

Narrabri Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

*Narrabri Shire will be 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 2021

*Narrabri Shire will be 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 2021

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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 B1-2.

Through the use of the internet, Council have ensured that its 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.

Narrabri Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present 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 2021.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Narrabri Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

The attached general purpose financial statements have been prepared in accordance with:

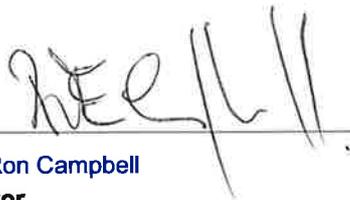
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 26 October 2021.



Cr Ron Campbell
Mayor
26 October 2021



Cr Catherine Redding
Deputy Mayor
26 October 2021



Mr Stewart Todd
General Manager
26 October 2021



Mr Tim McClellan
Responsible Accounting Officer
26 October 2021

Narrabri Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Income from continuing operations				
20,805	Rates and annual charges	B2-1	20,961	20,897
9,901	User charges and fees	B2-2	7,610	8,060
1,927	Other revenue	B2-3	1,472	1,808
12,630	Grants and contributions provided for operating purposes	B2-4	15,476	12,848
11,558	Grants and contributions provided for capital purposes	B2-4	8,807	12,001
821	Interest and investment income	B2-5	390	1,101
313	Other income	B2-6	1,025	136
57,955	Total income from continuing operations		55,741	56,851
Expenses from continuing operations				
18,828	Employee benefits and on-costs	B3-1	17,208	16,147
17,196	Materials and services	B3-2	17,105	16,812
598	Borrowing costs	B3-3	216	346
10,519	Depreciation, amortisation and impairment for non-financial assets	B3-4	10,342	11,177
1,100	Other expenses	B3-5	1,210	2,395
–	Net losses from the disposal of assets	B4-1	1,224	1,552
48,241	Total expenses from continuing operations		47,305	48,429
9,714	Operating result from continuing operations		8,436	8,422
9,714	Net operating result for the year attributable to Council		8,436	8,422
(1,844)	Net operating result for the year before grants and contributions provided for capital purposes		(371)	(3,579)

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

Narrabri Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Net operating result for the year – from Income Statement		8,436	8,422
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	15,934	(550)
Total items which will not be reclassified subsequently to the operating result		15,934	(550)
Total other comprehensive income for the year		15,934	(550)
Total comprehensive income for the year attributable to Council		24,370	7,872

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

Narrabri Shire Council

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	3,330	3,517
Investments	C1-2	27,000	33,000
Receivables	C1-4	7,398	9,958
Inventories	C1-5	6,331	5,838
Contract assets and contract cost assets	C1-6	6,997	5,028
Other		359	358
Total current assets		51,415	57,699
Non-current assets			
Infrastructure, property, plant and equipment	C1-7	536,836	505,110
Investments accounted for using the equity method	D2	261	256
Total non-current assets		537,097	505,366
Total assets		588,512	563,065
LIABILITIES			
Current liabilities			
Payables	C3-1	3,161	4,895
Contract liabilities	C3-2	6,063	1,629
Borrowings	C3-3	576	554
Employee benefit provisions	C3-4	4,090	4,065
Provisions	C3-5	-	233
Total current liabilities		13,890	11,376
Non-current liabilities			
Payables	C3-1	191	191
Borrowings	C3-3	4,021	4,596
Employee benefit provisions	C3-4	279	120
Provisions	C3-5	2,143	3,164
Total non-current liabilities		6,634	8,071
Total liabilities		20,524	19,447
Net assets		567,988	543,618
EQUITY			
Accumulated surplus	C4-1	251,772	243,336
IPPE revaluation reserve	C4-1	316,216	300,282
Council equity interest		567,988	543,618
Total equity		567,988	543,618

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

Narrabri Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

	as at 30/06/21			as at 30/06/20		
	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July	243,336	300,282	543,618	236,475	300,832	537,307
Changes due to AASB 1058 and AASB 15 adoption	-	-	-	(1,561)	-	(1,561)
Restated opening balance	243,336	300,282	543,618	234,914	300,832	535,746
Net operating result for the year	8,436	-	8,436	8,422	-	8,422
Net operating result for the period	8,436	-	8,436	8,422	-	8,422
Other comprehensive income						
Gain (loss) on revaluation of infrastructure, property, plant and equipment	-	15,934	15,934	-	(550)	(550)
Other comprehensive income	-	15,934	15,934	-	(550)	(550)
Total comprehensive income	8,436	15,934	24,370	8,422	(550)	7,872
Closing balance at 30 June	251,772	316,216	567,988	243,336	300,282	543,618

Notes

C1-7

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

Narrabri Shire Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
20,880	Rates and annual charges		21,387	20,652
10,203	User charges and fees		8,944	5,941
954	Investment and interest revenue received		540	1,344
24,003	Grants and contributions		26,566	24,443
–	Bonds, deposits and retention amounts received		76	–
1,821	Other		7,339	6,821
<i>Payments:</i>				
(19,116)	Employee benefits and on-costs		(16,980)	(16,337)
(13,341)	Materials and services		(22,318)	(17,489)
(598)	Borrowing costs		(150)	(347)
–	Bonds, deposits and retention amounts refunded		–	(65)
(4,983)	Other		(4,520)	(10,497)
19,823	Net cash flows from operating activities	G1-1	20,884	14,466
Cash flows from investing activities				
<i>Receipts:</i>				
14,949	Redemption of term deposits		32,400	39,800
–	Sale of real estate assets		110	–
826	Sale of infrastructure, property, plant and equipment		643	466
<i>Payments:</i>				
–	Acquisition of term deposits		(26,400)	(22,800)
(34,348)	Purchase of infrastructure, property, plant and equipment		(27,271)	(26,222)
–	Purchase of real estate assets		–	(2,810)
(18,573)	Net cash flows from investing activities		(20,518)	(11,566)
Cash flows from financing activities				
<i>Payments:</i>				
(430)	Repayment of borrowings		(553)	(763)
(430)	Net cash flows from financing activities		(553)	(763)
820	Net change in cash and cash equivalents		(187)	2,137
6,180	Cash and cash equivalents at beginning of year		3,517	1,380
7,000	Cash and cash equivalents at end of year	C1-1	3,330	3,517
20,691	plus: Investments on hand at end of year	C1-2	27,000	33,000
27,691	Total cash, cash equivalents and investments		30,330	36,517

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

Narrabri Shire Council

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Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 26 November 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the 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.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and the *Local Government (General) Regulations 2005*, 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.

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

and are clearly marked.

Covid-19 impacts

The Covid-19 global health crisis has continued to impact Council's operations during 2020/21, but has had only limited financial impact.

A number of facilities, services and events were affected during the periods of pandemic restriction which resulted in reduced revenues in comparison to pre-Covid reporting years.

Financial difficulty experienced by many ratepayers has led to higher than normal levels of outstanding collections. This position has improved however this year as the economy improves from the initial Covid impact and regional NSW emerges from prolonged drought conditions.

Council continues to be of the view that physical non-current assets will not experience substantial declines in value due to Covid-19.

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.

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 its accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

A1-1 Basis of preparation (continued)

- i. estimated fair values of infrastructure, property, plant and equipment - refer Note C1-7
- ii. estimated tip remediation provisions - refer Note C3-5
- iii. employee benefit provisions - refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.

Monies and other assets received by Council

The Consolidated Fund

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

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

- General Purpose Operations
- Water Services
- Sewerage Services

Goods and Services Tax (GST)

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

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

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

Volunteer services

Volunteer services are not recognised by Council as they can not be reliably measured, are not material and would not be purchased if not donated.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective for the first time at 30 June 2021.

None of these newly adopted standards had a material impact on Council's reported financial position or financial performance.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B Financial Performance

B1 Functions or activities

B1-1 Council Services - financial information

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Services (by Directorate)										
General Manager										
Corporate Planning and Workforce	90	102	1,020	1,275	(930)	(1,173)	–	–	1,085	1,005
Economic Development	21	7	377	510	(356)	(503)	–	–	2,215	1,685
Planning and Environment	2,306	1,762	1,817	1,569	489	193	354	185	8,865	10,279
Strategic Management and Governance	37	42	1,410	1,056	(1,373)	(1,014)	–	–	636	481
Corporate & Community Services										
Airport	405	225	659	722	(254)	(497)	286	–	14,205	12,364
Community and Customer Relations	29	2	959	1,161	(930)	(1,159)	–	–	–	–
Cultural Facilities	736	983	2,427	2,437	(1,691)	(1,454)	94	186	8,872	9,256
Financial Services	88	73	1,230	2,064	(1,142)	(1,991)	–	–	8,855	10,869
Information Services	5	64	1,221	918	(1,216)	(854)	–	59	572	2,479
Property Services	471	418	1,987	2,150	(1,516)	(1,732)	9	11	31,936	23,249
Tourism and Community Development	799	418	1,616	1,227	(817)	(809)	596	262	2,018	2,098
Infrastructure Delivery										
Cemeteries	228	212	443	399	(215)	(187)	7	–	1,393	1,002
Design and Investigation Services	5	5	380	397	(375)	(392)	–	–	5,948	1,292
Emergency Support	363	288	829	793	(466)	(505)	318	225	366	487
Fleet Management	208	235	316	156	(108)	79	–	20	12,452	11,518
Parks and Open Spaces	1,078	1,567	3,265	3,089	(2,187)	(1,522)	1,053	1,366	16,188	14,337
Projects and Assets	7	16	462	308	(455)	(292)	–	–	–	343
Roads and Ancillary Services	11,289	11,827	14,192	14,023	(2,903)	(2,196)	9,041	8,777	349,241	337,693
Sewerage Services	8,147	5,036	3,542	3,893	4,605	1,143	4,896	1,626	50,296	15,347
Swimming Pools	267	396	1,586	1,667	(1,319)	(1,271)	–	106	12,491	9,376
Waste Management	4,632	3,457	3,483	4,156	1,149	(699)	80	(2)	5,852	5,360
Water Services	3,471	8,520	4,199	4,459	(728)	4,061	–	4,554	51,122	88,496
General Purpose Revenue										

continued on next page ...

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B1-1 Council Services - financial information (continued)

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
General Purpose Revenue	21,059	21,196	(115)	–	21,174	21,196	7,549	7,474	3,904	4,049
Total Services	55,741	56,851	47,305	48,429	8,436	8,422	24,283	24,849	588,512	563,065

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B1-2 Council Services - component descriptions

Details relating to Council's services as reported in Note B1-1 are as follows:

General Manager

Corporate Planning and Workforce

Integrated planning and reporting support and oversight, staff management, recruitment, work health and safety compliance and organisational development.

Economic Development

Economic promotion and marketing of Narrabri Shire, investment attraction and lobbying. Current focus on Northern NSW Inland Port (N2IP).

Planning and Environment

Strategic land use planning, statutory land use planning, building certification, local activity approvals, development compliance, environmental health and companion animal management.

