplan | 150           | 150           |
| Service Reviews Reserve                           | 200           | –             |
| Smart Community Strategies                        | 250           | –             |
| Statutory Land Planning Reserve                   | 195           | 145           |
| Strategic Project Master Planning                 | 450           | 200           |
| Swimming Pools                                    | 855           | 600           |
| Tonnage Payments – Gravel (maintenance)           | 18            | –             |
| Tonnage Payments – Gravel (upgrade)               | 3             | –             |
| Tonnage Payments – Mining                         | 3,108         | 2,311         |
| Tourism – Kamilaroi Highway Group                 | 56            | 45            |
| Waste Management                                  | 474           | 370           |
| <b>Total internal restrictions</b>                | <b>20,747</b> | <b>20,335</b> |
| <b>TOTAL RESTRICTIONS</b>                         | <b>56,788</b> | <b>56,123</b> |

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 7. Receivables

| \$ '000  | 2018                |                 | 2017                |                 |
|--|---------------------|-----------------|---------------------|-----------------|
|  | Current             | Non-current     | Current             | Non-current     |
| <b>Purpose</b>   |                     |                 |                     |                 |
| Rates and annual charges                                   | 1,476               | –               | 1,443               | –               |
| Interest and extra charges                                 | 281                 | –               | 326                 | –               |
| User charges and fees                                      | 497                 | –               | 554                 | –               |
| Accrued revenues   |                     |                 |                     |                 |
| – Interest on investments                                  | 553                 | –               | 492                 | –               |
| – Other income accruals                                    | 3,355               | –               | 1,413               | –               |
| Government grants and subsidies                            | 584                 | –               | 934                 | –               |
| Net GST receivable   | 300                 | –               | 337                 | –               |
| Other debtors  | 139                 | –               | 214                 | –               |
| <b>Total</b>   | <b>7,185</b>        | <b>–</b>        | <b>5,713</b>        | <b>–</b>        |
| <b>Less: provision for impairment</b>                      |                     |                 |                     |                 |
| Rates and annual charges                                   | (21)                | –               | (110)               | –               |
| Interest and extra charges                                 | (16)                | –               | (70)                | –               |
| User charges and fees                                      | (33)                | –               | (70)                | –               |
| <b>Total provision for impairment – receivables</b>        | <b>(70)</b>         | <b>–</b>        | <b>(250)</b>        | <b>–</b>        |
| <b><u>TOTAL NET RECEIVABLES</u></b>                        | <b><u>7,115</u></b> | <b><u>–</u></b> | <b><u>5,463</u></b> | <b><u>–</u></b> |
| <b>Externally restricted receivables</b>                   |                     |                 |                     |                 |
| <b>Water supply</b>  |                     |                 |                     |                 |
| – Rates and availability charges                           | 467                 | –               | 425                 | –               |
| – Other  | 2                   | –               | 42                  | –               |
| <b>Sewerage services</b>                                   |                     |                 |                     |                 |
| – Rates and availability charges                           | 240                 | –               | 234                 | –               |
| – Other  | –                   | –               | 2                   | –               |
| <b>Total external restrictions</b>                         | <b>709</b>          | <b>–</b>        | <b>703</b>          | <b>–</b>        |
| <b>Unrestricted receivables</b>                            | <b>6,406</b>        | <b>–</b>        | <b>4,760</b>        | <b>–</b>        |
| <b><u>TOTAL NET RECEIVABLES</u></b>                        | <b><u>7,115</u></b> | <b><u>–</u></b> | <b><u>5,463</u></b> | <b><u>–</u></b> |
| <b>Movement in provision for impairment of receivables</b> |                     |                 |                     |                 |
| Balance at the beginning of the year                       |                     |                 | 2018                | 2017            |
|  |                     |                 | 250                 | 289             |
| + new provisions recognised during the year                |                     |                 | 25                  | 150             |
| – amounts already provided for and written off this year   |                     |                 | (205)               | (189)           |
| <b>Balance at the end of the year</b>                      |                     |                 | <b>70</b>           | <b>250</b>      |

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

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##### **Accounting policy for receivables**

##### **Recognition and measurement**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

##### **Impairment**

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

## Narrabri Shire Council

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

## Note 8. Inventories and other assets

| \$ '000   | 2018         |             | 2017         |             |
|---|--------------|-------------|--------------|-------------|
|   | Current      | Non-current | Current      | Non-current |
| <b>(a) Inventories</b>                                    |              |             |              |             |
| <b>Inventories at cost</b>                                |              |             |              |             |
| Real estate for resale (refer below)                      | 1,675        | –           | 1,964        | –           |
| Stores and materials                                      | 381          | –           | 411          | –           |
| Trading stock   | 1,011        | –           | 1,012        | –           |
| <b>Total inventories at cost</b>                          | <b>3,067</b> | <b>–</b>    | <b>3,387</b> | <b>–</b>    |
| <b>TOTAL INVENTORIES</b>                                  | <b>3,067</b> | <b>–</b>    | <b>3,387</b> | <b>–</b>    |
| <b>(b) Other assets</b>                                   |              |             |              |             |
| Prepayments   | 372          | –           | 193          | –           |
| Work in progress  | –            | –           | 53           | –           |
| Assets held for sale                                      | 315          | –           | –            | –           |
| <b>TOTAL OTHER ASSETS</b>                                 | <b>687</b>   | <b>–</b>    | <b>246</b>   | <b>–</b>    |
| <b>Externally restricted assets</b>                       |              |             |              |             |
| There are no restrictions applicable to the above assets. |              |             |              |             |
| <b>Other disclosures</b>                                  |              |             |              |             |
| <b>(a) Details for real estate development</b>            |              |             |              |             |
| Residential   | 1,675        | –           | 1,964        | –           |
| <b>Total real estate for resale</b>                       | <b>1,675</b> | <b>–</b>    | <b>1,964</b> | <b>–</b>    |
| (Valued at the lower of cost and net realisable value)    |              |             |              |             |
| <b>Represented by:</b>                                    |              |             |              |             |
| Acquisition costs   | 1,675        | –           | 1,964        | –           |
| <b>Total costs</b>  | <b>1,675</b> | <b>–</b>    | <b>1,964</b> | <b>–</b>    |
| <b>Total real estate for resale</b>                       | <b>1,675</b> | <b>–</b>    | <b>1,964</b> | <b>–</b>    |
| <b>Movements:</b>   |              |             |              |             |
| Real estate assets at beginning of the year               | 1,964        | –           | 1,930        | –           |
| – Purchases and other costs                               | –            | –           | 34           | –           |
| – WDV of sales (expense)                                  | (289)        | –           | –            | –           |
| <b>Total real estate for resale</b>                       | <b>1,675</b> | <b>–</b>    | <b>1,964</b> | <b>–</b>    |

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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##### **Accounting policy**

##### **Raw materials and stores, work in progress and finished goods**

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

##### **Inventory held for distribution**

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

##### **Land held for resale/capitalisation of borrowing costs**

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

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

## Narrabri Shire Council

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

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

| Asset class   | as at 30/6/2017       |   |                     | Asset movements during the reporting period |                      |                             |                      |               |                           |   |  |  | as at 30/6/2018       |   |                     |
|---|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|---------------|---------------------------|---|--|--|-----------------------|---|---------------------|
|   | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals                          | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Tfrs from/(to) 'held for sale' category | Revaluation decrements to equity (ARR) | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
|   |                       |   |                     |   |                      |                             |                      |               |                           |   |  |  |                       |   |                     |
| Capital work in progress                                | 27,414                | –                                       | 27,414              | 1,600                                       | 1,823                | –                           | –                    | (22,297)      | (146)                     | –                                       | –                                      | –                                      | 8,394                 | –                                       | 8,394               |
| Plant and equipment                                     | 15,305                | 6,484                                   | 8,821               | 2,320                                       | –                    | (720)                       | (1,024)              | 27            | –                         | –                                       | –                                      | –                                      | 16,042                | 6,618                                   | 9,424               |
| Office equipment  | 1,339                 | 1,051                                   | 288                 | 157   | 277                  | –                           | (107)                | 43            | –                         | –                                       | –                                      | –                                      | 1,816                 | 1,158                                   | 658                 |
| Furniture and fittings                                  | 1,627                 | 1,055                                   | 572                 | 70  | –                    | (5)                         | (71)                 | –             | –                         | –                                       | –                                      | –                                      | 1,517                 | 951                                     | 566                 |
| <b>Land:</b>  |                       |   |                     |   |                      |                             |                      |               |                           |   |  |  |                       |   |                     |
| – Operational land                                      | 8,451                 | –                                       | 8,451               | –   | 150                  | (40)                        | –                    | –             | –                         | (145)                                   | –                                      | 1,575                                  | 9,991                 | –                                       | 9,991               |
| – Community land  | 3,068                 | –                                       | 3,068               | –   | –                    | –                           | –                    | –             | –                         | –                                       | –                                      | –                                      | 3,068                 | –                                       | 3,068               |
| Land improvements – depreciable                         | 5,365                 | 1,797                                   | 3,568               | 13  | 31                   | –                           | (88)                 | 66            | –                         | –                                       | –                                      | –                                      | 5,475                 | 1,885                                   | 3,590               |
| <b>Infrastructure:</b>                                  |                       |   |                     |   |                      |                             |                      |               |                           |   |  |  |                       |   |                     |
| – Buildings   | 36,527                | 15,135                                  | 21,392              | 537   | 59                   | (169)                       | (602)                | 640           | –                         | (170)                                   | –                                      | 4,512                                  | 41,331                | 15,132                                  | 26,199              |
| – Other structures                                      | 21,408                | 3,389                                   | 18,019              | 1,641                                       | 293                  | (19)                        | (653)                | 1,099         | –                         | –                                       | –                                      | –                                      | 24,399                | 4,019                                   | 20,380              |
| – Roads   | 233,549               | 91,029                                  | 142,520             | 234   | 164                  | (402)                       | (4,880)              | 14,210        | –                         | –                                       | –                                      | –                                      | 247,294               | 95,448                                  | 151,846             |
| – Bridges   | 25,763                | 10,131                                  | 15,632              | 4,695                                       | 711                  | (573)                       | (328)                | 2,961         | –                         | –                                       | –                                      | –                                      | 31,218                | 8,120                                   | 23,098              |
| – Footpaths   | 5,252                 | 1,845                                   | 3,407               | 222   | –                    | –                           | (75)                 | 25            | –                         | –                                       | –                                      | –                                      | 5,499                 | 1,920                                   | 3,579               |
| – Bulk earthworks (non-depreciable)                     | 91,740                | –                                       | 91,740              | –   | –                    | –                           | –                    | –             | –                         | –                                       | –                                      | –                                      | 91,740                | –                                       | 91,740              |
| – Stormwater drainage                                   | 9,678                 | 4,592                                   | 5,086               | –   | –                    | –                           | (123)                | –             | –                         | –                                       | –                                      | –                                      | 9,677                 | 4,714                                   | 4,963               |
| – Water supply network                                  | 59,632                | 36,134                                  | 23,498              | 1,224                                       | 736                  | (16)                        | (832)                | 3,198         | –                         | –                                       | –                                      | 476                                    | 64,964                | 36,680                                  | 28,284              |
| – Sewerage network                                      | 96,026                | 62,116                                  | 33,910              | 93  | –                    | –                           | (1,388)              | –             | –                         | –                                       | –                                      | 683                                    | 98,135                | 64,837                                  | 33,298              |
| – Swimming pools  | 11,494                | 3,358                                   | 8,136               | 3   | –                    | (1)                         | (202)                | 28            | –                         | –                                       | (409)                                  | –                                      | 10,732                | 3,177                                   | 7,555               |
| – Other open space/recreational assets                  | 2,578                 | 1,061                                   | 1,517               | –   | –                    | (13)                        | (85)                 | –             | –                         | –                                       | –                                      | –                                      | 2,550                 | 1,131                                   | 1,419               |
| <b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b> | <b>656,216</b>        | <b>239,177</b>                          | <b>417,039</b>      | <b>12,809</b>                               | <b>4,244</b>         | <b>(1,958)</b>              | <b>(10,458)</b>      | <b>–</b>      | <b>(146)</b>              | <b>(315)</b>                            | <b>(409)</b>                           | <b>7,246</b>                           | <b>673,842</b>        | <b>245,790</b>                          | <b>428,052</b>      |

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

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

|                                   |              |                                    |              |
|-----------------------------------|--------------|------------------------------------|--------------|
| <b>Plant and equipment</b>        | <b>Years</b> | <b>Other equipment</b>             | <b>Years</b> |
| Office equipment                  | 5 to 10      | Playground equipment               | 5 to 15      |
| Office furniture                  | 10 to 20     | Benches, seats etc.                | 10 to 20     |
| Computer equipment                | 3            |                                    |              |
| Vehicles                          | 5            | <b>Buildings</b>                   |              |
| Heavy plant/road making equipment | 10 to 20     | Buildings: masonry                 | 50 to 100    |
| Other plant and equipment         | 5 to 10      | Buildings: other                   | 20 to 40     |
| <b>Water and sewer assets</b>     |              | <b>Stormwater assets</b>           |              |
| Reservoirs                        | 100          | Pumps                              | 30           |
| Bores                             | 30           | Drainage                           | 60           |
| Reticulation pipes: PVC           | 80           | Reticulation Pipes                 | 80           |
| Reticulation pipes: other         | 50 to 100    |                                    |              |
| Pumps and telemetry               | 15           |                                    |              |
| <b>Transportation assets</b>      |              | <b>Other infrastructure assets</b> |              |
| Sealed roads: surface             | 18 to 25     | Parks & Recreation Structures      | 10           |
| Sealed roads: structure           | 90           | All Other Structures               | 10 to 50     |
| Natural Surface Roads             | Infinite     | Bulk Earthworks                    | Infinite     |
| Gravel Surface Roads              | 30           |                                    |              |
| Unsealed roads                    | 30           |                                    |              |
| Causeways                         | 100          |                                    |              |
| Bridge: concrete                  | 80 to 100    |                                    |              |
| Kerb, gutter and footpaths        | 20 to 90     |                                    |              |

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

##### **Land under roads**

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

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

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

##### **Crown reserves**

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

##### **Rural Fire Service assets**

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

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

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

| \$ '000<br>Class of asset         | 2018                  |                                  |                     | 2017                  |                                  |                     |
|-----------------------------------|-----------------------|----------------------------------|---------------------|-----------------------|----------------------------------|---------------------|
|                                   | Gross carrying amount | Accumulated depn. and impairment | Net carrying amount | Gross carrying amount | Accumulated depn. and impairment | Net carrying amount |
| <b>Water supply</b>               |                       |                                  |                     |                       |                                  |                     |
| WIP                               | 4,013                 | –                                | <b>4,013</b>        | 5,618                 | –                                | <b>5,618</b>        |
| Plant and equipment               | 244                   | 221                              | <b>23</b>           | 244                   | 211                              | <b>33</b>           |
| Office equipment                  | 5                     | 5                                | <b>–</b>            | 5                     | 5                                | <b>–</b>            |
| Land                              |                       |                                  |                     |                       |                                  |                     |
| – Operational land                | 260                   | –                                | <b>260</b>          | 245                   | –                                | <b>245</b>          |
| Buildings                         | 178                   | 94                               | <b>84</b>           | 177                   | 75                               | <b>102</b>          |
| Other structures                  | 92                    | 25                               | <b>67</b>           | 92                    | 21                               | <b>71</b>           |
| Infrastructure                    | 64,964                | 36,680                           | <b>28,284</b>       | 59,632                | 36,134                           | <b>23,498</b>       |
| <b>Total water supply</b>         | <b>69,756</b>         | <b>37,025</b>                    | <b>32,731</b>       | <b>66,013</b>         | <b>36,446</b>                    | <b>29,567</b>       |
| <b>Sewerage services</b>          |                       |                                  |                     |                       |                                  |                     |
| WIP                               | 569                   | –                                | <b>569</b>          | 318                   | –                                | <b>318</b>          |
| Plant and equipment               | 114                   | 106                              | <b>8</b>            | 111                   | 104                              | <b>7</b>            |
| Furniture and fittings            | 3                     | 3                                | <b>–</b>            | 3                     | 3                                | <b>–</b>            |
| Land                              |                       |                                  |                     |                       |                                  |                     |
| – Operational land                | 1,688                 | –                                | <b>1,688</b>        | 906                   | –                                | <b>906</b>          |
| Buildings                         | 419                   | 247                              | <b>172</b>          | 394                   | 142                              | <b>252</b>          |
| Other structures                  | 158                   | 68                               | <b>90</b>           | 158                   | 63                               | <b>95</b>           |
| Infrastructure                    | 98,135                | 64,837                           | <b>33,298</b>       | 96,026                | 62,116                           | <b>33,910</b>       |
| <b>Total sewerage services</b>    | <b>101,086</b>        | <b>65,261</b>                    | <b>35,825</b>       | <b>97,916</b>         | <b>62,428</b>                    | <b>35,488</b>       |
| <b>TOTAL RESTRICTED IPP&amp;E</b> | <b>170,842</b>        | <b>102,286</b>                   | <b>68,556</b>       | <b>163,929</b>        | <b>98,874</b>                    | <b>65,055</b>       |

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 10. Payables and borrowings

| \$ '000                                    | 2018         |              | 2017         |              |
|--|--------------|--------------|--------------|--------------|
|  | Current      | Non-current  | Current      | Non-current  |
| <b>Payables</b>                            |              |              |              |              |
| Goods and services – operating expenditure | 327          | –            | 326          | –            |
| Accrued expenses:                          |              |              |              |              |
| – Borrowings                               | 6            | –            | 13           | –            |
| – Salaries and wages                       | 410          | –            | 209          | –            |
| – Employee expense oncosts                 | 242          | 5            | 245          | 5            |
| – Other expenditure accruals               | 2,525        | –            | 2,837        | –            |
| Security bonds, deposits and retentions    | 129          | 176          | 89           | –            |
| Other                                      | 190          | –            | 88           | –            |
| <b>Total payables</b>                      | <b>3,829</b> | <b>181</b>   | <b>3,807</b> | <b>5</b>     |
| <b>Income received in advance</b>          |              |              |              |              |
| Payments received in advance               | 503          | –            | 564          | –            |
| <b>Total income received in advance</b>    | <b>503</b>   | <b>–</b>     | <b>564</b>   | <b>–</b>     |
| <b>Borrowings</b>                          |              |              |              |              |
| Loans – secured <sup>1</sup>               | 836          | 5,913        | 1,041        | 6,749        |
| Finance lease liabilities                  | –            | –            | 2            | –            |
| <b>Total borrowings</b>                    | <b>836</b>   | <b>5,913</b> | <b>1,043</b> | <b>6,749</b> |
| <b>TOTAL PAYABLES AND BORROWINGS</b>       | <b>5,168</b> | <b>6,094</b> | <b>5,414</b> | <b>6,754</b> |

## (a) Payables and borrowings relating to restricted assets

|  | 2018         |              | 2017         |              |
|--|--------------|--------------|--------------|--------------|
|  | Current      | Non-current  | Current      | Non-current  |
| <b>Externally restricted assets</b>                                  |              |              |              |              |
| Water  | 91           | –            | 857          | –            |
| Sewer  | 23           | –            | 187          | –            |
| Payables and borrowings relating to externally restricted assets     | 114          | –            | 1,044        | –            |
| <b>Total payables and borrowings relating to restricted assets</b>   | <b>114</b>   | <b>–</b>     | <b>1,044</b> | <b>–</b>     |
| <b>Total payables and borrowings relating to unrestricted assets</b> | <b>5,054</b> | <b>6,094</b> | <b>4,370</b> | <b>6,754</b> |
| <b>TOTAL PAYABLES AND BORROWINGS</b>                                 | <b>5,168</b> | <b>6,094</b> | <b>5,414</b> | <b>6,754</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 16.