Strategic Management and Governance

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

Corporate and Community Services

Airport

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

Community and Customer Relations

Delivery of quality customer service, administrative support and corporate records management, engage in communications with the community and maintaining the Council brand and reputation.

Cultural Facilities

The Crossing Theatre and Libraries. The Crossing Theatre, located in Narrabri, provides, promotes, attracts and facilitates event and entertainment opportunities for residents and visitors. Library services are provided in Narrabri, Wee Waa and Boggabri. Provision of library services is enhanced through Council's membership in the Central Northern Regional Library group.

Financial Services

Financial reporting, financial support, investment services, rates management, accounts receivable, accounts payable, 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 (incl. caravan parks, works depots and saleyards), provision of geospatial information services (GIS), management of Council's property insurance portfolio and overseeing asset management across the organisation.

Tourism and Community Development

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 coordination and development. It also includes assisting existing businesses, community development and grant seeking opportunities for Council and the community.

Infrastructure Delivery

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.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B1-2 Council Services - component descriptions (continued)

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.

Emergency Support

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

Fleet Management

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

Parks and Open Spaces

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

Projects and Assets

Co-ordination of directorate activities, budget maintenance and supervision, financial analysis, monitoring and reporting, long-term asset management planning, contracts administration and tender management services.

Roads and Ancillary Services

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

Contract services are also provided to Transport for New South Wales (TfNSW) for maintenance, repairs and emergency response support on the Newell and Kamilaroi highways.

Sewerage Services

Sewerage services provided to Boggabri, Narrabri and Wee Waa.

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.

Waste Management

Kerbside domestic and commercial collection, operation of a solid 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.

Water Services

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

General Purpose Revenue

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 2021

B2 Sources of income

B2-1 Rates and annual charges

	2021 \$ '000	2020 \$ '000
Ordinary rates		
Residential	4,526	4,501
Farmland	6,505	6,492
Mining	998	998
Business	1,312	1,314
Less: pensioner rebates (mandatory)	(151)	(149)
Rates levied to ratepayers	13,190	13,156
Pensioner rate subsidies received	87	82
Total ordinary rates	13,277	13,238
Special rates		
Tourism	66	67
Total special rates	66	67
Annual charges		
Domestic waste management services	1,421	1,417
Waste management services (non-domestic)	1,315	1,307
Water supply services	1,714	1,708
Sewerage services	3,174	3,162
On-site sewerage management	70	70
Less: pensioner rebates (mandatory)	(160)	(159)
Annual charges levied	7,534	7,505
Pensioner subsidies received:		
– Water	32	32
– Sewerage	28	28
– Domestic waste management	24	27
Total annual charges	7,618	7,592
Total rates and annual charges	20,961	20,897

Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence.

Pensioner rate subsidies are received from the NSW Government as a contribution towards pensioner rebates and are recognised within the underlying revenue item based on their substance.

Valuation Year Information

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2-2 User charges and fees

	Timing	2021 \$ '000	2020 \$ '000
Specific user charges			
Water supply services	2	1,593	1,930
Sewerage services	2	24	26
Total specific user charges		1,617	1,956
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions			
Planning and building regulation	2	227	137
Regulatory / statutory fees	2	106	70
Total fees and charges – statutory/regulatory		333	207
(ii) Fees and charges – other (incl. general user charges)			
Airport	2	83	225
Caravan parks	2	70	43
Cemeteries	2	221	212
Contribution to works	2	44	58
Lease rentals	2	147	53
Leaseback fees – Council vehicles	2	136	133
Park / Oval rents	2	10	5
Saleyards	2	94	110
Swimming centres	2	193	209
Tonnage charges - gravel	2	203	134
Tonnage charges - mining	2	1,264	1,001
Transport for NSW charges (state roads not controlled by Council)	2	2,229	3,036
Waste disposal tipping fees	2	857	626
Water / Sewer connection fees	2	63	36
Other	2	46	16
Total fees and charges – other		5,660	5,897
Total user charges and fees		7,610	8,060
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		7,610	8,060
Total user charges and fees		7,610	8,060

Accounting policy

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided. The performance obligation relates to the specific services which are provided to customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged, such as membership fees, the fee is recognised on a straight-line basis over the expected life of the membership.

Licences granted by Council are either short-term or low value and all revenue from licences is recognised at the time that the licence is granted, rather than over the term of the licence.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2-3 Other revenue

	Timing	2021 \$ '000	2020 \$ '000
Diesel rebate	2	98	166
Hire income - other council properties	2	10	48
Insurance claims recoveries	2	101	182
Insurance premium rebates	2	54	84
Legal fees recovery – rates and charges (extra charges)	2	73	29
Recoverable expenses	2	107	131
Sales – general	2	388	368
The Crossing Theatre (sales & other income)	2	582	732
Other	2	59	68
Total other revenue		1,472	1,808

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		1,472	1,808
Total other revenue		1,472	1,808

Accounting policy for other revenue

Where the revenue is earned from the provision of specified goods or services under an enforceable contract, it is recognised when or as the the obligations are satisfied.

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

Other revenue 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 2021

B2-4 Grants and contributions

	Timing	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
General purpose grants and non-developer contributions (untied)					
Current year allocation					
Financial assistance	2	3,645	3,628	–	–
Payment in advance - future year allocation					
Financial assistance	2	3,904	3,846	–	–
Amount recognised as income during current year		7,549	7,474	–	–
Special purpose grants and non-developer contributions (tied)					
Bushfire and emergency services	2	318	224	–	–
Community care	2	38	12	–	–
Environmental programs	1	166	90	–	–
Heritage and cultural	1	–	20	–	–
Library	2	94	93	–	–
LIRS subsidy	2	–	24	–	–
Noxious weeds	2	331	160	–	–
Sewerage services	1	–	–	4,897	1,626
Recreation and culture	1	1,157	819	–	484
Traffic route lighting subsidy	2	59	59	–	–
Transport (flood damage)	1	–	–	1,743	–
Transport (roads to recovery)	2	2,296	2,252	–	–
Transport (other roads and bridges funding)	1	1,844	75	1,535	5,156
Waste management	1	–	–	80	–
Water supplies	1	–	–	–	4,554
Other specific grants	2	55	311	292	90
Previously contributions:					
Other councils – joint works/services	2	5	–	–	–
TfNSW contributions (regional roads block grant)	2	1,564	1,235	–	–
Total special purpose grants and non-developer contributions (tied)		7,927	5,374	8,547	11,910
Total grants and non-developer contributions		15,476	12,848	8,547	11,910
Comprising:					
– Commonwealth funding		9,845	9,726	–	–
– State funding		5,626	3,122	8,467	11,910
– Other funding		5	–	80	–
		15,476	12,848	8,547	11,910

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2-4 Grants and contributions (continued)

Developer contributions

	Notes	Timing	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Developer contributions: (s7.4 & s7.12 - EP&A Act, s64 of the LGA):	G4					
Cash contributions						
S 7.4 – contributions using planning agreements		2	–	–	123	–
S 7.12 – fixed development consent levies		2	–	–	137	91
Total developer contributions			–	–	260	91
Total contributions			–	–	260	91
Total grants and contributions			15,476	12,848	8,807	12,001

Timing of revenue recognition for grants and contributions

Grants and contributions recognised over time (1)			3,168	1,004	8,255	11,820
Grants and contributions recognised at a point in time (2)			12,308	11,844	552	181
Total grants and contributions			15,476	12,848	8,807	12,001

Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	1,430	1,390	184	479
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	76	266	–	–
Add: Funds received and not recognised as revenue in the current year	1,640	705	4,247	40
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(190)	–	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(1,114)	(931)	(175)	(335)
Unspent funds at 30 June	1,842	1,430	4,256	184

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2-4 Grants and contributions (continued)

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Contributions				
Unspent funds at 1 July	–	–	9,724	11,939
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	176	231
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(1,604)	(2,446)
Unspent contributions at 30 June	–	–	8,296	9,724

Most of the operational and capital grants that remain unspent at 30 June 2021 relate to monies that were received late in the year and in advance of commencement including: LRCI Phase 2 (\$664k), Millie Road funding (\$2,272k), Doreen Lane rehabilitation (\$1,149k) and Boston Street Bridge replacement (\$652k).

The unspent contributions include section 7.12 monies (\$1,061k) and voluntary planning agreements (\$8,296k).

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grants and contributions revenue from an agreement, which is enforceable and contains sufficiently specific performance obligations, is recognised as or when control of each performance obligation is transferred.

The performance obligations vary according to the agreement. Payment terms vary depending on the terms of the grant. Cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods or services at a single time (eg. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (eg. provision of community services through the year).

Where control is transferred over time, generally the input methods, being either costs or time incurred, are deemed to be the most appropriate methods to reflect the transfer of benefit.

Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications, which will be under Council's control on completion, are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of completeness of the construction project.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by Council.

Developer contributions

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

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

Developer contributions may only be expended for the purposes for which they were required, but Council may apply contributions according to the priorities established in work schedules for the contribution plan.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2-4 Grants and contributions (continued)

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once assets and liabilities have been recognised, income is recognised for any remaining asset value at the time the asset is received.

B2-5 Interest and investment income

	2021 \$ '000	2020 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	77	188
– Cash and investments	313	913
Total Interest and Investment Income	390	1,101
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	37	109
General Council cash and investments	203	379
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	39	140
Water fund operations	48	258
Sewerage fund operations	50	191
Domestic waste management operations	10	18
Other externally restricted assets	3	6
Total interest and investment income	390	1,101

Accounting policy

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2-6 Other income

	Notes	2021 \$ '000	2020 \$ '000
Rental income			
Other lease income			
Staff housing		93	108
Other		92	19
Total Other lease income		185	127
Total rental income	C2-1	185	127
Net share of interests in joint ventures and associates using the equity method			
Associates		5	9
Total net share of interests in joint ventures and associates using the equity method	D2-1	5	9
Other			
Re-measurement of rehabilitation costs of landfills & transfer stations		835	–
Total other		835	–
Total other income		1,025	136

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2021 \$ '000	2020 \$ '000
Salaries and wages	13,074	12,487
Employee leave entitlements (ELE)	2,323	2,040
Superannuation	1,141	1,534
Workers' compensation insurance	1,088	901
Fringe benefit tax (FBT)	122	142
Payroll tax	21	–
Other	142	–
Total employee costs	17,911	17,104
Less: capitalised costs	(703)	(957)
Total Employee Costs	17,208	16,147

Accounting policy

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

All employees of 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.

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B3-2 Materials and services

	Notes	2021 \$ '000	2020 \$ '000
Raw materials and consumables		10,471	17,805
Contractor and consultancy costs		29,073	27,068
Contractor waste collection		1,117	1,208
Audit Fees	F2-1	64	57
Previously other expenses:			
Advertising		259	211
Agency collection fees		105	71
Bank charges		20	16
Catering		40	26
Councillor and Mayoral fees and associated expenses	F1-2	141	155
Fees & permits		52	44
Insurance		639	588
Office expenses (including computer expenses)		614	820
Postage		44	43
Property - electricity and heating		787	813
Property - other expenses		212	194
Printing and stationery		100	126
Street lighting		257	258
Subscriptions and memberships		129	147
Telephone and communications		156	161
Training costs (other than salaries and wages)		162	129
Travel expenses		33	33
Valuation fees – assets		33	19
Valuation fees – rating		57	54
Other expenses		143	101
Legal expenses:			
– Legal expenses: planning and development		16	22
– Legal expenses: debt recovery		45	1
– Legal expenses: other		118	83
Total materials and services		44,887	50,253
Less: capitalised costs		(27,782)	(33,441)
Total materials and services		17,105	16,812

Accounting policy

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B3-3 Borrowing costs

	2021 \$ '000	2020 \$ '000
(i) Interest bearing liability costs		
Interest on loans	150	240
Other debts	–	1
Total interest bearing liability costs	150	241
Total interest bearing liability costs expensed	150	241
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)	66	105
Total other borrowing costs	66	105
Total Borrowing Costs	216	346

Accounting policy

All borrowing costs are expensed as incurred.

B3-4 Depreciation, amortisation and impairment of non-financial assets

	Notes	2021 \$ '000	2020 \$ '000
Plant and equipment		1,181	1,146
Office equipment		283	196
Furniture and fittings		83	75
Land improvements (depreciable)		75	88
Infrastructure:	C1-7		
– Buildings		809	778
– Other structures		567	718
– Swimming pools		185	218
– Other open space / recreational assets		81	93
– Roads		4,005	4,362
– Bridges		439	445
– Footpaths		133	134
– Stormwater drainage		119	120
– Water supply network		933	947
– Sewerage network		1,138	1,127
Reinstatement, rehabilitation and restoration assets:			
– Landfill and transfer station assets	C3-5,C1-7	311	730
Total depreciation costs		10,342	11,177
Total depreciation, amortisation and impairment for non-financial assets		10,342	11,177

Depreciation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B3-5 Other expenses

	Notes	2021 \$ '000	2020 \$ '000
Impairment of receivables			
Rates and annual charges		44	–
Interest and investment income		17	–
Other		–	1,574
Total impairment of receivables	C1-4	61	1,574
Other			
Contributions / levies to other levels of government			
– Emergency services levies (includes FRNSW, SES, and RFS)		601	443
Donations / contributions to other organisations (incl. section 356)			
– Community assistance scheme		266	156
– Contribution to Central Northern Libraries		222	222
Write-down of inventories held for sale or distribution		60	–
Total other		1,149	821
Total other expenses		1,210	2,395

Accounting policy

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified.

B4 Gains or losses

B4-1 Net losses from the disposal of assets

	Notes	2021 \$ '000	2020 \$ '000
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	23
Less: carrying amount of property assets sold/written off		(28)	(14)
Gain (or loss) on disposal		(28)	9
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		643	402
Less: carrying amount of plant and equipment assets sold/written off		(1,265)	(575)
Gain (or loss) on disposal		(622)	(173)
Gain (or loss) on disposal of infrastructure			
	C1-7		
Proceeds from disposal – infrastructure		–	41
Less: carrying amount of infrastructure assets sold/written off		(574)	(1,429)
Gain (or loss) on disposal		(574)	(1,388)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		110	–
Less: carrying amount of real estate assets sold/written off		(110)	–
Gain (or loss) on disposal		–	–

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B4-1 Net losses from the disposal of assets (continued)

	Notes	2021 \$ '000	2020 \$ '000
Gain (or loss) on disposal of term deposits	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		32,400	39,800
Less: carrying amount of term deposits sold/redeemed/matured		(32,400)	(39,800)
Gain (or loss) on disposal		-	-
Net gain (or loss) on disposal of assets		(1,224)	(1,552)

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 30/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	20,805	20,961	156	1% F
User charges and fees	9,901	7,610	(2,291)	(23)% U
Council received \$2,231k less than budgeted for in Transport for NSW (TfNSW) charges (for work on state roads not controlled by Council). This is a difficult item to budget for as it relies on the works program of TfNSW.				
Other revenues	1,927	1,472	(455)	(24)% U
Council was down \$321k in sales revenue from The Crossing Theatre as a result of Covid-19. Other immaterial losses from both user charges and other revenue streams resulted from pandemic restrictions.				
Operating grants and contributions	12,630	15,476	2,846	23% F
Council received a number of economic stimulus grant packages in an effort to combat the economic effects of the pandemic. These included a Local Roads and Community Infrastructure grant (\$1,475k) that Council was able to use towards the cost of the Maitland St, Narrabri upgrade. Other grant funding was received and spent under Drought Communities Funding, the Stronger Country Communities Fund and Drought Stimulus Package Funding.				
Capital grants and contributions	11,558	8,807	(2,751)	(24)% U

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
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Capital grant income for augmentation works at Boggabri & Wee Waa Sewerage Treatment Plants was less than budgeted (\$2,227k). Council's roads capital works program also attracted less grant revenue than expected (\$487k).

Interest and investment revenue	821	390	(431)	(52)%	U
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Income from investments was significantly effected by on-going low interest rates.

Other income	313	1,025	712	227%	F
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The re-measurement of tip assets rehabilitation costs and required liability provisions resulted in an adjustment to expenses recognised in the previous year.

EXPENSES

Employee benefits and on-costs	18,828	17,208	1,620	9%	F
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Materials and services	17,196	17,105	91	1%	F
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Borrowing costs	598	216	382	64%	F
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A review of Council's future tip rehabilitation program resulted in reduced discounting adjustment costs relating to the movement in the provision. Council also had two fixed term loans that were renewed in June 2020, that resulted in less interest expense.

Depreciation, amortisation and impairment of non-financial assets	10,519	10,342	177	2%	F
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Other expenses	1,100	1,210	(110)	(10)%	U
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Net losses from disposal of assets	-	1,224	(1,224)	∞	U
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Council did not budget for profit or loss on disposal of plant and infrastructure assets as they are generally expected to be immaterial.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	19,823	20,884	1,061	5%	F
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Cash flows from investing activities	(18,573)	(20,518)	(1,945)	10%	U
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Cash flows from financing activities	(430)	(553)	(123)	29%	U
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This was effected by Council's review of future rehabilitation costs explained in Borrowing Costs above.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2021 \$ '000	2020 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	1,330	1,817
Cash-equivalent assets		
– Deposits at call	2,000	1,700
Total cash and cash equivalents	3,330	3,517

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	3,330	3,517
Balance as per the Statement of Cash Flows	3,330	3,517

Accounting policy

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

C1-2 Financial investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Debt securities at amortised cost				
Term deposits	27,000	–	33,000	–
Total	27,000	–	33,000	–
Total financial investments	27,000	–	33,000	–
Total cash assets, cash equivalents and investments	30,330	–	36,517	–

Accounting policy

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

On initial recognition, all financial instruments are measured at fair value.

Financial assets

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-3 Restricted cash, cash equivalents and investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total cash, cash equivalents and investments	30,330	–	36,517	–
attributable to:				
External restrictions	23,840	–	28,089	–
Internal restrictions	6,263	–	8,373	–
Unrestricted	227	–	55	–
	30,330	–	36,517	–

	2021 \$ '000	2020 \$ '000
--	-----------------	-----------------

Details of restrictions

External restrictions – included in liabilities

Specific Purpose Unexpended Grants - general fund	6,022	779
Transport for NSW advances	–	568
Kamilaroi Highway Group Funds	84	75
Leards Forest Environmental Trust	199	216
External restrictions – included in liabilities	6,305	1,638

External restrictions – other

External restrictions included in cash, cash equivalents and investments above comprise:

Developer Contributions - general	8,296	9,724
Specific Purpose Unexpended Grants (recognised as revenue) - general fund	76	266
Water fund	6,780	8,458
Sewer fund	1,870	7,690
Domestic waste management	513	313
External restrictions – other	17,535	26,451
Total external restrictions	23,840	28,089

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-3 Restricted cash, cash equivalents and investments (continued)

	2021 \$ '000	2020 \$ '000
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Plant and vehicle replacement	455	873
Employees Leave Entitlements	874	863
Carry Over Works (funded from general purpose revenue)	–	10
Deposits, retentions and bonds	351	275
Airport Reserve	323	519
Buildings Infrastructure	226	726
Crown Reserves Management	63	68
Election Costs	160	145
Financial Assistance Grant payments received in advance	3,904	3,846
Friends of the Crossing Theatre	59	59
Housing (Doctors) Reserve	–	152
Narrabri CBD Masterplan	92	92
Parks & Gardens (Bulk Water Sale Reserve)	53	234
Quarries Restoration and Improvements	188	341
Risk Management	69	142
Roads Infrastructure (Stormwater) Reserve	286	425
Roads Maintenance Council Contract (warranty)	–	100
Roads: Narrabri West (Old Turrawan Rd) Masterplan	150	150
Smart Community Strategies	–	100
Statutory Land Planning Reserve	–	209
Strategic Project Master Planning	–	150
Swimming Pools	460	835
Tonnage Payments – Gravel (upgrade)	294	113
Tonnage Payments – Mining	–	223
Waste Management	356	523
Less: Land Acquisition for N2IP (borrowed from internal restrictions) ¹	(2,100)	(2,800)
Total internal restrictions	6,263	8,373
Total restrictions	30,103	36,462

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

(1) Rather than borrow externally, Council has borrowed from IPPE internal restrictions to fund land purchases for its Northern NSW Inland Port (N2IP) project. The loan is over 4 years at 2%. This option provides the flexibility to repay the internal loan off sooner as land is sold.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-4 Receivables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Rates and annual charges	2,598	–	2,866	–
Interest and extra charges	384	–	401	–
User charges and fees	2,608	–	3,257	–
Accrued revenues				
– Interest on investments	65	–	198	–
– Other income accruals	761	–	1,762	–
Government grants and subsidies	187	–	5	–
Net GST receivable	2,373	–	2,871	–
Other debtors	127	–	242	–
Total	9,103	–	11,602	–
Less: provision of impairment				
Rates and annual charges	(65)	–	(21)	–
Interest and extra charges	(33)	–	(16)	–
User charges and fees	(33)	–	(33)	–
Net GST receivable	(1,540)	–	(1,540)	–
Other debtors	(34)	–	(34)	–
Total provision for impairment – receivables	(1,705)	–	(1,644)	–
Total net receivables	7,398	–	9,958	–
Externally restricted receivables				
Water supply				
– Rates and availability charges	294	–	352	–
– Other	1,439	–	1,104	–
Sewerage services				
– Rates and availability charges	394	–	430	–
– Other	1,257	–	250	–
Total external restrictions	3,384	–	2,136	–
Unrestricted receivables	4,014	–	7,822	–
Total net receivables	7,398	–	9,958	–

	2021 \$ '000	2020 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	1,644	1,644
+ new provisions recognised during the year	61	–
Balance at the end of the year	1,705	1,644

Accounting policy

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.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-4 Receivables (continued)

Impairment

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

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, including forward-looking information.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day one.