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 10. Payables and borrowings (continued)

| \$ '000 | 2018 | 2017 |
|---------|------|------|
|---------|------|------|

**(b) Current payables and borrowings not anticipated to be settled within the next twelve months**

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

|  |           |           |
|--|-----------|-----------|
| Payables – security bonds, deposits and retentions | 21        | 27        |
|  | <b>21</b> | <b>27</b> |

**(c) Changes in liabilities arising from financing activities**

| Class of borrowings       | 2017                         |                | Non-cash changes |                    |                          | 2018                          |
|---------------------------|------------------------------|----------------|------------------|--------------------|--------------------------|-------------------------------|
|                           | Opening balance as at 1/7/17 | Cash flows     | Acquisition      | Fair value changes | Other non-cash movements | Closing balance as at 30/6/18 |
| Loans – secured           | 7,790                        | (1,041)        | –                | –                  | –                        | 6,749                         |
| Finance lease liabilities | 2                            | (2)            | –                | –                  | –                        | –                             |
| <b>TOTAL</b>              | <b>7,792</b>                 | <b>(1,043)</b> | <b>–</b>         | <b>–</b>           | <b>–</b>                 | <b>6,749</b>                  |

| \$ '000 | 2018 | 2017 |
|---------|------|------|
|---------|------|------|

**(d) Financing arrangements**

Unrestricted access was available at balance date to the following lines of credit:

|                                     |            |            |
|-------------------------------------|------------|------------|
| Credit cards/purchase cards         | 300        | 300        |
| <b>Total financing arrangements</b> | <b>300</b> | <b>300</b> |

Drawn facilities as at balance date:

|   |           |           |
|---|-----------|-----------|
| – Credit cards/purchase cards             | 19        | 18        |
| <b>Total drawn financing arrangements</b> | <b>19</b> | <b>18</b> |

Undrawn facilities as at balance date:

|   |            |            |
|---|------------|------------|
| – Credit cards/purchase cards               | 281        | 282        |
| <b>Total undrawn financing arrangements</b> | <b>281</b> | <b>282</b> |

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

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 10. Payables and borrowings (continued)

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##### **Accounting policy for payables and borrowings**

###### **Payables**

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

###### **Borrowings**

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

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

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

## Narrabri Shire Council

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

## Note 11. Provisions

| \$ '000                        | 2018                |                  | 2017                |                  |
|--------------------------------|---------------------|------------------|---------------------|------------------|
|                                | Current             | Non-current      | Current             | Non-current      |
| <b>Provisions</b>              |                     |                  |                     |                  |
| <b>Employee benefits:</b>      |                     |                  |                     |                  |
| Annual leave                   | 1,016               | –                | 947                 | –                |
| Sick leave                     | 296                 | –                | 280                 | –                |
| Long service leave             | 2,380               | 74               | 2,327               | 79               |
| Other leave (TIL, RDO)         | 102                 | –                | 78                  | –                |
| <b><u>TOTAL PROVISIONS</u></b> | <b><u>3,794</u></b> | <b><u>74</u></b> | <b><u>3,632</u></b> | <b><u>79</u></b> |

| \$ '000 | 2018 | 2017 |
|---------|------|------|
|---------|------|------|

**(a) Current provisions not anticipated to be settled within the next twelve months**

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

|                                 |                     |                     |
|---------------------------------|---------------------|---------------------|
| Provisions – employees benefits | <u>2,168</u>        | <u>2,394</u>        |
|                                 | <b><u>2,168</u></b> | <b><u>2,394</u></b> |

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Provisions (continued)

\$ '000

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

| 2018                                       | ELE provisions |            |                    |  | Other employee benefits | Total        |
|--|----------------|------------|--------------------|--|-------------------------|--------------|
|  | Annual leave   | Sick leave | Long service leave |  |                         |              |
| At beginning of year                       | 947            | 280        | 2,406              |  | 78                      | 3,711        |
| Additional provisions                      | 856            | 31         | 305                |  | 34                      | 1,226        |
| Amounts used (payments)                    | (809)          | (20)       | (296)              |  | (12)                    | (1,137)      |
| Remeasurement effects                      | 22             | 5          | 39                 |  | 2                       | 68           |
| <b>Total ELE provisions at end of year</b> | <b>1,016</b>   | <b>296</b> | <b>2,454</b>       |  | <b>102</b>              | <b>3,868</b> |

| 2017                                       | ELE provisions |            |                    |  | Other employee benefits | Total        |
|--|----------------|------------|--------------------|--|-------------------------|--------------|
|  | Annual leave   | Sick leave | Long service leave |  |                         |              |
| At beginning of year                       | 974            | 299        | 2,305              |  | 78                      | 3,656        |
| Additional provisions                      | 806            | (16)       | 385                |  | 12                      | 1,187        |
| Amounts used (payments)                    | (853)          | (7)        | (321)              |  | (14)                    | (1,195)      |
| Remeasurement effects                      | 20             | 4          | 37                 |  | 2                       | 63           |
| <b>Total ELE provisions at end of year</b> | <b>947</b>     | <b>280</b> | <b>2,406</b>       |  | <b>78</b>               | <b>3,711</b> |

**Accounting policy for provisions**

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

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

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.

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions (continued)

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##### Accounting policy for provisions (continued)

###### Employee benefits

###### Short-term obligations

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

###### Other long-term employee benefit obligations

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

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

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

###### Waste facility remediation provision

Council has a waste facility for which no remediation provision has been raised. At this time there is too much uncertainty surrounding the useful life of the asset to reliably measure any potential provision.

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

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

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

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

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000

##### (b) Correction of errors relating to a previous reporting period

###### Nature of prior-period error

Revaluation of water and sewer assets was undertaken in 2016/17. Council engaged a contractor to undertake this work and had a third party industry expert organisation review the methodology employed.

An error in the calculation of revised accumulated depreciation values resulting from fair value and remaining useful life assessments has since been identified. The revaluation data set only contained gross replacement rates and updated remaining useful lives. It did not contain accumulated depreciation or net carrying values.

Accumulated depreciation was understated and the written down value (or net depreciated value) overstated.

Council relied on its contractor to provide a professional outcome. However, deficiencies in staff revision of the resulting data was a contributing factor. Council's revision of contractor's output will be more heavily scrutinised in future.

The values concerned are \$9,964,000 (water supply network assets) and \$24,424,000 (sewerage network assets).

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2016) and taking the adjustment through the asset revaluation reserve at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

##### Adjustments to the comparative figures for the year ended 30 June 2017

|   | Original<br>Balance<br>30 June, 2017 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>30 June, 2017 |
|---|--------------------------------------|-----------------------------------|--------------------------------------|
| <b>Statement of Financial Position</b>        |                                      |                                   |                                      |
| Infrastructure, property, plant and equipment | 451,427                              | (34,388)                          | 417,039                              |
| <b>Total assets</b>                           | <b>516,876</b>                       | <b>(34,388)</b>                   | <b>482,488</b>                       |
| <b>Total liabilities</b>                      | <b>15,879</b>                        | <b>-</b>                          | <b>15,879</b>                        |
| Revaluation reserves                          | 282,093                              | (34,388)                          | 247,705                              |
| <b>Total equity</b>                           | <b>500,997</b>                       | <b>(34,388)</b>                   | <b>466,609</b>                       |

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

| \$ '000   | Notes | 2018          | 2017          |
|---|-------|---------------|---------------|
| <b>(a) Reconciliation of cash assets</b>  |       |               |               |
| Total cash and cash equivalent assets   | 6a    | 854           | 4,172         |
| <b>Balance as per the Statement of Cash Flows</b>   |       | <b>854</b>    | <b>4,172</b>  |
| <b>(b) Reconciliation of net operating result to cash provided from operating activities</b>  |       |               |               |
| <b>Net operating result from Income Statement</b>   |       | <b>7,426</b>  | <b>15,595</b> |
| <b>Adjust for non-cash items:</b>   |       |               |               |
| Depreciation and amortisation   |       | 10,458        | 9,874         |
| Net losses/(gains) on disposal of assets  |       | 1,344         | 667           |
| Amortisation of premiums, discounts and prior period fair valuations                          |       |               |               |
| – Interest exp. on interest-free loans received by Council (previously fair valued)           |       | 55            | 71            |
| Share of net (profits) or losses of associates/joint ventures                                 |       | (46)          | (9)           |
| <b>+/- Movement in operating assets and liabilities and other cash items:</b>                 |       |               |               |
| Decrease/(increase) in receivables  |       | (1,472)       | (1,546)       |
| Increase/(decrease) in provision for doubtful debts   |       | (180)         | (39)          |
| Decrease/(increase) in inventories  |       | 31            | 208           |
| Decrease/(increase) in other assets   |       | (441)         | (80)          |
| Increase/(decrease) in payables   |       | 1             | 55            |
| Increase/(decrease) in accrued interest payable   |       | (7)           | (7)           |
| Increase/(decrease) in other accrued expenses payable   |       | (111)         | 426           |
| Increase/(decrease) in other liabilities  |       | 254           | 155           |
| Increase/(decrease) in employee leave entitlements  |       | 157           | 55            |
| <b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b> |       | <b>17,469</b> | <b>25,425</b> |

## Narrabri Shire Council

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

#### Note 14. Interests in other entities

\$ '000

|              | Council's share of net income |          | Council's share of net assets |            |
|--------------|-------------------------------|----------|-------------------------------|------------|
|              | 2018                          | 2017     | 2018                          | 2017       |
| Associates   | 46                            | 9        | 227                           | 181        |
| <b>Total</b> | <b>46</b>                     | <b>9</b> | <b>227</b>                    | <b>181</b> |

#### Associates

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

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

| Name of entity                                      | Nature of relationship | 2018       | 2017       |
|---|------------------------|------------|------------|
| Central Northern Regional Libraries                 | Associate              | 227        | 181        |
| <b>Total carrying amounts – material associates</b> |                        | <b>227</b> | <b>181</b> |

##### (b) Details

| Name of entity                      | Principal activity      | Place of business |
|-------------------------------------|-------------------------|-------------------|
| Central Northern Regional Libraries | Public Library Services | Tamworth          |

##### (c) Relevant interests and fair values

| Name of entity                      | Interest in outputs |      | Interest in ownership |      | Proportion of voting power |      |
|-------------------------------------|---------------------|------|-----------------------|------|----------------------------|------|
|                                     | 2018                | 2017 | 2018                  | 2017 | 2018                       | 2017 |
| Central Northern Regional Libraries | 14%                 | 14%  | 14%                   | 14%  | 14%                        | 14%  |

##### (d) Summarised financial information for associates

|  | Central Northern Regional Libraries |              |
|--|-------------------------------------|--------------|
|  | 2018                                | 2017         |
| <b>Statement of financial position</b>       |                                     |              |
| <b>Current assets</b>                        |                                     |              |
| Cash and cash equivalents                    | 730                                 | 540          |
| <b>Non-current assets</b>                    | <b>856</b>                          | <b>724</b>   |
| <b>Net assets</b>                            | <b>1,586</b>                        | <b>1,264</b> |
| <b>Reconciliation of the carrying amount</b> |                                     |              |
| Opening net assets (1 July)                  | 1,264                               | 1,205        |
| Profit/(loss) for the period                 | 322                                 | 59           |
| <b>Closing net assets</b>                    | <b>1,586</b>                        | <b>1,264</b> |
| <b>Council's share of net assets (%)</b>     | <b>14.3%</b>                        | <b>14.3%</b> |
| <b>Council's share of net assets (\$)</b>    | <b>227</b>                          | <b>181</b>   |

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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##### **Accounting policy for associates**

Interests in associates are accounted for using the equity method in accordance with AASB128 Investments in *Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

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

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

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 15. Contingencies and other liabilities/assets not recognised

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

##### **LIABILITIES NOT RECOGNISED:**

##### **1. Guarantees**

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

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

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

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

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of any share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB119.

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

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

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

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

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

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

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 15. Contingencies and other liabilities/assets not recognised (continued)

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

##### 1. Guarantees (continued)

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

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$125,566.

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

Council's expected contributions to the Fund for the next annual reporting period is \$111,289.

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

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

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

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 15. Contingencies and other liabilities/assets not recognised (continued)

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

##### 1. Guarantees (continued)

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

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

|                    |                |
|--------------------|----------------|
| Investment return  | 6.0% per annum |
| Salary inflation * | 3.5% per annum |
| Increase in CPI    | 2.5% per annum |

\* Plus promotional increases

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

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

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

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 15. Contingencies and other liabilities/assets not recognised (continued)

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

##### **1. Guarantees (continued)**

##### **(iii) StateCover Limited (continued)**

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

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

##### **(iv) Other guarantees**

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

##### **2. Other liabilities**

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

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

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

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

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

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

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

##### **ASSETS NOT RECOGNISED:**

##### **(i) Land under roads**

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

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 15. Contingencies and other liabilities/assets not recognised (continued)

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##### **ASSETS NOT RECOGNISED** (continued):

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

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

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

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

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

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. Financial risk management

\$ '000

##### Risk management

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

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

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

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

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

|                                    | Carrying value |               | Fair value    |               |
|------------------------------------|----------------|---------------|---------------|---------------|
|                                    | 2018           | 2017          | 2018          | 2017          |
| <b>Financial assets</b>            |                |               |               |               |
| Cash and cash equivalents          | 854            | 4,172         | 854           | 4,172         |
| Investments                        |                |               |               |               |
| – 'Held to maturity'               | 56,000         | 52,000        | 56,000        | 52,000        |
| Receivables                        | 7,115          | 5,463         | 7,115         | 5,463         |
| <b>Total financial assets</b>      | <b>63,969</b>  | <b>61,635</b> | <b>63,969</b> | <b>61,635</b> |
| <b>Financial liabilities</b>       |                |               |               |               |
| Payables                           | 4,010          | 3,812         | 4,010         | 3,812         |
| Loans/advances                     | 6,749          | 7,790         | 6,749         | 7,790         |
| Lease liabilities                  | –              | 2             | –             | 2             |
| <b>Total financial liabilities</b> | <b>10,759</b>  | <b>11,604</b> | <b>10,759</b> | <b>11,604</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.

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. Financial risk management (continued)

\$ '000

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

Council's finance team manages the cash and Investments portfolio.

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

The risks associated with the investments held are:

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

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

#### (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>2018</b>  |                          |        |                          |        |
| Possible impact of a 1% movement in interest rates | 570                      | 570    | (560)                    | (560)  |
| <b>2017</b>  |                          |        |                          |        |
| Possible impact of a 1% movement in interest rates | 560                      | 560    | (560)                    | (560)  |

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. 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.

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

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

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

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

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

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

|   | 2018<br>Rates and<br>annual<br>charges | 2018<br>Other<br>receivables | 2017<br>Rates and<br>annual<br>charges | 2017<br>Other<br>receivables |
|---|--|------------------------------|--|------------------------------|
| <b>(i) Ageing of receivables – %</b>      |  |                              |  |                              |
| Current (not yet overdue)                 | 0%                                     | 99%                          | 0%                                     | 87%                          |
| Overdue                                   | 100%                                   | 1%                           | 100%                                   | 13%                          |
|   | <u>100%</u>                            | <u>100%</u>                  | <u>100%</u>                            | <u>100%</u>                  |
| <b>(ii) Ageing of receivables – value</b> |  |                              | 2018                                   | 2017                         |
| <b>Rates and annual charges</b>           |  |                              |  |                              |
| Overdue                                   |  |                              | 1,476                                  | 1,443                        |
|   |  |                              | <u>1,476</u>                           | <u>1,443</u>                 |
| <b>Other receivables</b>                  |  |                              |  |                              |
| Current                                   |  |                              | 5,650                                  | 3,716                        |
| 0 – 30 days overdue                       |  |                              | 25                                     | 554                          |
| 31 – 60 days overdue                      |  |                              | 8                                      | –                            |
| 61 – 90 days overdue                      |  |                              | 22                                     | –                            |
| > 91 days overdue                         |  |                              | 4                                      | –                            |
|   |  |                              | <u>5,709</u>                           | <u>4,270</u>                 |

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

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

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

| \$ '000                            | Weighted<br>average<br>interest rate | Subject<br>to no<br>maturity | payable in:  |              |            | Total<br>cash<br>outflows | Actual<br>carrying<br>values |
|------------------------------------|--------------------------------------|------------------------------|--------------|--------------|------------|---------------------------|------------------------------|
|                                    |                                      |                              | ≤ 1 Year     | 1 – 5 Years  | > 5 Years  |                           |                              |
| <b>2018</b>                        |                                      |                              |              |              |            |                           |                              |
| Trade/other payables               | 0.00%                                | 305                          | 3,705        | –            | –          | 4,010                     | 4,010                        |
| Loans and advances                 | 3.99%                                | –                            | 836          | 5,719        | 194        | 6,749                     | 6,749                        |
| <b>Total financial liabilities</b> |                                      | <b>305</b>                   | <b>4,541</b> | <b>5,719</b> | <b>194</b> | <b>10,759</b>             | <b>10,759</b>                |
| <b>2017</b>                        |                                      |                              |              |              |            |                           |                              |
| Trade/other payables               | 0.00%                                | 89                           | 3,723        | –            | –          | 3,812                     | 3,812                        |
| Loans and advances                 | 3.99%                                | –                            | 1,042        | 6,376        | 372        | 7,790                     | 7,790                        |
| Lease liabilities                  | 8.68%                                | –                            | 2            | –            | –          | 2                         | 2                            |
| <b>Total financial liabilities</b> |                                      | <b>89</b>                    | <b>4,767</b> | <b>6,376</b> | <b>372</b> | <b>11,604</b>             | <b>11,604</b>                |

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 27 June 2017 and is not required to be audited.