When considering the ECL for rates and annual charge debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold, ie. rates and annual charges are secured against the property.

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

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and / or there is no realistic prospect of recovery, eg. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Receivables that have been written off are not subject to enforcement activity.

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

C1-5 Inventories

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(i) Inventories at cost				
Real estate for resale	4,315	-	4,485	-
Stores and materials	746	-	471	-
Trading stock	1,270	-	882	-
Total inventories	6,331	-	5,838	-

(i) Other disclosures

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(a) Details for real estate development				
Residential (Shannon Estate)	1,505	-	1,675	-
Industrial / commercial (N2IP Land)	2,810	-	2,810	-
Total real estate for resale	4,315	-	4,485	-

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	4,315	-	4,485	-
Total costs	4,315	-	4,485	-
Total real estate for resale	4,315	-	4,485	-

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-5 Inventories (continued)

Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Movements:				
Real estate assets at beginning of the year	4,485	-	1,675	-
- Purchases and other costs	-	-	2,810	-
- WDV of sales (expense) B4-1	(110)	-	-	-
- Write-down of inventory valuation	(60)	-	-	-
Total real estate for resale	4,315	-	4,485	-

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

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

	2021 \$ '000	2020 \$ '000
Real estate for resale	4,030	4,485
	4,030	4,485

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 the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for resale

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. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-6 Contract assets and Contract cost assets

	2021 \$ '000	2020 \$ '000
Contract assets	6,997	5,028
Total contract assets and contract cost assets	6,997	5,028

Contract assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Government grants	5,469	–	5,028	–
Other	1,528	–	–	–
Total contract assets	6,997	–	5,028	–

Significant changes in contract assets

Council has grant programs such as Narrabri Water Augmentation, Boggabri & Wee Waa Sewerage Treatment Plant upgrades and Bridge replacements that are completed, or near completion, awaiting final acquittal. Council is also awaiting flood damage reimbursement for damage to shire roads during flood events in 2020 & 2021.

Accounting policy

Contract assets

Contract assets represent Councils right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period							At 30 June 2021		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	47,152	–	47,152	24,295	1,686	–	–	(16,262)	–	–	56,871	–	56,871
Plant and equipment	17,552	(7,451)	10,101	2,490	–	(1,246)	(1,181)	–	–	–	16,753	(6,589)	10,164
Office equipment	2,297	(1,358)	939	–	–	(6)	(283)	1,809	–	–	4,080	(1,621)	2,459
Furniture and fittings	1,603	(1,097)	506	–	–	(13)	(83)	123	–	–	1,705	(1,172)	533
Land:													
– Operational land	8,644	–	8,644	–	–	–	–	–	–	–	8,644	–	8,644
– Community land	1,211	–	1,211	–	–	–	–	–	–	–	1,211	–	1,211
– Crown land	4,387	–	4,387	–	–	–	–	–	–	–	4,387	–	4,387
– Land improvements (depreciable)	5,477	(2,062)	3,415	–	–	(28)	(75)	591	9,883	9,714	27,807	(4,307)	23,500
Infrastructure:													
– Buildings	41,404	(16,572)	24,832	–	–	(28)	(809)	764	3,924	–	47,334	(18,651)	28,683
– Other structures	26,382	(5,387)	20,995	–	–	(24)	(567)	95	(9,851)	921	15,036	(3,467)	11,569
– Swimming pools	10,936	(3,602)	7,334	–	–	–	(185)	–	(3,935)	3,230	8,671	(2,227)	6,444
– Other open space / recreational assets	2,790	(1,295)	1,495	11	–	–	(81)	–	(21)	1,431	3,696	(861)	2,835
– Roads	210,123	(25,787)	184,336	–	–	–	(4,005)	–	–	–	210,123	(29,792)	180,331
– Bridges	38,100	(11,882)	26,218	–	–	–	(439)	–	–	–	38,100	(12,321)	25,779
– Footpaths	7,859	(3,066)	4,793	–	–	–	(133)	–	–	–	7,859	(3,199)	4,660
– Bulk earthworks (non-depreciable)	91,785	–	91,785	–	–	–	–	–	–	–	91,785	–	91,785
– Stormwater drainage	9,678	(4,956)	4,722	4	–	–	(119)	–	–	–	9,681	(5,074)	4,607
– Water supply network	66,918	(39,567)	27,351	–	–	(522)	(933)	12,797	(7)	355	78,538	(39,497)	39,041
– Sewerage network	101,258	(68,926)	32,332	–	–	–	(1,138)	83	7	283	102,276	(70,709)	31,567
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Landfill and transfer station assets	3,292	(730)	2,562	–	–	–	(311)	–	(485)	–	2,077	(311)	1,766
Total infrastructure, property, plant and equipment	698,848	(193,738)	505,110	26,800	1,686	(1,867)	(10,342)	–	(485)	15,934	736,634	(199,798)	536,836

(1) 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 2021

C1-7 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	26,206	–	26,206	24,322	3,839	–	–	(4,405)	(2,810)	–	–	47,152	–	47,152
Plant and equipment	16,674	(6,819)	9,855	1,952	–	(562)	(1,146)	2	–	–	–	17,552	(7,451)	10,101
Office equipment	1,816	(1,313)	503	58	263	(13)	(196)	324	–	–	–	2,297	(1,358)	939
Furniture and fittings	1,517	(1,022)	495	–	–	–	(75)	86	–	–	–	1,603	(1,097)	506
Land:														
– Operational land	8,443	–	8,443	–	215	(14)	–	–	–	–	–	8,644	–	8,644
– Community land	1,211	–	1,211	–	–	–	–	–	–	–	–	1,211	–	1,211
– Crown land	4,387	–	4,387	–	–	–	–	–	–	–	–	4,387	–	4,387
– Land improvements (depreciable)	5,475	(1,974)	3,501	2	–	–	(88)	–	–	–	–	5,477	(2,062)	3,415
Infrastructure:														
– Buildings	41,332	(15,908)	25,424	140	–	(32)	(778)	78	–	–	–	41,404	(16,572)	24,832
– Other structures	24,399	(4,694)	19,705	365	927	(65)	(718)	781	–	–	–	26,382	(5,387)	20,995
– Swimming pools	10,732	(3,384)	7,348	85	30	–	(218)	89	–	–	–	10,936	(3,602)	7,334
– Other open space / recreational assets	2,550	(1,213)	1,337	108	75	(5)	(93)	73	–	–	–	2,790	(1,295)	1,495
– Roads	209,140	(21,955)	187,185	1,421	–	(866)	(4,362)	958	–	–	–	210,123	(25,787)	184,336
– Bridges	37,958	(11,454)	26,504	–	–	(461)	(445)	1,723	–	(1,103)	–	38,100	(11,882)	26,218
– Footpaths	7,859	(2,932)	4,927	–	–	–	(134)	–	–	–	–	7,859	(3,066)	4,793
– Bulk earthworks (non-depreciable)	91,785	–	91,785	–	–	–	–	–	–	–	–	91,785	–	91,785
– Stormwater drainage	9,678	(4,836)	4,842	–	–	–	(120)	–	–	–	–	9,678	(4,956)	4,722
– Water supply network	66,003	(38,248)	27,755	16	–	–	(947)	272	–	–	255	66,918	(39,567)	27,351
– Sewerage network	99,705	(67,150)	32,555	587	–	–	(1,127)	19	–	–	298	101,258	(68,926)	32,332
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Landfill and transfer station assets	8,665	–	8,665	–	–	–	(730)	–	(5,373)	–	–	3,292	(730)	2,562
Total infrastructure, property, plant and equipment	675,535	(182,902)	492,633	29,056	5,349	(2,018)	(11,177)	–	(8,183)	(1,103)	553	698,848	(193,738)	505,110

(1) 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 2021

C1-7 Infrastructure, property, plant and equipment (continued)

Accounting policy

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

When infrastructure, property, plant and equipment is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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.

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	2 to 10	Playground equipment	10 to 20
Office furniture	5 to 30	Benches, seats etc.	10 to 30
Computer equipment	2 to 5		
Vehicles	3 to 5	Buildings	
Heavy plant/road making equipment	10 to 15	Buildings: masonry	50 to 150
Other plant and equipment	5 to 15	Buildings: other	10 to 60
		Stormwater assets	
Water and sewer assets		Drains	80
Reservoirs	80 to 100	Culverts	80
Bores	60	Flood control structures	80
Reticulation pipes: PVC	80		
Reticulation pipes: other	50 to 100		
Pumps and telemetry	15 to 30		
Water Meters	10 to 15		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	Infinite
Sealed roads: surface	20	Swimming pools	20 to 60
Sealed roads: structure	90	Other open space / recreational assets	10 to 40
Unsealed roads	30	Other infrastructure	10 to 50
Bridges: concrete	100		
Bridges: other	100		
Footpaths: bitumen	20		
Footpaths: concrete	90		
Kerb and gutter	50 to 140		

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-7 Infrastructure, property, plant and equipment (continued)

Revaluation model

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Planning, Industry and Environment - Water.

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to 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.

Council has not acquired any land for roadways after 1 July 2008, when asset recognition is required in accordance with AASB 116 Property, Plant and Equipment.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of 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

Council does not believe it has 'control' over Rural Fire Services assets. Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise these assets in its financial statements.

Externally restricted infrastructure, property, plant and equipment

	as at 30/06/21			as at 30/06/20		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	7,228	–	7,228	18,232	–	18,232
Plant and equipment	243	221	22	244	221	23
Office equipment	–	–	–	5	5	–
Land						
– Operational land	260	–	260	260	–	260
Buildings	178	105	73	178	101	77
Other structures	92	25	67	92	25	67
Infrastructure	78,538	39,497	39,041	66,918	39,567	27,351
Total water supply	86,539	39,848	46,691	85,929	39,919	46,010

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

Externally restricted infrastructure, property, plant and equipment (continued)

	as at 30/06/21			as at 30/06/20		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Sewerage services						
WIP	14,538	–	14,538	5,240	–	5,240
Plant and equipment	114	106	8	114	106	8
Furniture and fittings	–	–	–	3	3	–
Land						
– Operational land	1,688	–	1,688	1,688	–	1,688
Buildings	419	272	147	419	264	155
Other structures	158	68	90	158	68	90
Infrastructure	102,276	70,709	31,567	101,258	68,926	32,332
Total sewerage services	119,193	71,155	48,038	108,880	69,367	39,513
Total restricted infrastructure, property, plant and equipment	205,732	111,003	94,729	194,809	109,286	85,523

C2 Leasing activities

C2-1 Council as a lessor

Operating leases

	2021 \$ '000	2020 \$ '000
Assets held as property, plant and equipment		
Council provides operating leases on Council buildings mainly for staff housing, but also other minor miscellaneous purposes.		
Lease income (excluding variable lease payments not dependent on an index or rate)	185	127
Total income relating to operating leases for Council assets	185	127

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term for an operating lease and as finance income using amortised cost for finance leases.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C3 Liabilities of Council

C3-1 Payables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Payables				
Goods and services – operating expenditure	316	–	228	–
Accrued expenses:				
– Borrowings	3	–	3	–
– Salaries and wages	425	–	381	–
– Other expenditure accruals	930	–	3,009	–
Government departments and agencies	36	–	70	–
Prepaid rates	848	–	690	–
Security bonds, deposits and retentions	160	191	84	191
Friends of The Crossing Theatre funds	59	–	59	–
Kamilaroi Highway Group funds	84	–	75	–
Leards Forest Environmental trust	199	–	216	–
Other	101	–	80	–
Total payables	3,161	191	4,895	191
Total payables	3,161	191	4,895	191

Payables relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Water	51	–	415	–
Sewer	106	–	1,232	–
Other	–	–	568	–
Total payables relating to restricted assets	157	–	2,215	–
Total payables relating to unrestricted assets	3,004	191	2,680	191
Total payables	3,161	191	4,895	191

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C3-1 Payables (continued)

Current payables not anticipated to be settled within the next twelve months

	2021 \$ '000	2020 \$ '000
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	36	42
Other liabilities	567	280
Total payables	603	322

Accounting policy

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

Payables

Payables 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.

C3-2 Contract Liabilities

	Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	4,255	–	184	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,779	–	877	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	29	–	568	–
Total grants received in advance		6,063	–	1,629	–
Total contract liabilities		6,063	–	1,629	–

Notes

(i) Council has received funding to construct infrastructure assets. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria being satisfied since the performance obligations are ongoing.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C3-2 Contract Liabilities (continued)

Contract liabilities relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	6,022	-	779	-
Unspent grants - Council acting as an agent	41	-	-	-
Contract liabilities relating to externally restricted assets	6,063	-	779	-
Total contract liabilities relating to restricted assets	6,063	-	779	-
Total contract liabilities relating to unrestricted assets	-	-	850	-
Total contract liabilities	6,063	-	1,629	-

Revenue recognised that was included in the contract liability balance at the beginning of the period

	2021 \$ '000	2020 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	175	-
Operating grants (received prior to performance obligation being satisfied)	1,114	-
Total revenue recognised that was included in the contract liability balance at the beginning of the period	1,289	-

Significant changes in contract liabilities

The increase in contract liabilities is primarily due to a large value of grants being received by Council late in the year in terms with their funding conditions. These include the Local Roads & Community Infrastructure Program Phase 2 funding (\$664k), Millie Road funding (\$2,272k), Doreen Lane rehabilitation (\$1,149k) and Boston Street Bridge replacement (\$652k).

Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer. Council presents the funds which exceed revenue recognised as a contract liability.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C3-3 Borrowings

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Loans – secured ¹	576	4,021	554	4,596
Total borrowings	576	4,021	554	4,596

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

(a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	5,150	(554)	–	–	–	–	4,596
Total liabilities from financing activities	5,150	(554)	–	–	–	–	4,596

	2019		Non-cash movements				2020
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	5,913	(763)	–	–	–	–	5,150
Total liabilities from financing activities	5,913	(763)	–	–	–	–	5,150

(b) Financing arrangements

	2021 \$ '000	2020 \$ '000
Total facilities		
Credit cards/purchase cards	300	300
Total financing arrangements	300	300
Drawn facilities		
– Credit cards/purchase cards	28	6
Total drawn financing arrangements	28	6
Undrawn facilities		
– Credit cards/purchase cards	272	294
Total undrawn financing arrangements	272	294

Additional financing arrangements information

Breaches and defaults

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C3-3 Borrowings (continued)

Security over loans

Loans are secured over future cash flows.

Accounting policy

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

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.

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 borrowing costs.

C3-4 Employee benefit provisions

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Annual leave	1,407	–	1,225	–
Sick leave	270	–	283	–
Long service leave	2,238	279	2,380	120
Other leave (TIL, RDO)	175	–	177	–
Total employee benefit provisions	4,090	279	4,065	120

Current employee benefit provisions not anticipated to be settled within the next twelve months

	2021 \$ '000	2020 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	1,716	1,918
	1,716	1,918

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if 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 and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

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,

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C3-4 Employee benefit provisions (continued)

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

On-costs

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

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

C3-5 Provisions

	2021 Current \$ '000	2021 Non-Current \$ '000	2020 Current \$ '000	2020 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,143	233	3,164
Sub-total – asset remediation/restoration	–	2,143	233	3,164
Total provisions	–	2,143	233	3,164

Description of and movements in non-employee benefit provisions

	Asset remediation \$ '000	Net carrying amount \$ '000
2021		
At beginning of year	3,397	3,397
Unwinding of discount	66	66
Remeasurement effects	(1,320)	(1,320)
Total provisions at end of year	2,143	2,143
2020		
At beginning of year	8,665	8,665
Revised costs	(5,268)	(5,268)
Total provisions at end of year	3,397	3,397

Nature and purpose of provisions

Asset remediation

Council has a legal / public obligation to make, restore, rehabilitate and reinstate the Council landfill and quarries.

Accounting policy

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 Council'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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C3-5 Provisions (continued)

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.

Asset remediation – tips and quarries

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

C4 Reserves

C4-1 Revaluation reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

D Council structure

D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

D1-1 Income Statement by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
Income from continuing operations			
Rates and annual charges	16,111	1,800	3,200
User charges and fees	9,796	2,453	50
Interest and investment revenue	292	48	50
Other revenues	1,428	44	–
Grants and contributions provided for operating purposes	15,476	–	–
Grants and contributions provided for capital purposes	3,911	–	4,896
Other income	1,025	–	–
Total income from continuing operations	48,039	4,345	8,196
Expenses from continuing operations			
Employee benefits and on-costs	15,617	1,017	574
Materials and services	17,530	2,566	1,848
Borrowing costs	216	–	–
Depreciation, amortisation and impairment of non-financial assets	8,253	938	1,151
Other expenses	1,180	11	19
Net losses from the disposal of assets	702	522	–
Total expenses from continuing operations	43,498	5,054	3,592
Operating result from continuing operations	4,541	(709)	4,604
Net operating result for the year	4,541	(709)	4,604
Net operating result attributable to each council fund	4,541	(709)	4,604
Net operating result for the year before grants and contributions provided for capital purposes	630	(709)	(292)

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

D1-2 Statement of Financial Position by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	1,680	780	870
Investments	20,000	6,000	1,000
Receivables	4,014	1,733	1,651
Inventories	6,331	–	–
Contract assets and contract cost assets	4,474	1,231	1,292
Other	359	–	–
Total current assets	36,858	9,744	4,813
Non-current assets			
Infrastructure, property, plant and equipment	441,939	46,691	48,206
Investments accounted for using the equity method	261	–	–
Total non-current assets	442,200	46,691	48,206
TOTAL ASSETS	479,058	56,435	53,019
LIABILITIES			
Current liabilities			
Payables	3,004	51	106
Contract liabilities	6,063	–	–
Borrowings	576	–	–
Employee benefit provision	4,090	–	–
Total current liabilities	13,733	51	106
Non-current liabilities			
Payables	191	–	–
Borrowings	4,021	–	–
Employee benefit provision	279	–	–
Provisions	2,143	–	–
Total non-current liabilities	6,634	–	–
TOTAL LIABILITIES	20,367	51	106
Net assets	458,691	56,384	52,913
EQUITY			
Accumulated surplus	197,264	35,387	19,121
Revaluation reserves	261,427	20,997	33,792
Council equity interest	458,691	56,384	52,913
Total equity	458,691	56,384	52,913

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

D2 Interests in other entities

D2-1 Interests in associates

Net carrying amounts – Council's share

	Nature of relationship	Place of business	Interest in ownership		2021	2020
			2021	2020	\$ '000	\$ '000
Central Northern Regional Libraries	Associate	Tamworth	14%	14%	261	256
Total carrying amounts – material associates					261	256

Central Northern Regional Libraries

Central Northern Regional Library provides library services to six local government areas in Northern NSW. Tamworth Regional Council is the executive council with Gwydir Shire, Liverpool Plains Shire, Narrabri Shire, Uralla Shire and Walcha Council all participating.

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

Details

	Principal activity	Measurement method
Central Northern Regional Libraries	Public Library Services	Equity method

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2021	2020	2021	2020
Central Northern Regional Libraries	14%	14%	14%	14%

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

D2-1 Interests in associates (continued)

Summarised financial information for associates

	Central Northern Regional Libraries	
	2021 \$ '000	2020 \$ '000
Statement of financial position		
Current assets		
Cash and cash equivalents	694	614
Non-current assets	1,133	1,179
Net assets	1,827	1,793
Statement of comprehensive income		
Income	1,627	1,617
Interest income	4	9
Depreciation and amortisation	(420)	(390)
Other expenses	(1,176)	(1,172)
Profit/(loss) from continuing operations	35	64
Total comprehensive income	35	64
Share of income – Council (%)	14%	14%
Profit/(loss) – Council (\$)	5	9
Total comprehensive income – Council (\$)	5	9
Reconciliation of the carrying amount		
Opening net assets (1 July)	1,793	1,729
Profit/(loss) for the period	35	64
Closing net assets	1,828	1,793
Council's share of net assets (%)	14%	14%
Council's share of net assets (\$)	261	256

Accounting policy

Interests in associates are accounted for using the equity method where the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise Council's share of profit or loss and other comprehensive income of the investee after the date of acquisition.

If Council's share of losses of an associate equals or exceeds its interest in the associate, Council discontinues recognising its share of further losses. Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated.

Adjustments are made to the associates accounting policies where they are different from those of Council, for the purposes of the consolidated financial statements.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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.

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

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 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 2021 \$ '000	Carrying value 2020 \$ '000	Fair value 2021 \$ '000	Fair value 2020 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	3,330	3,517	3,330	3,517
Receivables	7,398	9,958	7,398	9,958
Investments				
– Debt securities at amortised cost	27,000	33,000	27,000	33,000
Contract assets	6,997	5,028	6,997	5,028
Total financial assets	44,725	51,503	44,725	51,503
Financial liabilities				
Payables	3,352	5,086	3,352	5,086
Contract liabilities	6,063	1,629	6,063	1,629
Loans/advances	4,597	5,150	4,597	5,150
Total financial liabilities	14,012	11,865	14,012	11,865

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** – 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.

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and it's staff and a monthly investment report is provided to Council setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments 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.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E1-1 Risks relating to financial instruments held (continued)

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

	2021 \$ '000	2020 \$ '000
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	270	365

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

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.

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; 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 payment.