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

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

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

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

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

| \$ '000  | 2018<br>Budget | 2018<br>Actual | 2018<br>----- Variance* ----- |       |          |
|--|----------------|----------------|-------------------------------|-------|----------|
| <b>REVENUES</b>  |                |                |                               |       |          |
| <b>Rates and annual charges</b>  | <b>19,513</b>  | <b>19,298</b>  | <b>(215)</b>                  | (1%)  | <b>U</b> |
| <b>User charges and fees</b>   | <b>7,882</b>   | <b>15,777</b>  | <b>7,895</b>                  | 100%  | <b>F</b> |
| RMS charges (state roads not controlled by Council) (\$6,423) exceeded expectations. Council was able to utilise additional funding the RMS had available towards the end of the financial year. |                |                |                               |       |          |
| Narrabri landfill gate fees (\$273k) were better than expected.  |                |                |                               |       |          |
| Planning and regulatory fees income (\$137k) were higher than expected.  |                |                |                               |       |          |
| Narrabri airport income (\$124k) increased due to securing additional RPT services.  |                |                |                               |       |          |
| Water (\$762k) and Sewerage (\$89k) usage income were substantially higher due the dry conditions.   |                |                |                               |       |          |
| <b>Interest and investment revenue</b>   | <b>1,453</b>   | <b>1,553</b>   | <b>100</b>                    | 7%    | <b>F</b> |
| <b>Other revenues</b>  | <b>2,649</b>   | <b>2,173</b>   | <b>(476)</b>                  | (18%) | <b>U</b> |
| Crossing Theatre income (\$236k) was less than expected.   |                |                |                               |       |          |
| Sales of bulk water from Council's licence (\$37k) was less than budgeted.   |                |                |                               |       |          |
| External gravel sales (\$95k) were down from budget.   |                |                |                               |       |          |
| Sales - general (\$60k) across the organisation were down on budget.   |                |                |                               |       |          |
| <b>Operating grants and contributions</b>  | <b>11,535</b>  | <b>12,796</b>  | <b>1,261</b>                  | 11%   | <b>F</b> |
| Mainly due to the timing of the Commonwealth Government's payment of Financial Assistance Grant instalments.   |                |                |                               |       |          |

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 17. Material budget variations (continued)

| \$ '000   | 2018<br>Budget  | 2018<br>Actual  | 2018<br>Variance* |         |          |
|---|-----------------|-----------------|-------------------|---------|----------|
| <b>REVENUES (continued)</b>   |                 |                 |                   |         |          |
| <b>Capital grants and contributions</b>   | <b>9,858</b>    | <b>2,522</b>    | <b>(7,336)</b>    | (74%)   | <b>U</b> |
| Council has some long-term water and sewerage augmentation programs it is currently undertaking. The timing of the progression of these programs has a major impact on the grant income payments. |                 |                 |                   |         |          |
| <b>Joint ventures and associates - net profits</b>  | <b>–</b>        | <b>46</b>       | <b>46</b>         | 100%    | <b>F</b> |
| Council did not budget for the operating result of its share of the Central Northern Regional Libraries as it is immaterial.  |                 |                 |                   |         |          |
| <b>EXPENSES</b>   |                 |                 |                   |         |          |
| <b>Employee benefits and on-costs</b>   | <b>16,346</b>   | <b>16,016</b>   | <b>330</b>        | 2%      | <b>F</b> |
| <b>Borrowing costs</b>  | <b>339</b>      | <b>340</b>      | <b>(1)</b>        | (0%)    | <b>U</b> |
| <b>Materials and contracts</b>  | <b>10,777</b>   | <b>14,275</b>   | <b>(3,498)</b>    | (32%)   | <b>U</b> |
| Mainly due to additional expenditure on Council's RMS state roads contract. Refer to the notation for user charges and fees.  |                 |                 |                   |         |          |
| <b>Depreciation and amortisation</b>  | <b>10,018</b>   | <b>10,458</b>   | <b>(440)</b>      | (4%)    | <b>U</b> |
| <b>Other expenses</b>   | <b>4,196</b>    | <b>4,306</b>    | <b>(110)</b>      | (3%)    | <b>U</b> |
| <b>Net losses from disposal of assets</b>   | <b>–</b>        | <b>1,344</b>    | <b>(1,344)</b>    | (100%)  | <b>U</b> |
| Council did not budget for profit/loss on disposal of plant and infrastructure assets as they are generally expected to be immaterial.  |                 |                 |                   |         |          |
| <b>Budget variations relating to Council's Cash Flow Statement include:</b>   |                 |                 |                   |         |          |
| <b>Cash flows from operating activities</b>   | <b>21,750</b>   | <b>17,469</b>   | <b>(4,281)</b>    | (19.7%) | <b>U</b> |
| This variation flows through from the variations noted in the Income Statement already listed.  |                 |                 |                   |         |          |
| <b>Cash flows from investing activities</b>   | <b>(20,840)</b> | <b>(19,689)</b> | <b>1,151</b>      | (5.5%)  | <b>F</b> |
| <b>Cash flows from financing activities</b>   | <b>(1,044)</b>  | <b>(1,098)</b>  | <b>(54)</b>       | 5.2%    | <b>U</b> |

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

| 2018   | Date<br>of latest<br>valuation | Fair value measurement hierarchy              |  |  | Total          |
|--|--------------------------------|---|--|--|----------------|
|  |                                | Level 1<br>Quoted<br>prices in<br>active mkts | Level 2<br>Significant<br>observable<br>inputs | Level 3<br>Significant<br>unobservable<br>inputs |                |
| <b>Recurring fair value measurements</b>                   |                                |   |  |  |                |
| <b>Infrastructure, property, plant and equipment</b>       |                                |   |  |  |                |
| Plant & Equipment  | 30/06/18                       | –   | –  | 9,424  | 9,424          |
| Office Equipment   | 30/06/18                       | –   | –  | 658  | 658            |
| Furniture & Fittings                                       | 30/06/18                       | –   | –  | 566  | 566            |
| Operational Land   | 30/06/18                       | –   | –  | 9,991  | 9,991          |
| Community Land   | 30/06/18                       | –   | –  | 3,068  | 3,068          |
| Land Improvements  | 30/06/18                       | –   | –  | 3,590  | 3,590          |
| Buildings  | 30/06/18                       | –   | –  | 26,199   | 26,199         |
| Other Structures   | 30/06/18                       | –   | –  | 20,380   | 20,380         |
| Roads  | 30/06/18                       | –   | –  | 151,846  | 151,846        |
| Bridges  | 30/06/18                       | –   | –  | 23,098   | 23,098         |
| Footpaths  | 30/06/18                       | –   | –  | 3,579  | 3,579          |
| Bulk Earthworks  | 30/06/18                       | –   | –  | 91,740   | 91,740         |
| Stormwater Drainage  | 30/06/18                       | –   | –  | 4,963  | 4,963          |
| Water Supply Network                                       | 30/06/18                       | –   | –  | 28,284   | 28,284         |
| Sewerage Network   | 30/06/18                       | –   | –  | 33,298   | 33,298         |
| Swimming Pools   | 30/06/18                       | –   | –  | 7,555  | 7,555          |
| Other Open Space / Recreational Assets                     | 30/06/18                       | –   | –  | 1,419  | 1,419          |
| <b>Total infrastructure, property, plant and equipment</b> |                                | <b>–</b>                                      | <b>–</b>                                       | <b>419,658</b>                                   | <b>419,658</b> |

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. Fair value measurement (continued)

\$ '000

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

| 2017   | Date<br>of latest<br>valuation | Fair value measurement hierarchy              |  |  | Total          |
|--|--------------------------------|---|--|--|----------------|
|  |                                | Level 1<br>Quoted<br>prices in<br>active mkts | Level 2<br>Significant<br>observable<br>inputs | Level 3<br>Significant<br>unobservable<br>inputs |                |
| <b>Recurring fair value measurements</b>                   |                                |   |  |  |                |
| <b>Infrastructure, property, plant and equipment</b>       |                                |   |  |  |                |
| Plant & Equipment  | 30/06/17                       | —   | —  | 8,821  | 8,821          |
| Office Equipment   | 30/06/17                       | —   | —  | 288  | 288            |
| Furniture & Fittings                                       | 30/06/17                       | —   | —  | 572  | 572            |
| Operational Land   | 30/06/17                       | —   | —  | 8,451  | 8,451          |
| Community Land   | 30/06/17                       | —   | —  | 3,068  | 3,068          |
| Land Improvements  | 30/06/17                       | —   | —  | 3,568  | 3,568          |
| Buildings  | 30/06/17                       | —   | —  | 21,392   | 21,392         |
| Other Structures   | 30/06/17                       | —   | —  | 18,019   | 18,019         |
| Roads  | 30/06/17                       | —   | —  | 142,520  | 142,520        |
| Bridges  | 30/06/17                       | —   | —  | 15,632   | 15,632         |
| Footpaths  | 30/06/17                       | —   | —  | 3,407  | 3,407          |
| Bulk Earthworks  | 30/06/17                       | —   | —  | 91,740   | 91,740         |
| Stormwater Drainage  | 30/06/17                       | —   | —  | 5,086  | 5,086          |
| Water Supply Network                                       | 30/06/17                       | —   | —  | 23,498   | 23,498         |
| Sewerage Network   | 30/06/17                       | —   | —  | 33,910   | 33,910         |
| Swimming Pools   | 30/06/17                       | —   | —  | 8,136  | 8,136          |
| Other Open Space / Recreational Assets                     | 30/06/17                       | —   | —  | 1,517  | 1,517          |
| <b>Total infrastructure, property, plant and equipment</b> |                                | <b>—</b>                                      | <b>—</b>                                       | <b>389,625</b>                                   | <b>389,625</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.

## Narrabri Shire Council

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

#### Note 18. Fair value measurement (continued)

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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 (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:

##### Infrastructure, property, plant and equipment

##### Plant & Equipment, Office Equipment and Furniture & 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 due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

There has been no change to the valuation process during the reporting period.

##### Operational & Community Land

Operational & Community Land are based on either the Land Value provided by the Valuer General or an average unit rate based on the Land Value for similar properties where the Valuer General did not provide a Land Value having regard to the highest and best use for the land. Operational Land is based on the Valuer General's land value as these are representative of the actual market values in the Narrabri Shire LGA. As these rates were not considered to be observable market evidence they have been classified a Level 3.

There has been no change to the valuation process during the reporting period.

##### Buildings

Buildings are valued internally using the Rawlinson's Construction Guide in June 2013 using the cost approach. 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 from Rawlinson's Construction Guide 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.

While the costs were current and the impact of depreciation negligible, the building has been classified as Level 3 as they are immaterial in relation to the overall value of the asset type.

There has been no change to the valuation process during the reporting period.

##### Other Structures

Other Structures comprise of Aerodrome runway, lighting, irrigation systems, fencing 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.

There has been no change to the valuation process during the reporting period.

## Narrabri Shire Council

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

#### Note 18. Fair value measurement (continued)

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##### **Roads**

Roads comprise road carriageway, roadside shoulders & kerb & gutter. Valuations for this asset class were undertaken as a part of Council's asset revaluation program for 2013/14. Refer to 4d for revaluation methodology. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

##### **Bridges**

Bridges were valued as a part of Council's asset revaluation program for 2013/14. Refer to 4d for revaluation methodology. While all bridges were physically inspected and unit rates based on square metres were used there was no reliable market evidence (Level 2) as other inputs (such as estimates of residual value and pattern of consumption) require extensive professional judgement that impacts significantly on the final determination of fair value.

There has been no change to the valuation process during the reporting period.

##### **Footpaths**

Footpaths were valued as a part of Council's asset revaluation program for 2013/14. Refer to 4d for revaluation methodology. Footpaths are inspected annually and condition assessed.

There has been no change to the valuation process during the reporting period.

##### **Drainage Infrastructure**

Assets within this class comprise pits and pipes.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit 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. Additionally, due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

There has been no change to the valuation process during the reporting period.

##### **Water Supply Network**

Assets within this class comprise reservoirs, pumping stations and water pipelines.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates 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. Additionally, due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

There has been no change to the valuation process during the reporting period.

## Narrabri Shire Council

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

#### Note 18. Fair value measurement (continued)

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##### **Sewerage Network**

Assets within this class comprise treatment works, pumping stations and sewerage mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates 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. Additionally, due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

There has been no change to the valuation process during the reporting period.

##### **Swimming Pools**

Assets within this class comprise Council's Aquatic Centre and other outdoor swimming pools.

Swimming pools were valued in-house by experienced staff using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) 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.

There has been no change to the valuation process during the reporting period.

##### **Other Open Space / Recreational Assets**

Assets within this class comprise playground equipment, BBQs, outdoor fitness facilities, 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.

There has been no change to the valuation process during the reporting period.

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## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. Fair value measurement (continued)

\$ '000

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

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

|                                       | P&E, Office<br>Equip &<br>Furniture | Land &<br>Improves | Buildings<br>& Other<br>Structures | Transport<br>Assets | Stormwater<br>Drainage | Water<br>Supply<br>Network | Sewerage<br>Network | Pools, Other<br>Open Space<br>Rec Assets | Total          |
|---------------------------------------|-------------------------------------|--------------------|------------------------------------|---------------------|------------------------|----------------------------|---------------------|--|----------------|
| <b>Opening balance – 1/7/16</b>       | 10,246                              | 15,167             | 35,572                             | 254,103             | 5,209                  | 21,828                     | 35,143              | 9,920                                    | 387,188        |
| Purchases (GBV)                       | 1,422                               | 6                  | 12,005                             | 4,424               | –                      | 2,283                      | 1,683               | 27                                       | 21,850         |
| Disposals (WDV)                       | (796)                               | –                  | (221)                              | (386)               | –                      | –                          | –                   | –  | (1,403)        |
| Depreciation and impairment           | (1,191)                             | (86)               | (1,170)                            | (4,842)             | (123)                  | (783)                      | (1,385)             | (294)                                    | (9,874)        |
| FV gains – other comprehensive income | –                                   | –                  | (6,775)                            | –                   | –                      | 170                        | (1,531)             | –  | (8,136)        |
| <b>Closing balance – 30/6/17</b>      | <b>9,681</b>                        | <b>15,087</b>      | <b>39,411</b>                      | <b>253,299</b>      | <b>5,086</b>           | <b>23,498</b>              | <b>33,910</b>       | <b>9,653</b>                             | <b>389,625</b> |
| Purchases (GBV)                       | 2,894                               | 260                | 4,269                              | 23,222              | –                      | 5,158                      | 93                  | 31                                       | 35,927         |
| Disposals (WDV)                       | (725)                               | (40)               | (188)                              | (975)               | –                      | (16)                       | –                   | (14)                                     | (1,958)        |
| Depreciation and impairment           | (1,202)                             | (88)               | (1,255)                            | (5,283)             | (123)                  | (832)                      | (1,388)             | (287)                                    | (10,458)       |
| FV gains – other comprehensive income | –                                   | 1,575              | 4,512                              | –                   | –                      | 476                        | 683                 | (409)                                    | 6,837          |
| Transfers to Held for Sale            | –                                   | (145)              | (170)                              | –                   | –                      | –                          | –                   | –  | (315)          |
| <b>Closing balance – 30/6/18</b>      | <b>10,648</b>                       | <b>16,649</b>      | <b>46,579</b>                      | <b>270,263</b>      | <b>4,963</b>           | <b>28,284</b>              | <b>33,298</b>       | <b>8,974</b>                             | <b>419,658</b> |

## Narrabri Shire Council

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

#### Note 18. Fair value measurement (continued)

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

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

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

##### IPP&E

| Class                | Fair value<br>(30/7/18)<br>\$'000 | Valuation technique/s                                     | Unobservable inputs  |
|----------------------|-----------------------------------|---|--|
| Plant & Equipment    | 9,424                             | Cost used to approximate fair value                       | <ul style="list-style-type: none"> <li>• Depreciated Historical Cost</li> <li>• Remaining Useful Life</li> <li>• Residual Value</li> </ul>                       |
| Office Equipment     | 658                               | Cost used to approximate fair value                       | <ul style="list-style-type: none"> <li>• Depreciated Historical Cost</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>                       |
| Furniture / Fittings | 566                               | Cost used to approximate fair value                       | <ul style="list-style-type: none"> <li>• Depreciated Historical Cost</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>                       |
| Operational Land     | 9,991                             | Land values for similar land averaged m <sup>2</sup> rate | <ul style="list-style-type: none"> <li>• Land Value (price per m<sup>2</sup>)</li> </ul>   |
| Community Land       | 3,068                             | Land values obtained from NSW Valuer-General              | <ul style="list-style-type: none"> <li>• Land Value (price per m<sup>2</sup>)</li> </ul>   |
| Land Improvements    | 3,590                             | Cost used to approximate fair value                       | <ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> <li>• Residual Value</li> </ul> |
| Buildings            | 26,199                            | Cost used to approximate fair value                       | <ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> <li>• Residual Value</li> </ul> |
| Other Structures     | 20,380                            | Cost used to approximate fair value                       | <ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> <li>• Residual Value</li> </ul> |