	Not yet overdue \$ '000	Overdue \$ '000	Total \$ '000
2021			
Overdue	–	2,598	2,598
2020			
Overdue	–	2,866	2,866

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E1-1 Risks relating to financial instruments held (continued)

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	3,744	178	113	49	2,421	6,505
Expected loss rate (%)	0.00%	0.00%	13.00%	6.00%	67.00%	25.21%
ECL provision	–	–	15	3	1,622	1,640
2020						
Gross carrying amount	6,469	255	304	37	1,671	8,736
Expected loss rate (%)	0.00%	0.00%	6.00%	6.00%	95.00%	18.41%
ECL provision	–	–	18	2	1,587	1,607

(c) Liquidity risk

Payables, lease liabilities and borrowings are both subject to liquidity risk; that is, 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 by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

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

The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

	Weighted average interest rate %	Subject to no maturity \$ '000	≤ 1 Year \$ '000	payable in: 1 - 5 Years \$ '000		> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2021								
Trade/other payables	0.00%	351	2,457	–	–	2,808	2,504	
Loans and advances	3.08%	–	704	2,907	1,500	5,111	4,597	
2020								
Trade/other payables	0.00%	275	4,383	–	–	4,658	4,396	
Loans and advances	3.08%	–	704	2,612	2,499	5,815	5,150	

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

\$ '000	Fair value measurement hierarchy							
	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Recurring fair value measurements (IPP&E)								
Plant & Equipment	30/06/17	30/06/17	–	–	10,164	10,101	10,164	10,101
Office Equipment	30/06/17	30/06/17	–	–	2,459	939	2,459	939
Furniture & Fittings	30/06/17	30/06/17	–	–	533	506	533	506
Operational Land	30/06/18	30/06/18	–	–	8,644	8,644	8,644	8,644
Community Land	30/06/18	30/06/16	–	–	1,211	1,211	1,211	1,211
Crown Land	30/06/19	30/06/19	–	–	4,387	4,387	4,387	4,387
Land Improvements	30/06/21	30/06/16	–	–	23,500	3,415	23,500	3,415
Buildings	30/06/18	30/06/18	–	–	28,683	24,832	28,683	24,832
Other Structures	30/06/21	30/06/16	–	–	11,569	20,995	11,569	20,995
Swimming Pools	30/06/21	30/06/16	–	–	6,444	7,334	6,444	7,334
Other Open Space / Recreational Assets	30/06/21	30/06/16	–	–	2,835	1,495	2,835	1,495
Roads	30/06/19	30/06/19	–	–	180,331	184,336	180,331	184,336
Bridges	30/06/19	30/06/19	–	–	25,779	26,218	25,779	26,218
Footpaths	30/06/19	30/06/19	–	–	4,660	4,793	4,660	4,793
Bulk Earthworks	30/06/19	30/06/19	–	–	91,785	91,785	91,785	91,785
Stormwater Drainage	30/06/14	30/06/14	–	–	4,607	4,722	4,607	4,722
Water Supply Network	30/06/17	30/06/17	–	–	39,041	27,351	39,041	27,351
Sewerage Network	30/06/17	30/06/17	–	–	31,567	32,332	31,567	32,332
Reinstatement, rehabilitation & restoration of tip assets	30/06/21	01/07/19	–	–	1,766	2,562	1,766	2,562
Total infrastructure, property, plant & equipment			–	–	479,965	457,958	479,965	457,958

Non-recurring fair value measurements

Valuation techniques

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E2-1 Fair value measurement (continued)

Infrastructure, property, plant and equipment (IPPE)

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.

Crown, Operational & Community Land

Crown, 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.

Land Improvements

Land Improvements include the Wee Waa Levee, sporting ovals, cemeteries, 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, therefore 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.

Buildings

Buildings are valued 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, therefore 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.

Roads, Bridges, Footpaths and Bulk Earthworks

Roads comprise road carriageway, roadside shoulders, kerb & gutter.

All roads, bridges, footpaths and bulk earthwork assets were valued using level 3 valuation inputs using the cost approach. This approach estimates 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.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E2-1 Fair value measurement (continued)

While unit rates are based on quantitative dimensional units such as square metres or lineal metres and can be supported from market evidence (level 2), other inputs such as estimates of useful lives, remaining life profiles and asset conditions require extensive professional judgement which impacts significantly on the final determination of the assets fair value.

As a result, the valuation is classified as having been valued using level 3 valuation inputs.

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

Stormwater Drainage

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, 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, 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.

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, 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.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E2-1 Fair value measurement (continued)

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.

Reinstatement, Rehabilitation and Restoration of Tip Assets

Assets within this class are recognised to establish a provision for the expected value of restoration costs of landfill sites throughout the Shire.

Assets were valued using level 3 valuation inputs using the cost approach. Unit rates are based on quantitative dimensional units such as cubic metres; and time and resources required; and is supported from market evidence (level 2) and a documented waste facilities closure plan (timeline).

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

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.

	Fair value 2021 \$ '000	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant & Equipment	10,164	Cost used to approximate fair value	<ul style="list-style-type: none">• Depreciated Historical Cost• Remaining Useful Life• Residual Value
Office Equipment	2,459	Cost used to approximate fair value	<ul style="list-style-type: none">• Depreciated Historical Cost• Remaining Useful Life• Residual Value
Furniture / Fittings	533	Cost used to approximate fair value	<ul style="list-style-type: none">• Depreciated Historical Cost• Remaining Useful Life• Residual Value
Operational Land	8,644	Land values for similar land averaged m ² rate	<ul style="list-style-type: none">• Land Value (price per m²)
Community Land	1,211	Land values obtained from NSW Valuer-General	<ul style="list-style-type: none">• Land Value (price per m²)
Crown Land	4,387	Land values for similar land averaged m ² rate	<ul style="list-style-type: none">• Land Value (price per m²)
Land Improvements	23,500	Cost used to approximate fair value	<ul style="list-style-type: none">• Gross Replacement Cost• Asset Condition• Remaining Useful Life• Residual Value
Buildings	28,683	Cost used to approximate fair value	<ul style="list-style-type: none">• Gross Replacement Cost• Asset Condition• Remaining Useful Life• Residual Value

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E2-1 Fair value measurement (continued)

	Fair value 2021 \$ '000	Valuation technique/s	Unobservable inputs
Other Structures	11,569	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life • Residual Value
Swimming Pools	6,444	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life • Residual Value
Other Open Space / Recreational Assets	2,835	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life • Residual Value
Roads	180,331	Unit rates per m ² or length	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life • Residual Value
Bridges	25,779	Unit rates per m ² or length	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Footpaths	4,660	Unit rates per m ² or length	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Bulk Earthworks	91,795	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life • Residual Value
Stormwater Drainage	4,607	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Water Supply Network	39,041	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Sewerage Network	31,567	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

	Total	
	2021 \$ '000	2020 \$ '000
Opening balance	457,958	466,427
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	15,934	(550)
Other movements		
Purchases (GBV)	2,505	6,244
Disposals (WDV)	(1,867)	(2,018)
Depreciation and impairment	(10,342)	(11,177)
Transfers from works in progress	16,262	4,405
Adjustments and transfers	(485)	(5,373)
Closing balance	479,965	457,958

continued on next page ...

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E2-1 Fair value measurement (continued)

Highest and best use

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

E3-1 Contingencies

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 is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors 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 (to the extent that they are not borne by members).

Funding arrangements:

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

The future service 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 future service employer contribution rates are:

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

* For 180 Point Members, employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E3-1 Contingencies (continued)

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

Extent to which Council can be liable for other Council's obligations under the terms and conditions of the multi-employer plan:

As stated above, each sponsoring employer (Council) 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 Council.

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$76,905.38. The last valuation of the Scheme was performed by Mr Richard Boyfield (FIAA) as at 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$76,905.38. Council's expected contribution to the plan for the next annual reporting period is \$75,765.96.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

Defined Benefit reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

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

Based on a Past Service Liabilities methodology, the share of this deficit that is broadly attributed to Council is 0.16%.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

Investment return	5.75% per annum
Salary inflation *	3.50% per annum
Increase in CPI	2.50% 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.

(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.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E3-1 Contingencies (continued)

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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 such claims through its insurance coverage.

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 June 2008.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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:

	2021 \$ '000	2020 \$ '000
Compensation:		
Short-term benefits	946	976
Post-employment benefits	57	76
Other long-term benefits	243	329
Total	1,246	1,381

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of KMP using Council services (e.g. access to library or Council swimming pool) will not be disclosed.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

F1-2 Councillor and Mayoral fees and associated expenses

	2021 \$ '000	2020 \$ '000
<p>The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:</p>		
Mayoral fee	27	27
Councillors' fees	96	104
Other Councillors' expenses (including Mayor)	18	24
Total	141	155

F2 Other relationships

F2-1 Audit fees

	2021 \$ '000	2020 \$ '000
<p>During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms</p>		
NSW Auditor General: Audit and review of financial statements	64	57
Total audit fees	64	57

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

	2021 \$ '000	2020 \$ '000
Net operating result from Income Statement	8,436	8,422
Adjust for non-cash items:		
Depreciation and amortisation	10,342	11,177
Net losses/(gains) on disposal of assets	1,224	1,552
Adoption of AASB 15/1058	–	(1,561)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Re-measurement of rehabilitation costs of landfills & transfer stations	(835)	–
– Write-down of inventories held for sale	60	–
Unwinding of discount rates on reinstatement provisions	66	–
Share of net (profits)/losses of associates/joint ventures using the equity method	(5)	(9)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	2,499	963
Increase/(decrease) in provision for impairment of receivables	61	1,574
Decrease/(increase) in inventories	(663)	(36)
Decrease/(increase) in other current assets	(1)	4
Decrease/(increase) in contract assets	(1,969)	(5,028)
Increase/(decrease) in payables	88	154
Increase/(decrease) in accrued interest payable	–	(1)
Increase/(decrease) in other accrued expenses payable	(2,035)	1,242
Increase/(decrease) in other liabilities	213	(89)
Increase/(decrease) in contract liabilities	4,434	1,629
Increase/(decrease) in provision for employee benefits	184	(259)
Increase/(decrease) in other provisions	(1,215)	(5,268)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	20,884	14,466

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

G2-1 Commitments

Capital commitments (exclusive of GST)

	2021 \$ '000	2020 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	430	1,210
Other structures	2,300	–
Roads	153	–
Bridges	9	–
Water supply network	–	444
Sewerage network	562	10,648
Total commitments	3,454	12,302
These expenditures are payable as follows:		
Within the next year	3,454	12,302
Total payable	3,454	12,302
Sources for funding of capital commitments:		
Future grants and contributions	239	11,092
Externally restricted reserves	1,689	–
Internally restricted reserves	1,526	1,210
Total sources of funding	3,454	12,302

Details of capital commitments

Council has contractual commitments for the following projects: Shared Pathway along Narrabri Creek, Cell expansion at the Narrabri Waste Facility, Wee Waa and Boggabri Sewerage Treatment Plant upgrades and a major plant (fleet) replacement. All projects are expected to be completed in the 2021/22 financial year.