## Narrabri Shire Council

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

## Note 18. Fair value measurement (continued)

| <b>Class</b>                           | <b>Fair value</b><br>(30/7/18)<br>\$'000 | <b>Valuation technique/s</b>            | <b>Unobservable inputs</b>   |
|--|--|---|--|
| Roads                                  | 151,846                                  | Unit rates per m <sup>2</sup> or length | <ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> <li>• Residual Value</li> </ul> |
| Bridges                                | 23,098                                   | Unit rates per m <sup>2</sup> or length | <ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>                           |
| Footpaths                              | 3,579                                    | Unit rates per m <sup>2</sup> or length | <ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>                           |
| Bulk Earthworks                        | 91,740                                   | Cost used to approximate fair value     | <ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> <li>• Residual Value</li> </ul> |
| Stormwater Drainage                    | 4,963                                    | Cost used to approximate fair value     | <ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>                           |
| Water Supply Network                   | 28,284                                   | Cost used to approximate fair value     | <ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>                           |
| Sewerage Network                       | 33,298                                   | Cost used to approximate fair value     | <ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>                           |
| Swimming Pools                         | 7,555                                    | Cost used to approximate fair value     | <ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> <li>• Residual Value</li> </ul> |
| Other Open Space / Recreational Assets | 1,419                                    | Cost used to approximate fair value     | <ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> <li>• Residual Value</li> </ul> |

## Narrabri Shire Council

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

#### Note 18. Fair value measurement (continued)

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

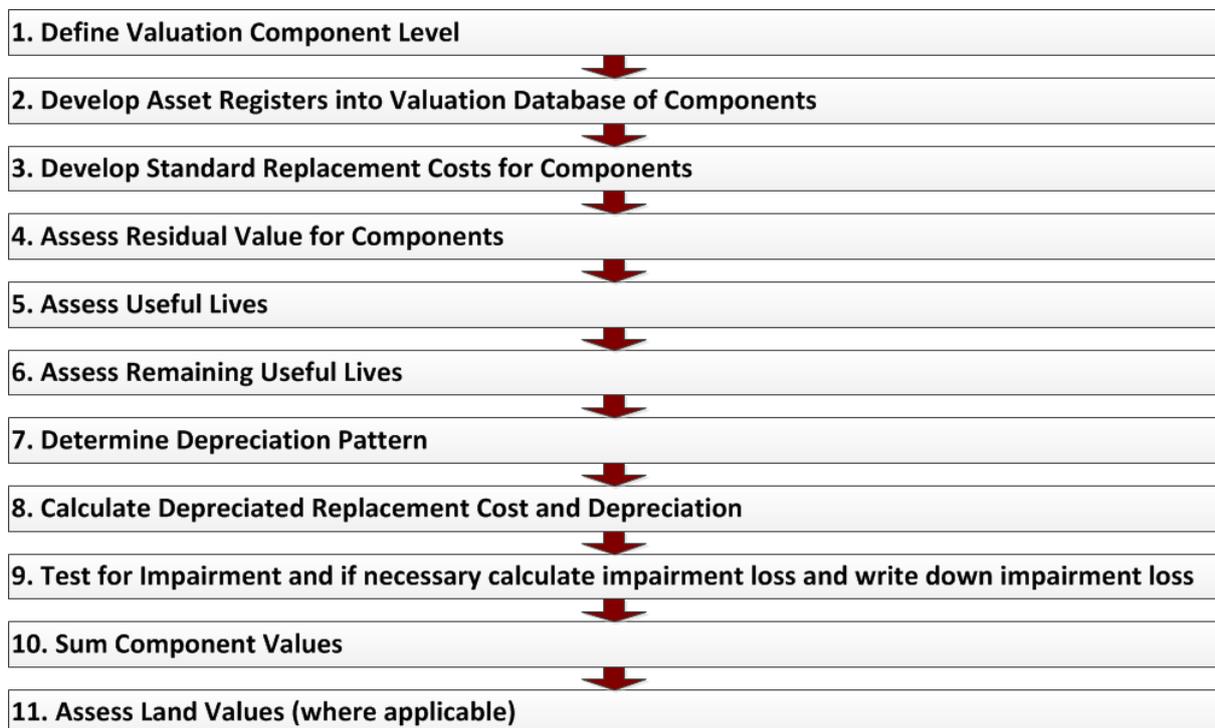
Council, with the assistance and support of Jeff Roorda and Associates (JRA) and Acqua (LMB), has undertaken a revaluation of its infrastructure assets, effective from 30/6/14, in accordance with AASB116 and the Australian Infrastructure Financial Management Guidelines (AIFMG).

The carrying values of the opening balances of infrastructure assets were not determined in accordance with paragraph 35 of the Local Government Code of Accounting Practice and Financial Reporting (pages A-97 and 98) as a complete and comprehensive physical inspection of infrastructure assets had not been conducted.

Infrastructure assets are not usually traded in a market as such their fair value is determined by a level 3 hierarchy that being the Depreciated Replacement Cost (DRC). This is the cost of replacing the gross future economic benefits (service potential) of the existing asset and deducting the economic benefits that have been consumed. The approach to valuation is in accordance and guidance of the relevant Australian Accounting Standards and the NSW Local Government Code of Accounting Practice & Financial Reporting (Guidelines).

The figure on the next page shows the process used to determine the Depreciated Replacement Cost for each asset class revalued.

**Figure 1 – DRC Revaluation Process**



This process was undertaken for all major infrastructure (excluding Buildings and Parks) and included the following asset types:

- Pavement - Sealed Roads
- Pavement – Unsealed Roads
- Sealed Roads - Surface
- All Bridges and Major Culverts
- Footpaths

## Narrabri Shire Council

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

#### Note 18. Fair value measurement (continued)

- Kerb and Gutter
- Stormwater Drainage
- Water Mains
- Sewer Mains
- Water Meters
- Sewer Treatment Plants
- Sewer Pump Stations
- Water Reservoirs
- Water Pump Stations and Bores

The revaluation updated the rates and useful lives using evidence based recommendations. Council staff with the assistance of JRA and LMB have conducted asset sampling of selected assets and made recommendations for the change to useful lives. Where possible unit rates have been updated with reasonable evidence based rates.

The revaluation basis was performed in accordance with AASB116 and AIFMG. The revaluation has been recorded at the depreciated replacement cost (DRC) and included a full set of financial calculations including:

- Current Replacement Cost = Unit Cost x Asset Dimension
- Depreciable Amount = Current Replacement Cost – Residual Value
- Accumulated Depreciation = Age x Annual Depreciation
- Written Down Value = Current Replacement Cost – Accumulated Depreciation
- Annual Depreciation = Depreciable Amount / Useful Life

Whilst buildings were not formally revalued an annual review of useful lives was undertaken. Parks was not included in the revaluation as there was insufficient information in the technical register. The exclusion of Parks Infrastructure from the revaluation is considered immaterial as its current replacement costs represents only a small proportion of Councils total asset value.

Since then, Council has been revaluing its infrastructure assets in line with the Office of Local Government's (OLG) revaluation schedule as per the table below.

| Asset Class  | Completed / Due |
|--|-----------------|
| Community land, all other asset classes, other structures, land improvements | 30 June 2016    |
| Water and sewer  | 30 June 2017    |
| Property, plant and equipment, operational land, buildings                   | 30 June 2018    |
| Land Under Roads (LUR), if applicable  | 30 June 2019    |
| Roads, bridges, footpaths, drainage, bulk earth works, other road assets     | 30 June 2020    |

The OLG has stated that councils should undertake the revaluation of assets every five years (unless there have been material changes to the valuations beforehand).

Assets other than water and sewerage network assets do not need to be indexed where the carrying amount materially represents fair value. Water and sewerage network assets are to be annually indexed in accordance with the Rates Reference Manual issued by DPI Water.

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

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

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Related party transactions

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\$ '000

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##### a. Key management personnel

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

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

| <b>Compensation:</b>     | <b>2018</b>  | <b>2017</b>  |
|--------------------------|--------------|--------------|
| Short-term benefits      | 877          | 933          |
| Post-employment benefits | 71           | 58           |
| Other long-term benefits | 301          | 255          |
| <b>Total</b>             | <b>1,249</b> | <b>1,246</b> |

##### b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

| PURPOSE  | Opening balance | Contributions received during the year |          | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|--|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
|  |                 | Cash                                   | Non-cash |                         |                         |                              |                          |  |
| Roads  | 130             | –                                      | –        | 3                       | (126)                   | –                            | 7                        | –  |
| Parking  | 18              | –                                      | –        | –                       | –                       | –                            | 18                       | –  |
| Open space                                       | 30              | –                                      | –        | 1                       | –                       | –                            | 31                       | –  |
| Community facilities                             | 23              | –                                      | –        | –                       | –                       | –                            | 23                       | –  |
| Bushfire   | 18              | –                                      | –        | 1                       | –                       | –                            | 19                       | –  |
| Other  | 40              | –                                      | –        | 1                       | –                       | –                            | 41                       | –  |
| <b>S7.11 contributions – under a plan</b>        | <b>259</b>      | <b>–</b>                               | <b>–</b> | <b>6</b>                | <b>(126)</b>            | <b>–</b>                     | <b>139</b>               | <b>–</b>                                     |
| <b>S7.12 levies – under a plan</b>               | <b>1,597</b>    | <b>103</b>                             | <b>–</b> | <b>42</b>               | <b>(600)</b>            | <b>–</b>                     | <b>1,142</b>             | <b>–</b>                                     |
| <b>Total S7.11 and S7.12 revenue under plans</b> | <b>1,856</b>    | <b>103</b>                             | <b>–</b> | <b>48</b>               | <b>(726)</b>            | <b>–</b>                     | <b>1,281</b>             | <b>–</b>                                     |
| S7.4 planning agreements                         | 10,896          | 1,000                                  | –        | 299                     | (1,385)                 | –                            | 10,810                   | –  |
| <b>Total contributions</b>                       | <b>12,752</b>   | <b>1,103</b>                           | <b>–</b> | <b>347</b>              | <b>(2,111)</b>          | <b>–</b>                     | <b>12,091</b>            | <b>–</b>                                     |

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Statement of developer contributions (continued)

\$ '000

## S7.11 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 |                         |                         |                              |                          |  |
| Roads                | 130             | –                                      | –        | 3                       | (126)                   | –                            | 7                        | –  |
| Parking              | 18              | –                                      | –        | –                       | –                       | –                            | 18                       | –  |
| Open space           | 30              | –                                      | –        | 1                       | –                       | –                            | 31                       | –  |
| Community facilities | 23              | –                                      | –        | –                       | –                       | –                            | 23                       | –  |
| Bushfire             | 18              | –                                      | –        | 1                       | –                       | –                            | 19                       | –  |
| Other                | 40              | –                                      | –        | 1                       | –                       | –                            | 41                       | –  |
| <b>Total</b>         | <b>259</b>      | <b>–</b>                               | <b>–</b> | <b>6</b>                | <b>(126)</b>            | <b>–</b>                     | <b>139</b>               | <b>–</b>                                     |

## S7.12 LEVIES – UNDER A PLAN

## CONTRIBUTION PLAN NUMBER 2013

| PURPOSE      | Opening balance | Contributions received during the year |          | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|--------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
|              |                 | Cash                                   | Non-cash |                         |                         |                              |                          |  |
| Other        | 1,597           | 103                                    | –        | 42                      | (600)                   | –                            | 1,142                    | –  |
| <b>Total</b> | <b>1,597</b>    | <b>103</b>                             | <b>–</b> | <b>42</b>               | <b>(600)</b>            | <b>–</b>                     | <b>1,142</b>             | <b>–</b>                                     |

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

| Income Statement by fund   |                  |                |                            |
|--|------------------|----------------|----------------------------|
| \$ '000  | 2018             | 2018           | 2018                       |
| <b>Continuing operations</b>   | <b>Water</b>     | <b>Sewer</b>   | <b>General<sup>1</sup></b> |
| <b>Income from continuing operations</b>   |                  |                |                            |
| Rates and annual charges   | 1,765            | 2,720          | 14,813                     |
| User charges and fees  | 2,900            | 640            | 12,237                     |
| Interest and investment revenue  | 438              | 266            | 849                        |
| Other revenues   | 1                | 1              | 2,171                      |
| Grants and contributions provided for operating purposes   | 33               | 28             | 12,735                     |
| Grants and contributions provided for capital purposes   | 968              | 122            | 1,432                      |
| <b>Other income</b>  |                  |                |                            |
| Share of interests in joint ventures and associates using the equity method                                | –                | –              | 46                         |
| <b>Total income from continuing operations</b>   | <b>6,105</b>     | <b>3,777</b>   | <b>44,283</b>              |
| <b>Expenses from continuing operations</b>   |                  |                |                            |
| Employee benefits and on-costs   | 587              | 327            | 15,102                     |
| Borrowing costs  | –                | 5              | 335                        |
| Materials and contracts  | 1,786            | 1,214          | 11,275                     |
| Depreciation and amortisation  | 849              | 1,400          | 8,209                      |
| Other expenses   | 1                | 110            | 4,195                      |
| Net losses from the disposal of assets   | 16               | –              | 1,328                      |
| <b>Total expenses from continuing operations</b>   | <b>3,239</b>     | <b>3,056</b>   | <b>40,444</b>              |
| <b>Operating result from continuing operations</b>   | <b>2,866</b>     | <b>721</b>     | <b>3,839</b>               |
| <br><b>Net operating result attributable to each council fund</b>  | <br><b>2,866</b> | <br><b>721</b> | <br><b>3,839</b>           |
| <br><b>Net operating result for the year before grants and contributions provided for capital purposes</b> | <br><b>1,898</b> | <br><b>599</b> | <br><b>2,407</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.

## Narrabri Shire Council

## Notes to the Financial Statements

as at 30 June 2018

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

| Statement of Financial Position by fund           |               |               |                            |
|---|---------------|---------------|----------------------------|
| \$ '000   | 2018          | 2018          | 2018                       |
| <b>ASSETS</b>                                     | <b>Water</b>  | <b>Sewer</b>  | <b>General<sup>1</sup></b> |
| <b>Current assets</b>                             |               |               |                            |
| Cash and cash equivalents                         | 143           | 109           | 602                        |
| Investments                                       | 12,400        | 9,400         | 34,200                     |
| Receivables                                       | 469           | 240           | 6,406                      |
| Inventories                                       | –             | –             | 3,067                      |
| Other   | –             | –             | 687                        |
| <b>Total current assets</b>                       | <b>13,012</b> | <b>9,749</b>  | <b>44,962</b>              |
| <b>Non-current assets</b>                         |               |               |                            |
| Infrastructure, property, plant and equipment     | 32,731        | 35,825        | 359,496                    |
| Investments accounted for using the equity method | –             | –             | 227                        |
| <b>Total non-current assets</b>                   | <b>32,731</b> | <b>35,825</b> | <b>359,723</b>             |
| <b>TOTAL ASSETS</b>                               | <b>45,743</b> | <b>45,574</b> | <b>404,685</b>             |
| <b>LIABILITIES</b>                                |               |               |                            |
| <b>Current liabilities</b>                        |               |               |                            |
| Payables  | 91            | 23            | 3,715                      |
| Income received in advance                        | –             | –             | 503                        |
| Borrowings  | –             | –             | 836                        |
| Provisions  | –             | –             | 3,794                      |
| <b>Total current liabilities</b>                  | <b>91</b>     | <b>23</b>     | <b>8,848</b>               |
| <b>Non-current liabilities</b>                    |               |               |                            |
| Payables  | –             | –             | 181                        |
| Borrowings  | –             | –             | 5,913                      |
| Provisions  | –             | –             | 74                         |
| <b>Total non-current liabilities</b>              | <b>–</b>      | <b>–</b>      | <b>6,168</b>               |
| <b>TOTAL LIABILITIES</b>                          | <b>91</b>     | <b>23</b>     | <b>15,016</b>              |
| <b>Net assets</b>                                 | <b>45,652</b> | <b>45,551</b> | <b>389,669</b>             |
| <b>EQUITY</b>                                     |               |               |                            |
| Accumulated surplus                               | 25,293        | 13,246        | 187,791                    |
| Revaluation reserves                              | 20,359        | 32,305        | 201,878                    |
| <b>Total equity</b>                               | <b>45,652</b> | <b>45,551</b> | <b>389,669</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.

## Narrabri Shire Council

## Notes to the Financial Statements

as at 30 June 2018

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

\$ '000

## Details of individual internal loans for the year ended 30 June 2018

(in accordance with s410(3) of the *Local Government Act 1993*)

| <b>Details of individual internal loans</b>       | <b>Council ID / Ref</b> | <b>Council ID / Ref</b> |
|---|-------------------------|-------------------------|
| Borrower (by purpose)                             | Gwabegar Water          | Pilliga Water           |
| Lender (by purpose)                               | Other water schemes     | Other water schemes     |
| Date raised                                       | 01/07/10                | 01/07/10                |
| Term (years)                                      | 10                      | 10                      |
| Dates of maturity                                 | 30/06/20                | 30/06/20                |
| Rate of interest                                  | 6.94%                   | 6.94%                   |
| Amount originally raised                          | 140                     | 75                      |
| Total repaid during year (principal and interest) | 20                      | 10                      |
| <b>Principal outstanding at end of year</b>       | <b>36</b>               | <b>19</b>               |

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22(a). Statement of performance measures – consolidated results

| \$ '000  | Amounts<br>2018 | Indicator<br>2018 | Prior periods |           | Benchmark              |
|--|-----------------|-------------------|---------------|-----------|------------------------|
|  |                 |                   | 2017          | 2016      |                        |
| <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>6,202</u>    | <b>12.02%</b>     | 18.15%        | 10.40%    | > 0.00%                |
| Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions                         | <u>51,597</u>   |                   |               |           |                        |
| <b>2. Own source operating revenue ratio</b>   |                 |                   |               |           |                        |
| Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions                             | <u>38,801</u>   | <b>71.70%</b>     | 58.82%        | 57.52%    | > 60.00%               |
| Total continuing operating revenue <sup>(1)</sup>  | <u>54,119</u>   |                   |               |           |                        |
| <b>3. Unrestricted current ratio</b>   |                 |                   |               |           |                        |
| Current assets less all external restrictions <sup>(2)</sup>   | <u>30,973</u>   | <b>4.65x</b>      | 5.16x         | 3.73x     | > 1.5x                 |
| Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>  | <u>6,659</u>    |                   |               |           |                        |
| <b>4. Debt service cover ratio</b>   |                 |                   |               |           |                        |
| Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation           | <u>17,000</u>   | <b>11.82x</b>     | 13.08x        | 6.65x     | > 2x                   |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               | <u>1,438</u>    |                   |               |           |                        |
| <b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>                                   |                 |                   |               |           |                        |
| Rates, annual and extra charges outstanding  | <u>1,720</u>    | <b>8.17%</b>      | 7.64%         | 7.92%     | < 10% regional & rural |
| Rates, annual and extra charges collectible  | <u>21,062</u>   |                   |               |           |                        |
| <b>6. Cash expense cover ratio</b>   |                 |                   |               |           |                        |
| Current year's cash and cash equivalents plus all term deposits  | <u>56,854</u>   | <b>17.18 mths</b> | 19.5 mths     | 14.6 mths | > 3 mths               |
| Monthly payments from cash flow of operating and financing activities  | <u>3,310</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 Notes 10 and 11.

<sup>(4)</sup> Refer to Note 10(b) and 11(a) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22(b). Statement of performance measures – by fund

| \$ '000   | General indicators <sup>5</sup> |        | Water indicators |        | Sewer indicators |        | Benchmark |
|---|---------------------------------|--------|------------------|--------|------------------|--------|-----------|
|   | 2018                            | 2017   | 2018             | 2017   | 2018             | 2017   |           |
| <b>Local government industry indicators – by fund</b>   |                                 |        |                  |        |                  |        |           |
| <b>1. Operating performance ratio</b>   |                                 |        |                  |        |                  |        |           |
| Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions<br>less operating expenses | <b>8.85%</b>                    | 18.13% | <b>36.74%</b>    | 24.34% | <b>14.85%</b>    | 10.64% | > 0.00%   |
| Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions                            |                                 |        |                  |        |                  |        |           |
| <b>2. Own source operating revenue ratio</b>  |                                 |        |                  |        |                  |        |           |
| Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions                            | <b>68.22%</b>                   | 54.81% | <b>82.92%</b>    | 73.04% | <b>94.28%</b>    | 93.01% | > 60.00%  |
| Total continuing operating revenue <sup>(1)</sup>   |                                 |        |                  |        |                  |        |           |
| <b>3. Unrestricted current ratio</b>  |                                 |        |                  |        |                  |        |           |
| Current assets less all external restrictions <sup>(2)</sup>  | <b>4.65x</b>                    | 5.16x  | <b>142.99x</b>   | 15.87x | <b>423.87x</b>   | 44.17x | > 1.5x    |
| Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>   |                                 |        |                  |        |                  |        |           |

## Notes

(1) - (4) Refer to Notes at Note 22a above.

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

## Narrabri Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22(b). Statement of performance measures – by fund (continued)

| \$ '000  | General indicators <sup>5</sup> |              | Water indicators    |              | Sewer indicators    |              | Benchmark              |
|--|---------------------------------|--------------|---------------------|--------------|---------------------|--------------|------------------------|
|  | 2018                            | 2017         | 2018                | 2017         | 2018                | 2017         |                        |
| Local government industry indicators – by fund (continued)   |                                 |              |                     |              |                     |              |                        |
| <b>4. Debt service cover ratio</b>   |                                 |              |                     |              |                     |              |                        |
| Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation | <b>8.61x</b>                    | 10.77x       | <b>0.00x</b>        | 0.00x        | <b>387.40x</b>      | 135.62x      | > 2x                   |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                     |                                 |              |                     |              |                     |              |                        |
| <b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>                         |                                 |              |                     |              |                     |              |                        |
| Rates, annual and extra charges outstanding  | <b>6.13%</b>                    | 5.70%        | <b>26.03%</b>       | 25.34%       | <b>8.77%</b>        | 8.32%        | < 10% regional & rural |
| Rates, annual and extra charges collectible  |                                 |              |                     |              |                     |              |                        |
| <b>6. Cash expense cover ratio</b>   |                                 |              |                     |              |                     |              |                        |
| Current year's cash and cash equivalents plus all term deposits  | <b>11.72 months</b>             | 13.79 months | <b>62.98 months</b> | 66.91 months | <b>67.04 months</b> | 54.19 months | > 3 months             |
| Monthly payments from cash flow of operating and financing activities                                      |                                 |              |                     |              |                     |              |                        |

## Notes

(1) Refer to Notes at Note 22a above.

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

END OF AUDITED FINANCIAL STATEMENTS

# Narrabri Shire Council

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

### Note 22(c). Statement of performance measures – consolidated results (graphs)



**Purpose of operating performance ratio**

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

**Commentary on 2017/18 result**

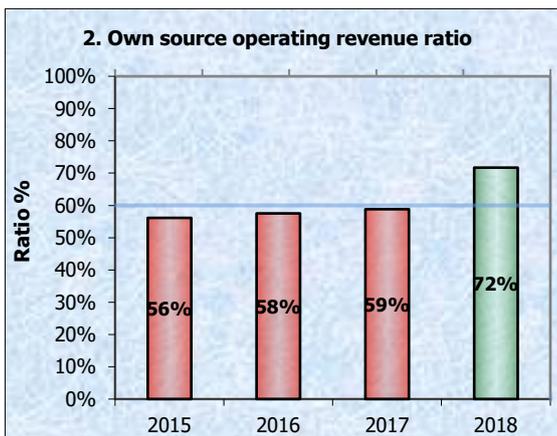
**2017/18 ratio 12.02%**

Council is pleased with its operating performances over the last few years.

Benchmark: ——— Minimum >=0.00%

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

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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

**Commentary on 2017/18 result**

**2017/18 ratio 71.70%**

Council has had the benefit of large capital contributions from mining companies over the last number of years which has impacted this ratio. With Council receiving its last payment this year, this ratio is expected to improve.

Benchmark: ——— Minimum >=60.00%

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

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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

**Commentary on 2017/18 result**

**2017/18 ratio 4.65x**

Council remains in a healthy financial position in terms of meeting its short term obligations.

Benchmark: ——— Minimum >=1.50

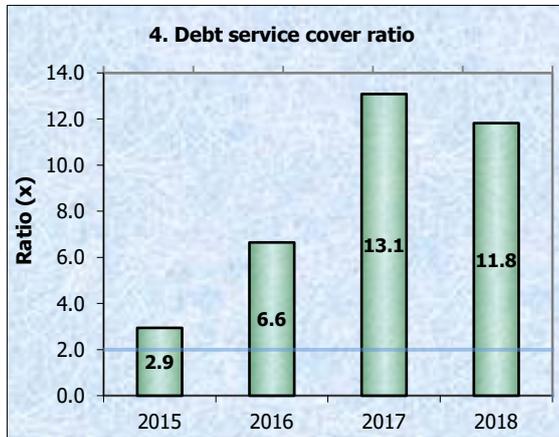
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

 Ratio achieves benchmark  
 Ratio is outside benchmark

# Narrabri Shire Council

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

### Note 22(c). Statement of performance measures – consolidated results (graphs)



**Purpose of debt service cover ratio**

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

**Commentary on 2017/18 result**

**2017/18 ratio 11.82x**

Council has sufficient cash to service its debt.

Benchmark: ——— Minimum >=2.00

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

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 2017/18 result**

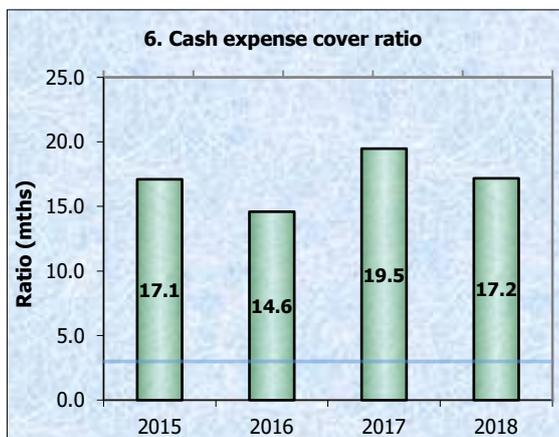
**2017/18 ratio 8.17%**

Council remains very active in managing this ratio, as demonstrated with the relatively stable numbers over the last four years.

Benchmark: ——— Maximum <10.00%

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

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 2017/18 result**

**2017/18 ratio 17.18 mths**

Council's liquidity levels remain very good.

Benchmark: ——— Minimum >=3.00

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

Ratio achieves benchmark  
 Ratio is outside benchmark

## Narrabri Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 23. Council information and contact details

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**Principal place of business:**

46-48 Maitland Street  
Narrabri NSW 2390

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

PO Box 261  
Narrabri NSW 2390

**Opening hours:**

8.35am to 5.00pm  
Monday to Friday

**Telephone:** 02 6799 6866

**Facsimile:** 02 6799 6888

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

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

**Officers****GENERAL MANAGER**

Stewart Todd

**RESPONSIBLE ACCOUNTING OFFICER**

Tim McClellan

**PUBLIC OFFICER**

Lindsay Mason

**AUDITORS**

The Audit Office of New South Wales  
Level 15, 1 Margaret Street  
SYDNEY NSW 2000

**Elected members****MAYOR**

Catherine Redding

**COUNCILLORS**

Cameron Staines (Deputy Mayor)

Maxine Booby

Ron Campbell

Ron Campey

Lloyd Finlay

Robert Kneale

Ann Loder

Annie McMahon

**Other information**

**ABN:** 95 717 801 656



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the general purpose financial report**

#### **Narrabri Shire Council**

To the Councillors of the Narrabri Shire Council

### **Opinion**

I have audited the accompanying financial report of Narrabri Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 17 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Dominika Ryan  
Director

31 October 2018  
SYDNEY

Cr Catherine Redding  
Mayor  
Narrabri Shire Council  
PO Box 261  
NARRABRI NSW 2390

Contact: Dominika Ryan  
Phone no: (02) 9275 7336  
Our ref: D1825748/1767

31 October 2018

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2018  
Narrabri Shire Council**

I have audited the general purpose financial statements of the Narrabri Shire Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

|  | <b>2018</b>   | <b>2017</b>   | <b>Variance</b>  |
|--|---------------|---------------|--|
|  | <b>\$'000</b> | <b>\$'000</b> | <b>%</b>   |
| <b>Rates and annual charges revenue</b>            | 19,298        | 18,985        |  1.6  |
| <b>User charges and fees</b>                       | 15,777        | 10,203        |  54.6 |
| <b>Grants and contributions revenue</b>            | 15,318        | 23,619        |  35.1 |
| <b>Operating result for the year</b>               | 7,426         | 15,595        |  52.4 |
| <b>Net operating result before capital amounts</b> | 4,904         | 8,454         |  42.0 |

Rates and annual charges revenue increased by \$313,000 to \$19.3 million in 2017–2018. The movement is due to the 1.5 percent rate peg and natural growth in rateable properties from 6,826 in 2016-17 to 6,830 in 2017-18.

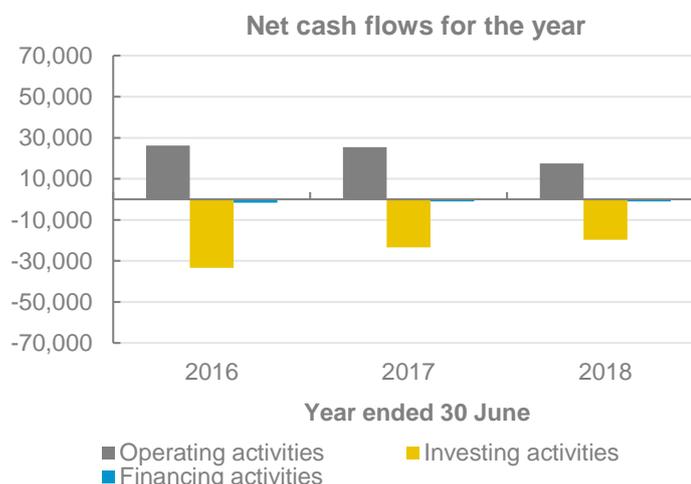
User charges and fees increased by \$5.6 million. This is mainly attributable to the increase in RMS contribution to State roads not controlled by Council which has increased from \$4.2 million in 2016-17 to \$8.2 million in 2017-18.

Grants and contributions revenue decreased by \$8.3 million. This is mainly due to decrease in grants received for capital purposes. These included water supplies and transport (other roads and bridges funding). Cash contributions by developers also decreased.

Operating result for the year was a surplus of \$7.4 million (\$15.6 million for the year ended 30 June 2017). The decrease is mainly attributed to movements in user charges and fees and grants and contributions and \$2.9 million increase in materials and contracts expenses. The Council’s net operating result before capital amounts for the year was a surplus of \$4.9 million, lower than \$3.6 million compared to 2016-17. This is mainly attributed to decrease in net operating result offset by lower grants and contributions provided for capital purposes.

## STATEMENT OF CASH FLOWS

- Net cash from operating activities decreased this year mainly due to the timing of financial assistance grants received in the past two years and higher level of materials and contracts expenses.
- Net cash used in investing activities amounted to \$19.7 million, lower by \$3.8 million compared to last year. This is largely due to higher sale of investment securities.



## FINANCIAL POSITION

### Cash and Investments

| Cash and Investments        | 2018          | 2017          | Commentary  |
|-----------------------------|---------------|---------------|---|
|                             | \$'000        | \$'000        |   |
| External restrictions       | 36,041        | 35,788        | • Externally restricted cash and investments are restricted in their use by externally imposed requirements. Externally restricted funds increased by \$253,000 primarily due increased sewerage services.  |
| Internal restrictions       | 20,747        | 20,335        |   |
| Unrestricted                | 66            | 49            |   |
| <b>Cash and investments</b> | <b>56,854</b> | <b>56,172</b> | • Internally restricted cash and investments are restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans. The increase in 2017-18 is predominantly due to an increase in roads infrastructure reserve. |

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## Debt

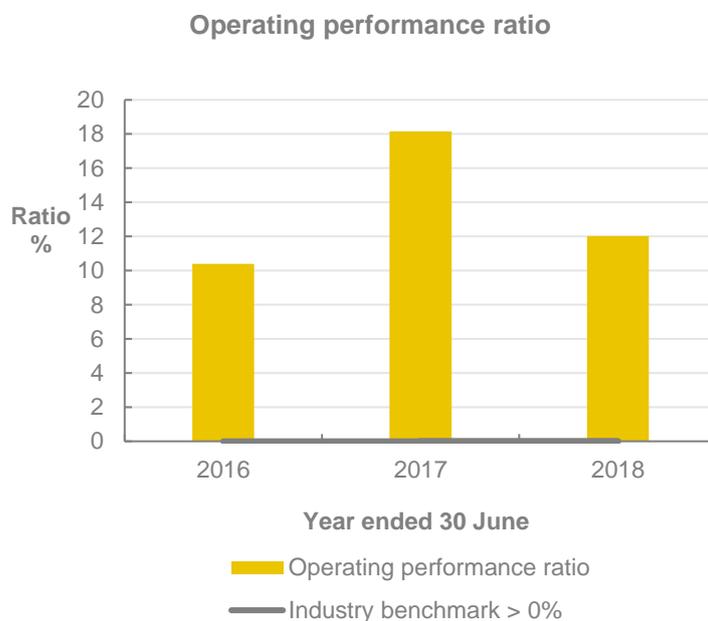
Council has \$6.7 million of borrowings as at 30 June 2018 (2017: \$7.8 million). Loans are secured over general rating income of Council.

## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 22 of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s Special Schedule 7 which has not been audited.