G3-1 Events occurring after the reporting date

No matters have arisen subsequent to the balance date that would require these financial statements to be amended.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

G4 Statement of developer contributions as at 30 June 2021

G4-1 Summary of developer contributions

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Roads	7	-	-	-	-	-	7	-
Parking	20	-	-	-	-	-	20	-
Open space	32	-	-	1	-	-	33	-
Community facilities	24	-	-	-	-	-	24	-
Other	43	-	-	-	-	-	43	-
Bushfire	19	-	-	-	-	-	19	-
S7.11 contributions – under a plan	145	-	-	1	-	-	146	-
S7.12 levies – under a plan	1,025	137	-	4	(105)	-	1,061	-
Total S7.11 and S7.12 revenue under plans	1,170	137	-	5	(105)	-	1,207	-
S7.4 planning agreements	8,554	-	-	34	(1,499)	-	7,089	-
Total contributions	9,724	137	-	39	(1,604)	-	8,296	-

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.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	2020	Indicators 2019	2018	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	909	1.94%	(1.03)%	1.05%	12.02%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	46,929					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	31,453	56.43%	56.28%	59.46%	71.70%	> 60.00%
Total continuing operating revenue	55,736					
3. Unrestricted current ratio						
Current assets less all external restrictions	17,638	3.30x	3.32x	4.25x	4.60x	> 1.50x
Current liabilities less specific purpose liabilities	5,351					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	11,467	14.91x	9.97x	8.95x	11.82x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	769					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	2,884	11.85%	13.87%	9.92%	8.04%	< 10.00%
Rates and annual charges collectable	24,341					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	30,330	8.18 mths	9.63 mths	16.16 mths	17.18 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	3,710					

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	3.53%	1.29%	(4.30)%	(9.69)%	(8.85)%	(13.95)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	55.12%	56.11%	100.00%	50.53%	40.26%	68.09%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.30x	3.32x	191.06x	26.86x	45.41x	7.91x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	12.80x	8.94x	∞	∞	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	11.04%	13.42%	18.58%	19.15%	12.88%	13.38%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	5.84 mths	9.46 mths	∞	∞	∞	∞	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G5-1 above.

(3) 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 2021

H Additional Council disclosures (unaudited)

H1-1 Council information and contact details

Principal place of business:

46-48 Maitland Street
Narrabri NSW 2390

Contact details**Mailing Address:**

PO Box 261
Narrabri NSW 2390

Opening hours:

9.00am - 4:00pm
Monday to Friday

Telephone: 02 6799 6866

Facsimile: 02 6799 6888

Internet: www.narrabri.nsw.gov.au

Email: council@narrabri.nsw.gov.au

Officers**General Manager**

Mr Stewart Todd

Responsible Accounting Officer

Mr Tim McClellan

Public Officer

Mr Lindsay Mason

Auditors

The Audit Office of New South Wales
Level 19, Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Elected members**Mayor**

Cr Ron Campbell

Councillors

Cr Catherine Redding (Deputy Mayor)

Cr Maxine Booby

Cr Ron Campey

Cr Lloyd Finlay

Cr Robert Kneale

Cr Annie McMahon

Cr Cameron Staines

Other information

ABN: 95 717 801 656



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Narrabri Shire Council

To the Councillors of Narrabri Shire Council

Opinion

I have audited the accompanying financial statements of Narrabri Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

The scope of my audit does not include, nor 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 B5-1 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

26 November 2021
SYDNEY



Cr Ron Campbell
Mayor
Narrabri Shire Council
PO Box 261
NARRABRI NSW 2390

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: D2125685/1767

26 November 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Narrabri Shire Council**

I have audited the general purpose financial statements (GPFS) of Narrabri Shire Council (the Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2021 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issue during my audit of the Council's financial statements. The issue was addressed as part of my audit.

Rural fire-fighting equipment not recognised in the financial statements

Council did not record rural fire-fighting equipment in the financial statements.

Rural fire fighting equipment, specifically the red fleet vehicles, is controlled by the Council and should be recognised in their financial statements. This is supported by the requirements of the *Rural Fires Act 1997* and service agreements between councils and the NSW Rural Fire Service (RFS).

The Department of Planning, Industry and Environment (inclusive of the Office of Local Government) confirmed in the 'Report on Local Government 2020' (tabled in Parliament on 27 May 2021) their view that rural firefighting equipment is not controlled by the RFS.

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	21.0	20.9	 0.5
Grants and contributions revenue	24.3	24.8	 2.0
Operating result from continuing operations	8.4	8.4	--
Net operating result before capital grants and contributions	-0.4	-3.6	 88.9

The Council's operating result from continuing operations (\$8.4 million including depreciation and amortisation expense of \$10.3 million) was the same as the 2019–20 result.

Council reported a negative net operating result before capital grants and contributions of \$371,000, which was an improvement of \$3.2 million compared to the 2019-20 result. The major reasons for the movement include:

- \$2.6 million increase in operating grants and contributions due to the receipt of a Local Roads and Community Infrastructure Program grant
- \$889,000 increase in other revenue due to a review of the landfill rehabilitation cost estimates resulting in an adjustment to the provision
- \$835,000 decrease in depreciation, amortisation and impairment expense due to a reduction in depreciation of landfill, transfer station and road assets
- \$1.2 million decrease in other expenses mainly due to doubtful debts raised in 2019-20.

These increases were offset by:

- \$1.1 million increase in employee benefits and on-costs expenditure due to higher salaries and wages and a decrease in capitalised costs as the capital works program used less Council staff
- \$711,000 decrease in interest and investment revenue due to lower interest rates and a reduction to financial investments as cash held was used to fund capital works projects
- \$450,000 decrease in user charges and fees due to a decline in water user charges and Transport for NSW work completed on state highways, which has been offset by an increase in tonnage charges from mining outputs and tipping fees.

Council did not increase their ordinary rates for the 2020-21 year by the rate peg of 2.6%, to give residents a year of relief following the drought. Council is looking to reclaim the 2.6% over the coming years and has reclaimed 1% of this rate peg in the 2021-22 year.

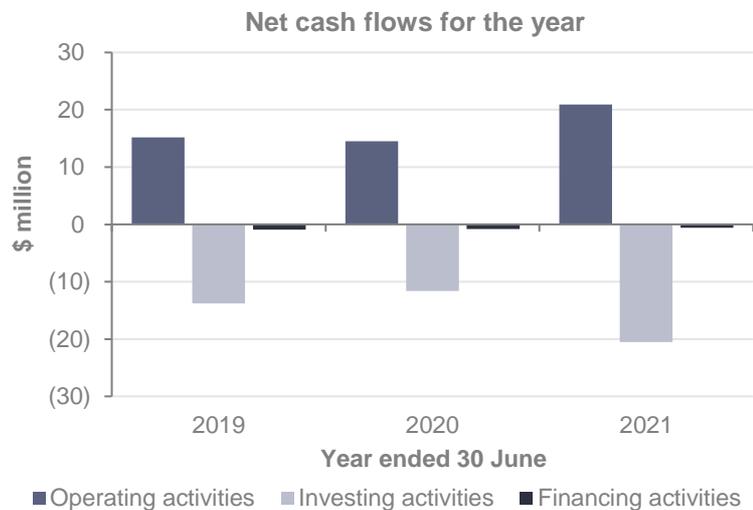
Grants and contributions revenue (\$24.3 million) decreased by \$566,000 (2.0%) in 2020-21 due to the timing of capital grant receipts for Council's capital works program.

STATEMENT OF CASH FLOWS

Cash flows from operating activities increased by \$6.4 million due to increased cash inflows from user charges and fees, grants and contributions and other income, offset by an increase in materials and services expenditure.

Cash outflows from investing activities increased by \$8.9 million due to a decrease in redemption of funds from investments.

Cash outflows from financing activities related to the repayment of borrowings and remained consistent with prior years.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	30.3	36.5	<ul style="list-style-type: none"> Major external restrictions include water and sewer funds, specific purpose unexpended grants and developer contributions. The decrease in externally restricted cash mainly relates to expenditure on the Wee Waa and Boggabri sewer augmentation (\$5.8 million) and decreases to developer contributions (\$1.4 million) and the water fund (\$1.7 million), offset by an increase in specific purpose unexpended grants of \$5.2 million. Major internal restrictions include the financial assistance grant instalment received in advance. The reduction in internal restrictions of \$2.1 million is due to Council revising their balances during the year.
Restricted cash and investments:			
<ul style="list-style-type: none"> External restrictions Internal restrictions and unrestricted funds 	23.8 6.5	28.1 8.4	

PERFORMANCE

Performance measures

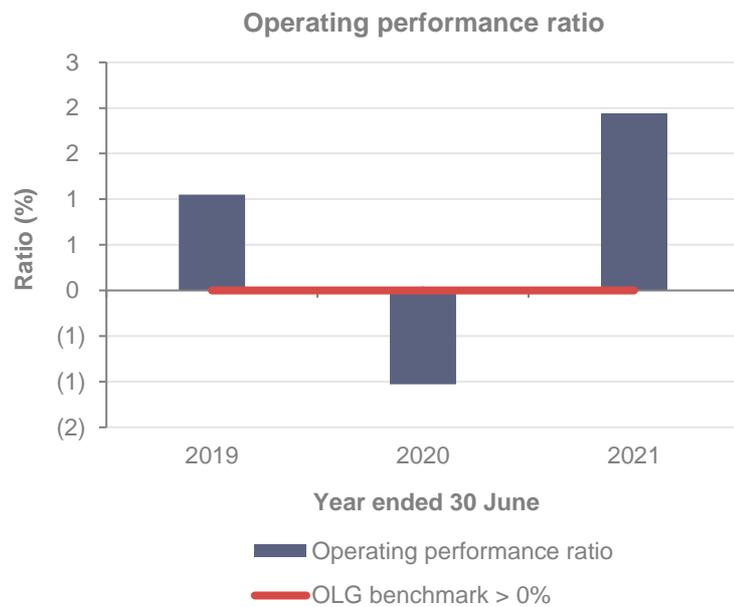
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

The Council met the OLG benchmark for the current reporting period.

The increase in the 2020-21 operating performance ratio is due to an increase in grants and contributions received for operating purposes.

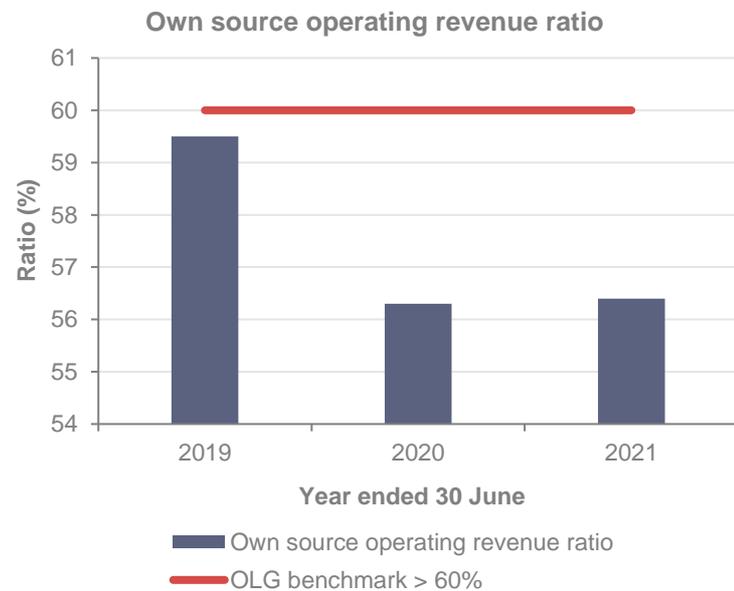


Own source operating revenue ratio

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

The Council did not meet the OLG benchmark for the current reporting period.