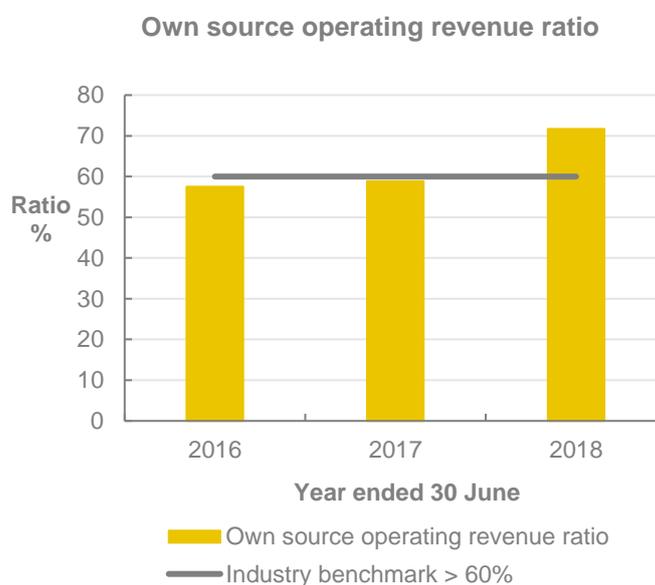
### Operating performance ratio

- Council’s operating performance ratios exceeded the industry benchmark over the past three years.
- Its operating performance ratio in 2016–17 was higher than this year mainly due to the early payment of the 2017–18 Financial Assistance Grants.
- The ‘operating performances ratio’ measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



### Own source operating revenue ratio

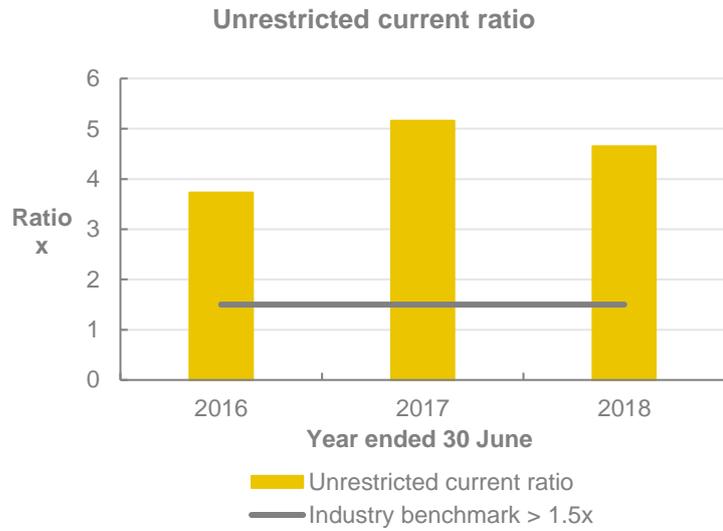
- Council’s own source operating revenue ratio of 71.7 per cent for year ended 30 June 2018 is higher than the industry benchmark; having fallen slightly below the benchmark in the last two financial years.
- Increase in current year ratio was impacted by the capital received by the Council from mining companies.
- The ‘own source operating revenue ratio’ measures Council’s fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

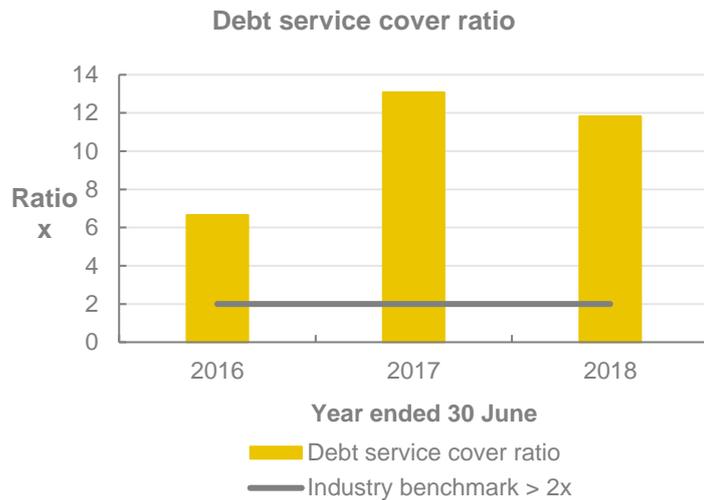
Council's unrestricted current ratio exceeded the industry benchmark over the past three years. This indicates Council has sufficient liquidity to meet its current liabilities as and when they fall due.

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



## Debt service cover ratio

- Council's debt service cover ratio exceeded the industry benchmark over the past three years. The ratio indicates Council has adequate revenue to cover the principal repayment and borrowing cost of its debt. This result has been impacted by the improved operating result for the year.
- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.

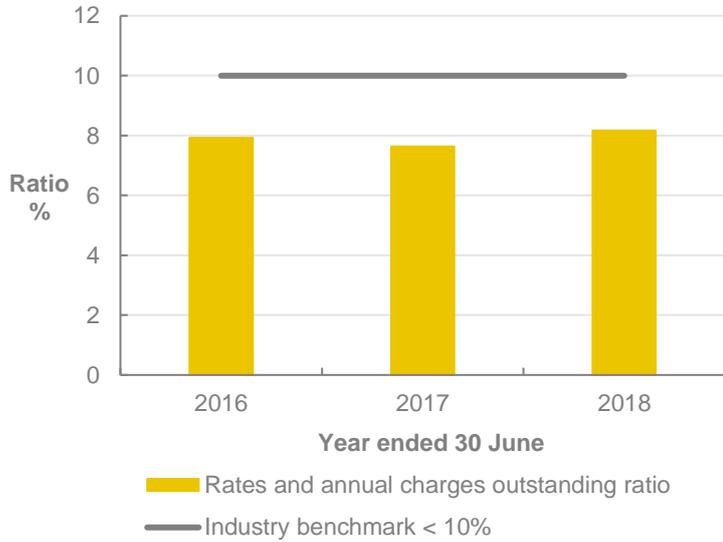


## Rates and annual charges outstanding ratio

Council's rates and annual charges outstanding ratio is better than the benchmark for rural Councils over the past three years. Council attributes this to a sustained effort to effectively manage recovery of rates and annual charges.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than ten per cent for rural Councils.

Rates and annual charges outstanding ratio



## Cash expense cover ratio

As at 30 June 2018, Council had the capacity to cover 17 months of cash expenditure without additional cash inflows.

Council's high level of liquidity means its cash expense cover ratio far exceeded the industry benchmark over the past three years.

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

Cash expense cover ratio



## OTHER MATTERS

### New accounting standards implemented

#### AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 10.

#### AASB 2016-4 'Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities' – Amendment to AASB 136

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard no longer requires not-for-profit entities to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

It is expected for not-for-profit entities holding non-cash-generating, the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 113 Fair Value Measurement.

### Legislative compliance

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

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



Dominika Ryan  
Director, Financial Audit Services

cc: Mr. Stewart Todd, General Manager  
Mr. Graham Marchant, Chair of Audit, Risk and Improvement Committee  
Mr. Lindsay Mason, Director Corporate and Community Services

# Narrabri Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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*A strong and vibrant regional growth centre  
providing a quality living environment for the  
entire Shire community.*



## Narrabri Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

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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).
-

## Narrabri Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 25 September 2018.**

Catherine Redding  
**Mayor**  
25 September 2018

Cameron Staines  
**Councillor**  
25 September 2018

Stewart Todd  
**General Manager**  
25 September 2018

Tim McClellan  
**Responsible Accounting Officer**  
25 September 2018

## Narrabri Shire Council

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

for the year ended 30 June 2018

| \$ '000  | 2018          | 2017          |
|--|---------------|---------------|
| <b>Income from continuing operations</b>                                   |               |               |
| Access charges   | 1,765         | 1,651         |
| User charges   | 2,851         | 2,034         |
| Fees   | 49            | 25            |
| Interest   | 438           | 411           |
| Grants and contributions provided for non-capital purposes                 | 33            | 35            |
| Other income   | 1             | –             |
| <b>Total income from continuing operations</b>                             | <b>5,137</b>  | <b>4,156</b>  |
| <b>Expenses from continuing operations</b>                                 |               |               |
| Employee benefits and on-costs   | 587           | 546           |
| Materials and contracts  | 1,786         | 1,793         |
| Depreciation, amortisation and impairment                                  | 849           | 800           |
| Loss on sale of assets   | 16            | –             |
| Other expenses   | 1             | –             |
| <b>Total expenses from continuing operations</b>                           | <b>3,239</b>  | <b>3,139</b>  |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>1,898</b>  | <b>1,017</b>  |
| Grants and contributions provided for capital purposes                     | 968           | 1,422         |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>2,866</b>  | <b>2,439</b>  |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>2,866</b>  | <b>2,439</b>  |
| Less: corporate taxation equivalent (30%) [based on result before capital] | (569)         | (305)         |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>2,297</b>  | <b>2,134</b>  |
| Plus opening retained profits  | 22,427        | 19,988        |
| Plus adjustments for amounts unpaid:                                       |               |               |
| – Corporate taxation equivalent  | 569           | 305           |
| <b>Closing retained profits</b>  | <b>25,293</b> | <b>22,427</b> |
| <b>Return on capital %</b>   | <b>5.8%</b>   | <b>3.4%</b>   |
| <b>Subsidy from Council</b>  | <b>–</b>      | <b>–</b>      |
| <b>Calculation of dividend payable:</b>                                    |               |               |
| Surplus (deficit) after tax  | 2,297         | 2,134         |
| Less: capital grants and contributions (excluding developer contributions) | (968)         | (1,422)       |
| <b>Surplus for dividend calculation purposes</b>                           | <b>1,329</b>  | <b>712</b>    |
| <b>Potential dividend calculated from surplus</b>                          | <b>664</b>    | <b>356</b>    |

## Narrabri Shire Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

| \$ '000  | 2018          | 2017          |
|--|---------------|---------------|
| <b>Income from continuing operations</b>                                   |               |               |
| Access charges   | 2,720         | 2,797         |
| User charges   | 292           | 32            |
| Liquid trade waste charges   | 348           | 235           |
| Interest   | 266           | 236           |
| Grants and contributions provided for non-capital purposes                 | 28            | 31            |
| Other income   | 1             | 8             |
| <b>Total income from continuing operations</b>                             | <b>3,655</b>  | <b>3,339</b>  |
| <b>Expenses from continuing operations</b>                                 |               |               |
| Employee benefits and on-costs   | 327           | 414           |
| Borrowing costs  | 5             | 13            |
| Materials and contracts  | 1,214         | 1,037         |
| Depreciation, amortisation and impairment                                  | 1,400         | 1,397         |
| Other expenses   | 110           | 103           |
| <b>Total expenses from continuing operations</b>                           | <b>3,056</b>  | <b>2,964</b>  |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>599</b>    | <b>375</b>    |
| Grants and contributions provided for capital purposes                     | 122           | 22            |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>721</b>    | <b>397</b>    |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>721</b>    | <b>397</b>    |
| Less: corporate taxation equivalent (30%) [based on result before capital] | (180)         | (113)         |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>541</b>    | <b>285</b>    |
| Plus opening retained profits  | 12,525        | 12,128        |
| Plus adjustments for amounts unpaid:                                       |               |               |
| – Corporate taxation equivalent  | 180           | 113           |
| <b>Closing retained profits</b>  | <b>13,246</b> | <b>12,525</b> |
| <b>Return on capital %</b>   | <b>1.7%</b>   | <b>1.1%</b>   |
| <b>Subsidy from Council</b>  | <b>338</b>    | <b>1,038</b>  |
| <b>Calculation of dividend payable:</b>                                    |               |               |
| Surplus (deficit) after tax  | 541           | 285           |
| Less: capital grants and contributions (excluding developer contributions) | (122)         | (22)          |
| <b>Surplus for dividend calculation purposes</b>                           | <b>419</b>    | <b>263</b>    |
| <b>Potential dividend calculated from surplus</b>                          | <b>210</b>    | <b>131</b>    |

## Narrabri Shire Council

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

| \$ '000                                       | 2018          | 2017          |
|---|---------------|---------------|
| <b>ASSETS</b>                                 |               |               |
| <b>Current assets</b>                         |               |               |
| Cash and cash equivalents                     | 143           | 131           |
| Investments                                   | 12,400        | 13,000        |
| Receivables                                   | 469           | 467           |
| <b>Total current assets</b>                   | <b>13,012</b> | <b>13,598</b> |
| <b>Non-current assets</b>                     |               |               |
| Infrastructure, property, plant and equipment | 32,731        | 29,567        |
| <b>Total non-current assets</b>               | <b>32,731</b> | <b>29,567</b> |
| <b>TOTAL ASSETS</b>                           | <b>45,743</b> | <b>43,165</b> |
| <b>LIABILITIES</b>                            |               |               |
| <b>Current liabilities</b>                    |               |               |
| Payables                                      | 91            | 857           |
| <b>Total current liabilities</b>              | <b>91</b>     | <b>857</b>    |
| <b>TOTAL LIABILITIES</b>                      | <b>91</b>     | <b>857</b>    |
| <b>NET ASSETS</b>                             | <b>45,652</b> | <b>42,308</b> |
| <b>EQUITY</b>                                 |               |               |
| Accumulated surplus                           | 25,293        | 22,427        |
| Revaluation reserves                          | 20,359        | 19,881        |
| <b>TOTAL EQUITY</b>                           | <b>45,652</b> | <b>42,308</b> |

## Narrabri Shire Council

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

as at 30 June 2018

| \$ '000                                       | 2018          | 2017          |
|---|---------------|---------------|
| <b>ASSETS</b>                                 |               |               |
| <b>Current assets</b>                         |               |               |
| Cash and cash equivalents                     | 109           | 24            |
| Investments                                   | 9,400         | 8,000         |
| Receivables                                   | 240           | 236           |
| <b>Total current assets</b>                   | <b>9,749</b>  | <b>8,260</b>  |
| <b>Non-current assets</b>                     |               |               |
| Infrastructure, property, plant and equipment | 35,825        | 35,488        |
| <b>Total non-current assets</b>               | <b>35,825</b> | <b>35,488</b> |
| <b>TOTAL ASSETS</b>                           | <b>45,574</b> | <b>43,748</b> |
| <b>LIABILITIES</b>                            |               |               |
| <b>Current liabilities</b>                    |               |               |
| Payables                                      | 23            | 44            |
| Borrowings                                    | –             | 143           |
| <b>Total current liabilities</b>              | <b>23</b>     | <b>187</b>    |
| <b>TOTAL LIABILITIES</b>                      | <b>23</b>     | <b>187</b>    |
| <b>NET ASSETS</b>                             | <b>45,551</b> | <b>43,561</b> |
| <b>EQUITY</b>                                 |               |               |
| Accumulated surplus                           | 13,246        | 12,525        |
| Revaluation reserves                          | 32,305        | 31,036        |
| <b>TOTAL EQUITY</b>                           | <b>45,551</b> | <b>43,561</b> |

## Narrabri Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

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

| Note | Details  | Page |
|------|--|------|
| 1    | Summary of significant accounting policies                             | 8    |
| 2    | Water Supply Business Best-Practice Management disclosure requirements | 12   |
| 3    | Sewerage Business Best-Practice Management disclosure requirements     | 14   |

## Narrabri Shire Council

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

#### Note 1. Significant accounting policies

---

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

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

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

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

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

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

#### National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

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

#### Declared business activities

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

#### Category 1

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

##### a. Narrabri Shire Council Water Supplies

Supply operations servicing Baan Baa, Bellata, Boggabri, Gwabegar, Pilliga, Narrabri and Wee Waa.

## Narrabri Shire Council

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

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

---

##### **b. Narrabri Shire Council Sewerage Service**

*Sewerage reticulation and treatment operations servicing Boggabri, Narrabri and Wee Waa.*

##### **Category 2**

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

**Nil**

##### **Monetary amounts**

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

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

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

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

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

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

##### **Notional rate applied (%)**

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

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

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

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

## Narrabri Shire Council

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

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

---

##### **Income tax**

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

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

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

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

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

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

##### **Local government rates and charges**

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

##### **Loan and debt guarantee fees**

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

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

##### *(ii) Subsidies*

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

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

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

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

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

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

## Narrabri Shire Council

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

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

---

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

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

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

#### *(iv) Dividends*

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

**END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS**

## Narrabri Shire Council

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

#### Note 2. Water supply business best-practice management disclosure requirements

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

2018

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

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

|       |  |        |
|-------|--|--------|
| (i)   | Calculated tax equivalents                                   | -      |
| (ii)  | Number of assessments multiplied by \$3/assessment           | 14,322 |
| (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<br>[calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]                     | 664,300   |
| (ii)  | Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment  | 143,220   |
| (iii) | Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016 | 2,956,100 |

|              |           |               |         |               |         |
|--------------|-----------|---------------|---------|---------------|---------|
| 2018 Surplus | 1,328,600 | 2017 Surplus  | 711,900 | 2016 Surplus  | 915,600 |
|              |           | 2017 Dividend | -       | 2016 Dividend | -       |

|      |   |         |
|------|---|---------|
| (iv) | Maximum dividend from surplus [least of (i), (ii) and (iii) above]                            | 143,220 |
| (v)  | Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]  | -       |
| (vi) | Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup> | YES     |

##### 3. Required outcomes for 6 criteria

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

|       |   |     |
|-------|---|-----|
| (i)   | Completion of strategic business plan (including financial plan)  | YES |
| (ii)  | Full cost recovery, without significant cross subsidies<br>[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   | NO  |
|       | b. Complete and implement integrated water cycle management strategy  | NO  |

## Narrabri Shire Council

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

#### Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

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

|                |   |        |        |
|----------------|---|--------|--------|
| <b>NWI F1</b>  | Total revenue (water)<br>Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9)<br>– Aboriginal Communities W&S Program income (w10a)  | \$'000 | 4,744  |
| <b>NWI F4</b>  | Revenue from residential usage charges (water)<br>Income from residential usage charges (w6b) x 100 divided by the sum of<br>[income from residential usage charges (w6a) + income from residential<br>access charges (w6b)]  | %      | 61.59% |
| <b>NWI F9</b>  | Written down replacement cost of fixed assets (water)<br>Written down current cost of system assets (w47)   | \$'000 | 32,709 |
| <b>NWI F11</b> | Operating cost (OMA) (water)<br>Management expenses (w1) + operational and maintenance expenses (w2)  | \$'000 | 2,390  |
| <b>NWI F14</b> | Capital expenditure (water)<br>Acquisition of fixed assets (w16)  | \$'000 | 5,158  |
| <b>NWI F17</b> | Economic real rate of return (water)<br>[total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) –<br>operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by<br>[written down current cost of system assets (w47) + plant and equipment (w33b)] | %      | 4.60%  |
| <b>NWI F26</b> | Capital works grants (water)<br>Grants for the acquisition of assets (w11a)   | \$'000 | 968    |

- 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

## Narrabri Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements

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

2018

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

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

|  |        |
|--|--------|
| (i) Calculated tax equivalents                                     | -      |
| (ii) Number of assessments multiplied by \$3/assessment            | 12,246 |
| (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<br>[calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]                       | 209,650 |
| (ii) Number of assessments x (\$30 less tax equivalent charges per assessment)   | 122,460 |
| (iii) Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016 | 816,900 |

|              |         |               |         |               |         |
|--------------|---------|---------------|---------|---------------|---------|
| 2018 Surplus | 419,300 | 2017 Surplus  | 262,500 | 2016 Surplus  | 135,100 |
|              |         | 2017 Dividend | -       | 2016 Dividend | -       |

|  |         |
|--|---------|
| (iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]                            | 122,460 |
| (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<br>[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  |

## Narrabri Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018


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

|                |  |        |        |
|----------------|--|--------|--------|
| <b>NWI F2</b>  | Total revenue (sewerage)<br>Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10)<br>– Aboriginal Communities W&S Program income (w10a)   | \$'000 | 3,450  |
| <b>NWI F10</b> | Written down replacement cost of fixed assets (sewerage)<br>Written down current cost of system assets (s48)   | \$'000 | 35,817 |
| <b>NWI F12</b> | Operating cost (sewerage)<br>Management expenses (s1) + operational and maintenance expenses (s2)  | \$'000 | 1,697  |
| <b>NWI F15</b> | Capital expenditure (sewerage)<br>Acquisition of fixed assets (s17)  | \$'000 | 215    |
| <b>NWI F18</b> | Economic real rate of return (sewerage)<br>[total income (s14) – interest income (s10) – grants for acquisition of assets (s12a)<br>– operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by<br>[written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)] | %      | 0.99%  |
| <b>NWI F27</b> | Capital works grants (sewerage)<br>Grants for the acquisition of assets (12a)  | \$'000 | 122    |

---

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

|                |   |        |       |
|----------------|---|--------|-------|
| <b>NWI F3</b>  | Total income (water and sewerage)<br>Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15)<br>minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)  | \$'000 | 8,178 |
| <b>NWI F8</b>  | Revenue from community service obligations (water and sewerage)<br>Community service obligations (NWI F25) x 100 divided by total income (NWI F3)   | %      | 0.75% |
| <b>NWI F16</b> | Capital expenditure (water and sewerage)<br>Acquisition of fixed assets (w16 + s17)   | \$'000 | 5,373 |
| <b>NWI F19</b> | Economic real rate of return (water and sewerage)<br>[total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets<br>(w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100<br>divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10)<br>+ plant and equipment (w33b + s34b)] | %      | 2.71% |
| <b>NWI F20</b> | Dividend (water and sewerage)<br>Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)   | \$'000 | –     |
| <b>NWI F21</b> | Dividend payout ratio (water and sewerage)<br>Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)  | %      | 0.00% |

## Narrabri Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2018

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

|                |  |        |        |
|----------------|--|--------|--------|
| <b>NWI F22</b> | Net debt to equity (water and sewerage)<br>Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31)<br>x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]  | %      | 24.18% |
| <b>NWI F23</b> | Interest cover (water and sewerage)<br>Earnings before interest and tax (EBIT) divided by net interest<br><br>Earnings before interest and tax (EBIT): 1,859<br>Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10)<br>– gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)<br><br>Net interest: (654)<br>Interest expense (w4a + s4a) – interest income (w9 + s10) |        | > 100  |
| <b>NWI F24</b> | Net profit after tax (water and sewerage)<br>Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))   | \$'000 | 2,497  |
| <b>NWI F25</b> | Community service obligations (water and sewerage)<br>Grants for pensioner rebates (w11b + s12b)   | \$'000 | 61     |

- 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



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial report**

#### **Narrabri Shire Council**

To the Councillors of the Narrabri Shire Council

### **Opinion**

I have audited the accompanying special purpose financial report (the financial report) of Narrabri Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in cursive script that reads "D. Ryan".

Dominika Ryan  
Director, Financial Services

31 October 2018  
SYDNEY

# Narrabri Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2018

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*A strong and vibrant regional growth centre  
providing a quality living environment for the  
entire Shire community.*



# Narrabri Shire Council

## Special Schedules

for the year ended 30 June 2018

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

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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.

## Narrabri Shire Council

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

\$'000

| Function or activity                                   | Expenses from continuing operations | Income from continuing operations |              | Net cost of services |
|--|-------------------------------------|-----------------------------------|--------------|----------------------|
|  |                                     | Non-capital                       | Capital      |                      |
| <b>Governance</b>                                      | <b>514</b>                          | <b>–</b>                          | <b>–</b>     | <b>(514)</b>         |
| <b>Administration</b>                                  | <b>6,171</b>                        | <b>695</b>                        | <b>–</b>     | <b>(5,476)</b>       |
| <b>Public order and safety</b>                         |                                     |                                   |              |                      |
| Fire service levy, fire protection, emergency services | 703                                 | 202                               | –            | (501)                |
| Beach control  | –                                   | –                                 | –            | –                    |
| Enforcement of local government regulations            | 93                                  | 6                                 | –            | (87)                 |
| Animal control   | 208                                 | 30                                | –            | (178)                |
| Other  | –                                   | –                                 | –            | –                    |
| <b>Total public order and safety</b>                   | <b>1,004</b>                        | <b>238</b>                        | <b>–</b>     | <b>(766)</b>         |
| <b>Health</b>  | <b>87</b>                           | <b>93</b>                         | <b>–</b>     | <b>6</b>             |
| <b>Environment</b>                                     |                                     |                                   |              |                      |
| Noxious plants and insect/vermin control               | 202                                 | 160                               | –            | (42)                 |
| Other environmental protection                         | –                                   | 44                                | –            | 44                   |
| Solid waste management                                 | 3,270                               | 3,661                             | –            | 391                  |
| Street cleaning  | –                                   | –                                 | –            | –                    |
| Drainage   | 123                                 | –                                 | –            | (123)                |
| Stormwater management                                  | 11                                  | 21                                | –            | 10                   |
| <b>Total environment</b>                               | <b>3,606</b>                        | <b>3,886</b>                      | <b>–</b>     | <b>280</b>           |
| <b>Community services and education</b>                |                                     |                                   |              |                      |
| Administration and education                           | –                                   | –                                 | –            | –                    |
| Social protection (welfare)                            | –                                   | –                                 | –            | –                    |
| Aged persons and disabled                              | 8                                   | –                                 | –            | (8)                  |
| Children's services                                    | 4                                   | 1                                 | –            | (3)                  |
| <b>Total community services and education</b>          | <b>12</b>                           | <b>1</b>                          | <b>–</b>     | <b>(11)</b>          |
| <b>Housing and community amenities</b>                 |                                     |                                   |              |                      |
| Public cemeteries                                      | 244                                 | 181                               | –            | (63)                 |
| Public conveniences                                    | 7                                   | –                                 | –            | (7)                  |
| Street lighting  | 277                                 | 56                                | –            | (221)                |
| Town planning  | 436                                 | 1,976                             | 1,103        | 2,643                |
| Other community amenities                              | 52                                  | –                                 | –            | (52)                 |
| <b>Total housing and community amenities</b>           | <b>1,016</b>                        | <b>2,213</b>                      | <b>1,103</b> | <b>2,300</b>         |
| <b>Water supplies</b>                                  | <b>3,239</b>                        | <b>5,137</b>                      | <b>968</b>   | <b>2,866</b>         |
| <b>Sewerage services</b>                               | <b>3,057</b>                        | <b>3,656</b>                      | <b>122</b>   | <b>721</b>           |

## Narrabri Shire Council

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

\$'000

| Function or activity  | Expenses from continuing operations | Income from continuing operations |              | Net cost of services |
|---|-------------------------------------|-----------------------------------|--------------|----------------------|
|   |                                     | Non-capital                       | Capital      |                      |
| <b>Recreation and culture</b>   |                                     |                                   |              |                      |
| Public libraries  | 639                                 | 74                                | 48           | (517)                |
| Museums   | 12                                  | –                                 | –            | (12)                 |
| Art galleries   | –                                   | –                                 | –            | –                    |
| Community centres and halls   | 2,002                               | 1,116                             | –            | (886)                |
| Performing arts venues  | –                                   | –                                 | –            | –                    |
| Other performing arts   | –                                   | –                                 | –            | –                    |
| Other cultural services   | –                                   | –                                 | –            | –                    |
| Sporting grounds and venues   | –                                   | –                                 | –            | –                    |
| Swimming pools  | 1,455                               | 521                               | –            | (934)                |
| Parks and gardens (lakes)   | 2,067                               | 260                               | 211          | (1,596)              |
| Other sport and recreation  | –                                   | –                                 | –            | –                    |
| <b>Total recreation and culture</b>   | <b>6,175</b>                        | <b>1,971</b>                      | <b>259</b>   | <b>(3,945)</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  | 166                                 | 109                               | –            | (57)                 |
| Other mining, manufacturing and construction                                      | 1,090                               | 4                                 | –            | (1,086)              |
| <b>Total mining, manufacturing and const.</b>                                     | <b>1,256</b>                        | <b>113</b>                        | <b>–</b>     | <b>(1,143)</b>       |
| <b>Transport and communication</b>  |                                     |                                   |              |                      |
| Urban roads (UR) – local  | 2,139                               | –                                 | –            | (2,139)              |
| Urban roads – regional  | –                                   | –                                 | –            | –                    |
| Sealed rural roads (SRR) – local  | 5,413                               | 2,110                             | –            | (3,303)              |
| Sealed rural roads (SRR) – regional   | 407                                 | 1,566                             | –            | 1,159                |
| Unsealed rural roads (URR) – local  | 2,374                               | 897                               | –            | (1,477)              |
| Unsealed rural roads (URR) – regional   | 146                                 | –                                 | –            | (146)                |
| Bridges on UR – local   | –                                   | –                                 | –            | –                    |
| Bridges on SRR – local  | 26                                  | –                                 | –            | (26)                 |
| Bridges on URR – local  | –                                   | –                                 | 70           | 70                   |
| Bridges on regional roads   | –                                   | –                                 | –            | –                    |
| Parking areas   | –                                   | –                                 | –            | –                    |
| Footpaths   | 75                                  | –                                 | –            | (75)                 |
| Aerodromes  | 650                                 | 213                               | –            | (437)                |
| Other transport and communication   | 7,445                               | 8,303                             | –            | 858                  |
| <b>Total transport and communication</b>  | <b>18,675</b>                       | <b>13,089</b>                     | <b>70</b>    | <b>(5,516)</b>       |
| <b>Economic affairs</b>   |                                     |                                   |              |                      |
| Camping areas and caravan parks   | 64                                  | 86                                | –            | 22                   |
| Other economic affairs  | 1,863                               | 589                               | –            | (1,274)              |
| <b>Total economic affairs</b>   | <b>1,927</b>                        | <b>675</b>                        | <b>–</b>     | <b>(1,252)</b>       |
| <b>Totals – functions</b>   | <b>46,739</b>                       | <b>31,767</b>                     | <b>2,522</b> | <b>(12,450)</b>      |
| <b>General purpose revenues <sup>(1)</sup></b>                                    | <b>–</b>                            | <b>19,830</b>                     | <b>–</b>     | <b>19,830</b>        |
| <b>Share of interests – joint ventures and associates using the equity method</b> | <b>–</b>                            | <b>46</b>                         | <b>–</b>     | <b>46</b>            |
| <b>NET OPERATING RESULT <sup>(2)</sup></b>  | <b>46,739</b>                       | <b>51,643</b>                     | <b>2,522</b> | <b>7,426</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

## Narrabri Shire Council

## Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

| \$'000  |                         | Calculation<br>2018/19 | Calculation<br>2017/18 |
|---|-------------------------|------------------------|------------------------|
| <b>Notional general income calculation <sup>(1)</sup></b>           |                         |                        |                        |
| Last year notional general income yield                             | a                       | 12,882                 | 12,714                 |
| Plus or minus adjustments <sup>(2)</sup>                            | b                       | 3                      | (19)                   |
| <b>Notional general income</b>                                      | c = (a + b)             | <b>12,885</b>          | <b>12,695</b>          |
| <b>Permissible income calculation</b>                               |                         |                        |                        |
| Special variation percentage <sup>(3)</sup>                         | d                       | 0.00%                  | 0.00%                  |
| Or rate peg percentage  | e                       | 2.30%                  | 1.50%                  |
| Or crown land adjustment (incl. rate peg percentage)                | f                       | 0.00%                  | 0.00%                  |
| Less expiring special variation amount                              | g                       | –                      | –                      |
| Plus special variation amount                                       | h = d x (c – g)         | –                      | –                      |
| Or plus rate peg amount   | i = c x e               | 296                    | 190                    |
| Or plus Crown land adjustment and rate peg amount                   | j = c x f               | –                      | –                      |
| <b>Sub-total</b>  | k = (c + g + h + i + j) | <b>13,181</b>          | <b>12,885</b>          |
| Plus (or minus) last year's carry forward total                     | l                       | 5                      | 2                      |
| Less valuation objections claimed in the previous year              | m                       | –                      | –                      |
| <b>Sub-total</b>  | n = (l + m)             | <b>5</b>               | <b>2</b>               |
| <b>Total permissible income</b>                                     | o = k + n               | <b>13,186</b>          | <b>12,887</b>          |
| Less notional general income yield                                  | p                       | 13,174                 | 12,882                 |
| <b>Catch-up or (excess) result</b>                                  | q = o – p               | <b>12</b>              | <b>5</b>               |
| Plus income lost due to valuation objections claimed <sup>(4)</sup> | r                       | –                      | –                      |
| Less unused catch-up <sup>(5)</sup>                                 | s                       | (4)                    | –                      |
| <b>Carry forward to next year</b>                                   | t = q + r – s           | <b>8</b>               | <b>5</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 2 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule 2 - Permissible Income for general rates

#### Narrabri Shire Council

To the Councillors of the Narrabri Shire Council

### Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of the Narrabri Shire Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter – Basis of Accounting

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2019, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in cursive script that reads "D. Ryan".

Dominika Ryan  
Director, Financial Audit

31 October 2018  
SYDNEY

## Narrabri Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

| \$'000   | 2018         | 2017         |
|--|--------------|--------------|
| <b>A Expenses and income</b>                         |              |              |
| <b>Expenses</b>                                      |              |              |
| <b>1. Management expenses</b>                        |              |              |
| a. Administration                                    | 649          | 621          |
| b. Engineering and supervision                       | 590          | 507          |
| <b>2. Operation and maintenance expenses</b>         |              |              |
| <b>– dams and weirs</b>                              |              |              |
| a. Operation expenses                                | –            | –            |
| b. Maintenance expenses                              | –            | –            |
| <b>– Mains</b>                                       |              |              |
| c. Operation expenses                                | 151          | 195          |
| d. Maintenance expenses                              | 298          | 276          |
| <b>– Reservoirs</b>                                  |              |              |
| e. Operation expenses                                | 3            | 3            |
| f. Maintenance expenses                              | 46           | 42           |
| <b>– Pumping stations</b>                            |              |              |
| g. Operation expenses (excluding energy costs)       | –            | –            |
| h. Energy costs                                      | 222          | 176          |
| i. Maintenance expenses                              | –            | –            |
| <b>– Treatment</b>                                   |              |              |
| j. Operation expenses (excluding chemical costs)     | 89           | 77           |
| k. Chemical costs                                    | 114          | 107          |
| l. Maintenance expenses                              | –            | –            |
| <b>– Other</b>                                       |              |              |
| m. Operation expenses                                | 156          | 168          |
| n. Maintenance expenses                              | 72           | 183          |
| o. Purchase of water                                 | –            | –            |
| <b>3. Depreciation expenses</b>                      |              |              |
| a. System assets                                     | 839          | 787          |
| b. Plant and equipment                               | 10           | 10           |
| <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>3,239</b> | <b>3,152</b> |

## Narrabri Shire Council

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

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

| \$'000   | 2018         | 2017         |
|--|--------------|--------------|
| <b>Income</b>  |              |              |
| <b>6. Residential charges</b>  |              |              |
| a. Access (including rates)  | 1,782        | 1,664        |
| b. Usage charges   | 2,857        | 2,012        |
| <b>7. Non-residential charges</b>                                    |              |              |
| a. Access (including rates)  | –            | –            |
| b. Usage charges   | –            | –            |
| <b>8. Extra charges</b>  | 29           | 26           |
| <b>9. Interest income</b>  | 409          | 385          |
| <b>10. Other income</b>  | 1            | –            |
| <b>10a. Aboriginal Communities Water and Sewerage Program</b>        | –            | –            |
| <b>11. Grants</b>  |              |              |
| a. Grants for acquisition of assets                                  | 968          | 1,422        |
| b. Grants for pensioner rebates                                      | 33           | 35           |
| c. Other grants  | –            | –            |
| <b>12. Contributions</b>   |              |              |
| a. Developer charges   | 42           | 7            |
| b. Developer provided assets   | –            | –            |
| c. Other contributions   | –            | 40           |
| <b>13. Total income</b>  | <b>6,121</b> | <b>5,591</b> |
| <b>14. Gain (or loss) on disposal of assets</b>                      | (16)         | –            |
| <b>15. Operating result</b>  | <b>2,866</b> | <b>2,439</b> |
| <b>15a. Operating result (less grants for acquisition of assets)</b> | 1,898        | 1,017        |

## Narrabri Shire Council

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

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

| \$'000   | 2018         | 2017         |
|--|--------------|--------------|
| <b>B Capital transactions</b>                                      |              |              |
| <b>Non-operating expenditures</b>                                  |              |              |
| <b>16. Acquisition of fixed assets</b>                             |              |              |
| a. New assets for improved standards                               | –            | –            |
| b. New assets for growth   | 1,885        | 92           |
| c. Renewals  | 3,273        | 2,191        |
| d. Plant and equipment   | –            | –            |
| <b>17. Repayment of debt</b>                                       | –            | –            |
| <b>18. Totals</b>  | <b>5,158</b> | <b>2,283</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)  | 3,882        | 3,860        |
| b. Residential (unoccupied, ie. vacant lot)                        | 115          | 113          |
| c. Non-residential (occupied)                                      | 699          | 656          |
| d. Non-residential (unoccupied, ie. vacant lot)                    | 78           | 53           |
| <b>23. Number of ETs for which developer charges were received</b> | – ET         | – ET         |
| <b>24. Total amount of pensioner rebates (actual dollars)</b>      | \$ 59,588    | \$ 63,526    |

## Narrabri Shire Council

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

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2018

| \$'000  | Current       | Non-current   | Total         |
|---|---------------|---------------|---------------|
| <b>ASSETS</b>   |               |               |               |
| <b>25. Cash and investments</b>                                   |               |               |               |
| a. Developer charges  | –             | –             | –             |
| b. Special purpose grants   | –             | –             | –             |
| c. Accrued leave  | –             | –             | –             |
| d. Unexpended loans   | –             | –             | –             |
| e. Sinking fund   | –             | –             | –             |
| f. Other  | 12,543        | –             | 12,543        |
| <b>26. Receivables</b>  |               |               |               |
| a. Specific purpose grants  | –             | –             | –             |
| b. Rates and availability charges                                 | 467           | –             | 467           |
| c. User charges   | –             | –             | –             |
| d. Other  | 2             | –             | 2             |
| <b>27. Inventories</b>  | –             | –             | –             |
| <b>28. Property, plant and equipment</b>                          |               |               |               |
| a. System assets  | –             | 32,709        | 32,709        |
| b. Plant and equipment  | –             | 22            | 22            |
| <b>29. Other assets</b>   | –             | –             | –             |
| <b>30. Total assets</b>   | <u>13,012</u> | <u>32,731</u> | <u>45,743</u> |
| <b>LIABILITIES</b>  |               |               |               |
| <b>31. Bank overdraft</b>   | –             | –             | –             |
| <b>32. Creditors</b>  | 91            | –             | 91            |
| <b>33. Borrowings</b>   | –             | –             | –             |
| <b>34. Provisions</b>   |               |               |               |
| a. Tax equivalents  | –             | –             | –             |
| b. Dividend   | –             | –             | –             |
| c. Other  | –             | –             | –             |
| <b>35. Total liabilities</b>                                      | <u>91</u>     | <u>–</u>      | <u>91</u>     |
| <b>36. NET ASSETS COMMITTED</b>                                   | <u>12,921</u> | <u>32,731</u> | <u>45,652</u> |
| <b>EQUITY</b>   |               |               |               |
| <b>37. Accumulated surplus</b>                                    |               |               | 25,365        |
| <b>38. Asset revaluation reserve</b>                              |               |               | 20,287        |
| <b>39. Other reserves</b>   |               |               | –             |
| <b>40. TOTAL EQUITY</b>   |               |               | <u>45,652</u> |
| <b>Note to system assets:</b>                                     |               |               |               |
| <b>41. Current replacement cost</b> of system assets              |               |               | 69,512        |
| <b>42. Accumulated current cost</b> depreciation of system assets |               |               | (36,803)      |
| <b>43. Written down current cost</b> of system assets             |               |               | <u>32,709</u> |

## Narrabri Shire Council

### Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

| \$'000  | 2018         | 2017         |
|---|--------------|--------------|
| <b>A Expenses and income</b>  |              |              |
| <b>Expenses</b>   |              |              |
| <b>1. Management expenses</b>   |              |              |
| a. Administration   | 441          | 447          |
| b. Engineering and supervision  | 246          | 313          |
| <b>2. Operation and maintenance expenses</b>  |              |              |
| <b>– mains</b>  |              |              |
| a. Operation expenses   | 5            | 6            |
| b. Maintenance expenses   | 172          | 169          |
| <b>– Pumping stations</b>   |              |              |
| c. Operation expenses (excluding energy costs)  | 74           | 122          |
| d. Energy costs   | 46           | 44           |
| e. Maintenance expenses   | 108          | 56           |
| <b>– Treatment</b>  |              |              |
| f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs) | 331          | 352          |
| g. Chemical costs   | 19           | 32           |
| h. Energy costs   | 62           | 60           |
| i. Effluent management  | –            | –            |
| j. Biosolids management   | –            | –            |
| k. Maintenance expenses   | 114          | 77           |
| <b>– Other</b>  |              |              |
| l. Operation expenses   | 78           | 84           |
| m. Maintenance expenses   | 1            | 2            |
| <b>3. Depreciation expenses</b>   |              |              |
| a. System assets  | 1,399        | 1,396        |
| b. Plant and equipment  | –            | 1            |
| <b>4. Miscellaneous expenses</b>  |              |              |
| a. Interest expenses  | 5            | 13           |
| 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>3,101</b> | <b>3,174</b> |

## Narrabri Shire Council

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

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

| \$'000   | 2018         | 2017         |
|--|--------------|--------------|
| <b>Income</b>  |              |              |
| <b>6. Residential charges</b> (including rates)                      | 2,765        | 2,847        |
| <b>7. Non-residential charges</b>                                    |              |              |
| a. Access (including rates)  | –            | –            |
| b. Usage charges   | 226          | 10           |
| <b>8. Trade waste charges</b>  |              |              |
| a. Annual fees   | 16           | 49           |
| b. Usage charges   | 332          | 186          |
| c. Excess mass charges   | –            | –            |
| d. Re-inspection fees  | –            | –            |
| <b>9. Extra charges</b>  | 16           | 15           |
| <b>10. Interest income</b>   | 250          | 221          |
| <b>11. Other income</b>  | 1            | 8            |
| <b>11a. Aboriginal Communities Water and Sewerage Program</b>        | –            | –            |
| <b>12. Grants</b>  |              |              |
| a. Grants for acquisition of assets                                  | 122          | 22           |
| b. Grants for pensioner rebates                                      | 28           | 31           |
| c. Other grants  | –            | –            |
| <b>13. Contributions</b>   |              |              |
| a. Developer charges   | 66           | 22           |
| b. Developer provided assets   | –            | –            |
| c. Other contributions   | –            | 160          |
| <b>14. Total income</b>  | <b>3,822</b> | <b>3,571</b> |
| <b>15. Gain (or loss) on disposal of assets</b>                      | –            | –            |
| <b>16. Operating result</b>  | <b>721</b>   | <b>397</b>   |
| <b>16a. Operating result (less grants for acquisition of assets)</b> | 599          | 375          |

## Narrabri Shire Council

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

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

| \$'000   | 2018       | 2017         |
|--|------------|--------------|
| <b>B Capital transactions</b>                                      |            |              |
| <b>Non-operating expenditures</b>                                  |            |              |
| <b>17. Acquisition of fixed assets</b>                             |            |              |
| a. New assets for improved standards                               | –          | –            |
| b. New assets for growth   | 122        | 39           |
| c. Renewals  | 93         | 1,644        |
| d. Plant and equipment   | –          | –            |
| <b>18. Repayment of debt</b>                                       | –          | –            |
| <b>19. Totals</b>  | <b>215</b> | <b>1,683</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)  | 3,349      | 3,347        |
| b. Residential (unoccupied, ie. vacant lot)                        | 176        | 172          |
| c. Non-residential (occupied)                                      | 523        | 522          |
| d. Non-residential (unoccupied, ie. vacant lot)                    | 34         | 35           |
| <b>24. Number of ETs for which developer charges were received</b> | – ET       | – ET         |
| <b>25. Total amount of pensioner rebates (actual dollars)</b>      | \$ 51,648  | \$ 56,263    |

## Narrabri Shire Council

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

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2018

| \$'000  | Current      | Non-current   | Total         |
|---|--------------|---------------|---------------|
| <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  | 9,509        | –             | 9,509         |
| <b>27. Receivables</b>  |              |               |               |
| a. Specific purpose grants  | –            | –             | –             |
| b. Rates and availability charges                                 | 240          | –             | 240           |
| c. User charges   | –            | –             | –             |
| d. Other  | –            | –             | –             |
| <b>28. Inventories</b>  | –            | –             | –             |
| <b>29. Property, plant and equipment</b>                          |              |               |               |
| a. System assets  | –            | 35,817        | 35,817        |
| b. Plant and equipment  | –            | 8             | 8             |
| <b>30. Other assets</b>   | –            | –             | –             |
| <b>31. Total assets</b>   | <u>9,749</u> | <u>35,825</u> | <u>45,574</u> |
| <b>LIABILITIES</b>  |              |               |               |
| <b>32. Bank overdraft</b>   | –            | –             | –             |
| <b>33. Creditors</b>  | 23           | –             | 23            |
| <b>34. Borrowings</b>   | –            | –             | –             |
| <b>35. Provisions</b>   |              |               |               |
| a. Tax equivalents  | –            | –             | –             |
| b. Dividend   | –            | –             | –             |
| c. Other  | –            | –             | –             |
| <b>36. Total liabilities</b>                                      | <u>23</u>    | <u>–</u>      | <u>23</u>     |
| <b>37. NET ASSETS COMMITTED</b>                                   | <u>9,726</u> | <u>35,825</u> | <u>45,551</u> |
| <b>EQUITY</b>   |              |               |               |
| <b>38. Accumulated surplus</b>                                    |              |               | 12,704        |
| <b>39. Asset revaluation reserve</b>                              |              |               | 32,847        |
| <b>40. Other reserves</b>   |              |               | –             |
| <b>41. TOTAL EQUITY</b>   |              |               | <u>45,551</u> |
| <b>Note to system assets:</b>                                     |              |               |               |
| <b>42. Current replacement cost</b> of system assets              |              |               | 100,972       |
| <b>43. Accumulated current cost</b> depreciation of system assets |              |               | (65,155)      |
| <b>44. Written down current cost</b> of system assets             |              |               | <u>35,817</u> |

## Narrabri Shire Council

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

#### 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.

## Narrabri Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

| Asset class             | Asset category   | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2017/18 Required maintenance <sup>a</sup> | 2017/18 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost |              |              |              |             |
|-------------------------|------------------|---|---|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|--------------|-------------|
|                         |                  |   |   |   |                            |                     |                              | 1   | 2            | 3            | 4            | 5           |
| <b>Buildings</b>        | Buildings        | 3,617   | 3,617   | 419                                       | 462                        | 26,199              | 41,331                       | 13%   | 55%          | 21%          | 11%          | 0%          |
|                         | <b>Sub-total</b> | <b>3,617</b>  | <b>3,617</b>  | <b>419</b>                                | <b>462</b>                 | <b>26,199</b>       | <b>41,331</b>                | <b>13.0%</b>  | <b>55.0%</b> | <b>21.0%</b> | <b>11.0%</b> | <b>0.0%</b> |
| <b>Other structures</b> | Other structures | 488   | 488   | 446                                       | 449                        | 20,380              | 24,399                       | 56%   | 17%          | 26%          | 1%           | 0%          |
|                         | <b>Sub-total</b> | <b>488</b>  | <b>488</b>  | <b>446</b>                                | <b>449</b>                 | <b>20,380</b>       | <b>24,399</b>                | <b>56.0%</b>  | <b>17.0%</b> | <b>26.0%</b> | <b>1.0%</b>  | <b>0.0%</b> |
| <b>Roads</b>            | Sealed roads     | 440   | 440   | 1,905                                     | 2,260                      | 72,874              | 110,004                      | 86%   | 12%          | 2%           | 0%           | 0%          |
|                         | Unsealed roads   | 3,158   | 3,158   | 3,471                                     | 3,188                      | 35,655              | 50,120                       | 23%   | 48%          | 28%          | 1%           | 0%          |
|                         | Bridges          | 736   | 736   | 27  | 26                         | 23,098              | 31,218                       | 28%   | 68%          | 3%           | 1%           | 0%          |
|                         | Footpaths        | 194   | 194   | 62  | 31                         | 3,579               | 5,499                        | 2%  | 54%          | 36%          | 8%           | 0%          |
|                         | Bulk earthworks  | –   | –   | –   | –                          | 91,740              | 91,740                       | 36%   | 64%          | 0%           | 0%           | 0%          |
|                         | Kerb & gutter    | 523   | 523   | 27  | 1                          | 43,317              | 87,170                       | 2%  | 7%           | 88%          | 3%           | 0%          |
|                         | <b>Sub-total</b> | <b>5,051</b>  | <b>5,051</b>  | <b>5,492</b>                              | <b>5,506</b>               | <b>270,263</b>      | <b>375,751</b>               | <b>39.9%</b>  | <b>33.6%</b> | <b>25.5%</b> | <b>1.0%</b>  | <b>0.0%</b> |

## Narrabri Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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 | 2017/18 Required maintenance <sup>a</sup> | 2017/18 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost |              |              |              |             |
|--------------------------------|---------------------------|---|---|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|--------------|-------------|
|                                |                           |   |   |   |                            |                     |                              | 1   | 2            | 3            | 4            | 5           |
| Water supply network           | Water supply network      | 10,478  | 10,478  | 497                                       | 525                        | 28,284              | 64,964                       | 16%   | 21%          | 46%          | 17%          | 0%          |
|                                | <b>Sub-total</b>          | <b>10,478</b>   | <b>10,478</b>   | <b>497</b>                                | <b>525</b>                 | <b>28,284</b>       | <b>64,964</b>                | <b>16.0%</b>  | <b>21.0%</b> | <b>46.0%</b> | <b>17.0%</b> | <b>0.0%</b> |
| Sewerage network               | Sewerage network          | 14,473  | 14,473  | 394                                       | 400                        | 33,298              | 98,135                       | 13%   | 37%          | 19%          | 31%          | 0%          |
|                                | <b>Sub-total</b>          | <b>14,473</b>   | <b>14,473</b>   | <b>394</b>                                | <b>400</b>                 | <b>33,298</b>       | <b>98,135</b>                | <b>13.0%</b>  | <b>37.0%</b> | <b>19.0%</b> | <b>31.0%</b> | <b>0.0%</b> |
| Stormwater drainage            | Stormwater drainage       | 629   | 629   | 136                                       | 59                         | 4,963               | 9,677                        | 2%  | 44%          | 32%          | 19%          | 3%          |
|                                | <b>Sub-total</b>          | <b>629</b>  | <b>629</b>  | <b>136</b>                                | <b>59</b>                  | <b>4,963</b>        | <b>9,677</b>                 | <b>2.0%</b>   | <b>44.0%</b> | <b>32.0%</b> | <b>19.0%</b> | <b>3.0%</b> |
| Open space/recreational assets | Swimming pools            | 944   | 944   | 155                                       | 133                        | 7,555               | 10,732                       | 42%   | 12%          | 36%          | 10%          | 0%          |
|                                | Other                     | 233   | 233   | 43  | 46                         | 1,419               | 2,550                        | 0%  | 34%          | 57%          | 9%           | 0%          |
|                                | <b>Sub-total</b>          | <b>1,177</b>  | <b>1,177</b>  | <b>198</b>                                | <b>179</b>                 | <b>8,974</b>        | <b>13,282</b>                | <b>33.9%</b>  | <b>16.2%</b> | <b>40.0%</b> | <b>9.8%</b>  | <b>0.0%</b> |
|                                | <b>TOTAL – ALL ASSETS</b> | <b>35,913</b>   | <b>35,913</b>   | <b>7,582</b>                              | <b>7,580</b>               | <b>392,361</b>      | <b>627,539</b>               | <b>31.3%</b>  | <b>33.4%</b> | <b>26.7%</b> | <b>8.5%</b>  | <b>0.0%</b> |

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Narrabri Shire Council

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

|  | Amounts<br>2018 | Indicator<br>2018 | Prior periods |         | Benchmark |
|--|-----------------|-------------------|---------------|---------|-----------|
|  |                 |                   | 2017          | 2016    |           |
| <b>Infrastructure asset performance indicators *<br/>consolidated</b>    |                 |                   |               |         |           |
| <b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>     |                 |                   |               |         |           |
| Asset renewals <sup>(2)</sup>  | <u>8,649</u>    | <b>94.34%</b>     | 136.91%       | 162.87% | >= 100%   |
| Depreciation, amortisation and impairment                                | <u>9,168</u>    |                   |               |         |           |
| <b>2. Infrastructure backlog ratio <sup>(1)</sup></b>                    |                 |                   |               |         |           |
| Estimated cost to bring assets to a satisfactory standard                | <u>35,913</u>   | <b>9.15%</b>      | 10.18%        | 11.29%  | < 2.00%   |
| Net carrying amount of infrastructure assets                             | <u>392,361</u>  |                   |               |         |           |
| <b>3. Asset maintenance ratio</b>  |                 |                   |               |         |           |
| Actual asset maintenance   | <u>7,580</u>    | <b>99.97%</b>     | 110.56%       | 103.50% | > 100%    |
| Required asset maintenance   | <u>7,582</u>    |                   |               |         |           |
| <b>4. Cost to bring assets to agreed service level</b>                   |                 |                   |               |         |           |
| Estimated cost to bring assets to an agreed service level set by Council | <u>35,913</u>   | <b>5.72%</b>      | 6.26%         | 7.00%   |           |
| Gross replacement cost   | <u>627,539</u>  |                   |               |         |           |

## Notes

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

(1) Excludes Work In Progress (WIP)

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

## Narrabri Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

|  | General indicators <sup>(1)</sup> |         | Water indicators |         | Sewer indicators |        | Benchmark |
|--|-----------------------------------|---------|------------------|---------|------------------|--------|-----------|
|  | 2018                              | 2017    | 2018             | 2017    | 2018             | 2017   |           |
| <b>Infrastructure asset performance indicators by fund</b>               |                                   |         |                  |         |                  |        |           |
| <b>1. Buildings and infrastructure renewals ratio <sup>(2)</sup></b>     |                                   |         |                  |         |                  |        |           |
| Asset renewals <sup>(3)</sup>  | <b>105.74%</b>                    | 153.50% | <b>146.59%</b>   | 210.86% | <b>6.65%</b>     | 18.58% | >= 100%   |
| Depreciation, amortisation and impairment                                |                                   |         |                  |         |                  |        |           |
| <b>2. Infrastructure backlog ratio <sup>(2)</sup></b>                    |                                   |         |                  |         |                  |        |           |
| Estimated cost to bring assets to a satisfactory standard                | <b>3.31%</b>                      | 4.58%   | <b>37.05%</b>    | 33.75%  | <b>43.47%</b>    | 44.60% | < 2.00%   |
| Net carrying amount of infrastructure assets                             |                                   |         |                  |         |                  |        |           |
| <b>3. Asset maintenance ratio</b>  |                                   |         |                  |         |                  |        |           |
| Actual asset maintenance   | <b>99.46%</b>                     | 110.64% | <b>105.63%</b>   | 138.95% | <b>101.52%</b>   | 77.30% | > 100%    |
| Required asset maintenance   |                                   |         |                  |         |                  |        |           |
| <b>4. Cost to bring assets to agreed service level</b>                   |                                   |         |                  |         |                  |        |           |
| Estimated cost to bring assets to an agreed service level set by Council | <b>2.36%</b>                      | 3.22%   | <b>16.13%</b>    | 13.30%  | <b>14.75%</b>    | 15.75% |           |
| Gross replacement cost   |                                   |         |                  |         |                  |        |           |

## Notes

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