The own source operating revenue ratio is consistent with the prior year.

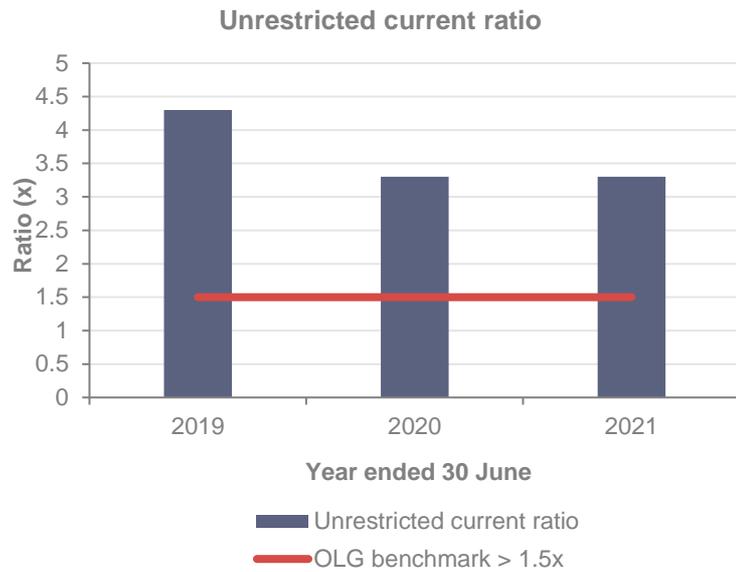


Unrestricted current ratio

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

The Council exceeded the OLG benchmark for the current reporting period.

The unrestricted current ratio is consistent with the prior year.

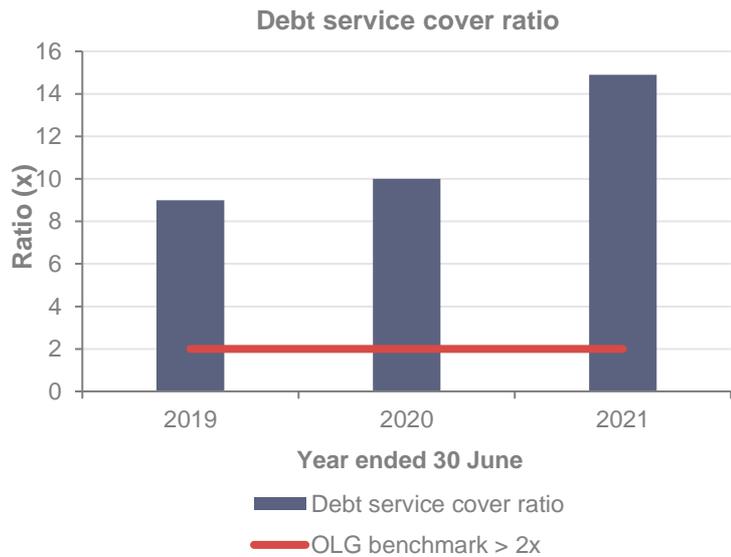


Debt service cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period.

The increase in the debt service cover ratio is due to a decrease in principal repayments and borrowing costs attributed to the finalisation and closure of loan facilities in 2019-2020.

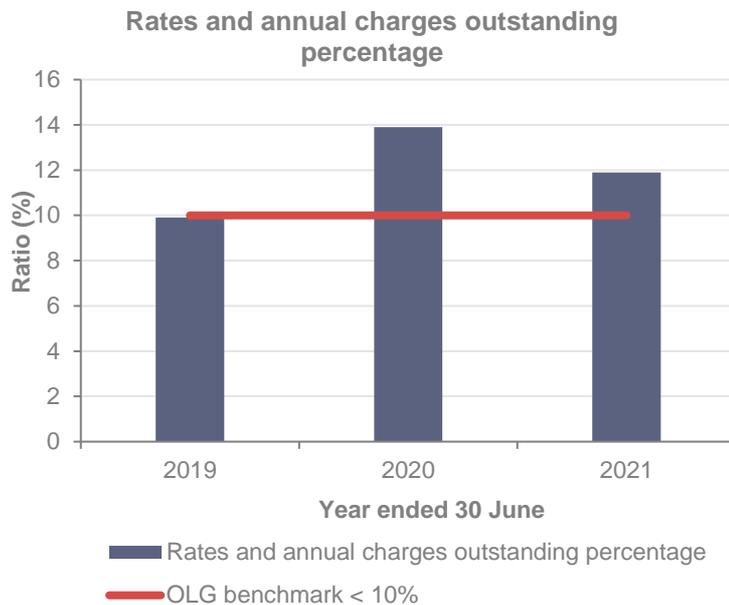


Rates and annual charges outstanding percentage

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

The Council did not meet the OLG benchmark for the current reporting period.

The percentage of rates and annual charges outstanding has decreased in 2020-21 as Council commenced debt recovery after a grace period on debtors following the drought of prior years. This has also resulted in an increase in the provision for impairment on rates and annual charges.

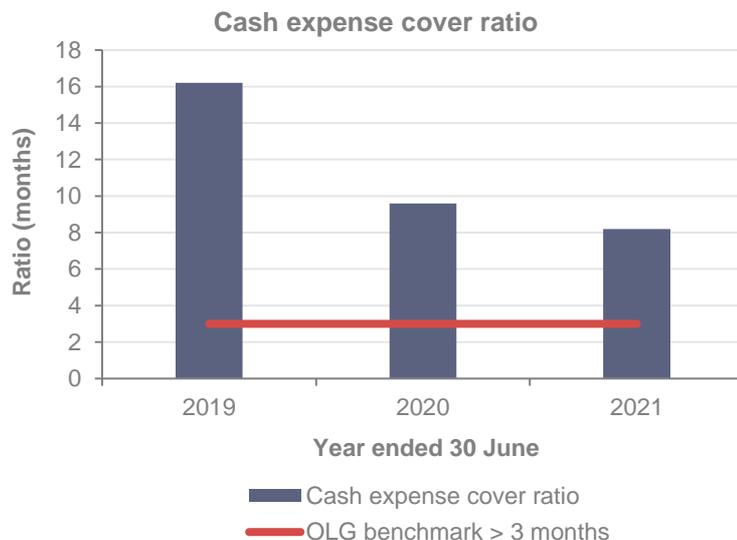


Cash expense cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period.

The decrease in the cash expense cover ratio is due to reduction in cash and investment balances.



Infrastructure, property, plant and equipment renewals

Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$26.8 million. This decreased by \$2.3 million compared to 2019–20 due to Council's timing of its renewal works in accordance with its infrastructure management plans. Renewal expenditure was above depreciation for the year by \$16.5 million.

OTHER MATTERS

Impact of new accounting standards

AASB 1059 'Service Concession Arrangements: Grantors'

The Council did not identify any service concession arrangements as part of adopting this standard.

Legislative compliance

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

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



Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

cc: Mr Stewart Todd, General Manager
Mr Grahame Marchant, Chair of the Audit, Risk and Improvement Committee
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment
Mr Tim McClellan, Manager Financial Services
Mr Geoff Allen, Principal, Forsyths

Narrabri Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021

*Narrabri Shire will be 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 2021

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Income Statement of sewerage business activity	5
Statement of Financial Position of water supply business activity	6
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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 2021

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year,
- accord with Council's accounting and other records; and
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 26 October 2021.



Cr Ron Campbell
Mayor
26 October 2021



Cr Catherine Redding
Deputy Mayor
26 October 2021



Mr Stewart Todd
General Manager
26 October 2021



Mr Tim McClellan
Responsible Accounting Officer
26 October 2021

Narrabri Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Income from continuing operations		
Access charges	1,800	1,799
User charges	2,392	2,499
Fees	61	50
Interest	48	258
Other income	44	46
Total income from continuing operations	4,345	4,652
Expenses from continuing operations		
Employee benefits and on-costs	1,017	1,076
Materials and services	2,566	2,559
Depreciation, amortisation and impairment	938	953
Loss on sale of assets	522	–
Other expenses	11	515
Total expenses from continuing operations	5,054	5,103
Surplus (deficit) from continuing operations before capital amounts	(709)	(451)
Grants and contributions provided for capital purposes	–	4,554
Surplus (deficit) from continuing operations after capital amounts	(709)	4,103
Surplus (deficit) from all operations before tax	(709)	4,103
Surplus (deficit) after tax	(709)	4,103
Plus accumulated surplus	36,096	31,993
Closing accumulated surplus	35,387	36,096
Return on capital %	(1.5)%	(1.0)%
Subsidy from Council	1,405	856
Calculation of dividend payable:		
Surplus (deficit) after tax	(709)	4,103
Less: capital grants and contributions (excluding developer contributions)	–	(4,554)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Narrabri Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Income from continuing operations		
Access charges	3,200	3,187
User charges	24	66
Liquid trade waste charges	24	26
Fees	2	–
Interest	50	191
Grants and contributions provided for non-capital purposes	–	–
Total income from continuing operations	3,300	3,470
Expenses from continuing operations		
Employee benefits and on-costs	574	443
Materials and services	1,848	2,115
Depreciation, amortisation and impairment	1,151	1,141
Calculated taxation equivalents	15	16
Other expenses	19	255
Total expenses from continuing operations	3,607	3,970
Surplus (deficit) from continuing operations before capital amounts	(307)	(500)
Grants and contributions provided for capital purposes	4,896	1,626
Surplus (deficit) from continuing operations after capital amounts	4,589	1,126
Surplus (deficit) from all operations before tax	4,589	1,126
Surplus (deficit) after tax	4,589	1,126
Plus accumulated surplus	14,517	13,375
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	15	16
Closing accumulated surplus	19,121	14,517
Return on capital %	(0.6)%	(1.3)%
Subsidy from Council	1,025	832
Calculation of dividend payable:		
Surplus (deficit) after tax	4,589	1,126
Less: capital grants and contributions (excluding developer contributions)	(4,896)	(1,626)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Narrabri Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	780	458
Investments	6,000	8,000
Receivables	1,733	1,456
Contract assets and contract cost assets	1,231	1,231
Total current assets	9,744	11,145
Non-current assets		
Infrastructure, property, plant and equipment	46,691	46,010
Total non-current assets	46,691	46,010
Total assets	56,435	57,155
LIABILITIES		
Current liabilities		
Payables	51	415
Total current liabilities	51	415
Total liabilities	51	415
Net assets	56,384	56,740
EQUITY		
Accumulated surplus	35,387	36,096
Revaluation reserves	20,997	20,644
Total equity	56,384	56,740

Narrabri Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	870	190
Investments	1,000	7,500
Receivables	1,651	680
Contract assets and contract cost assets	1,292	1,375
Total current assets	4,813	9,745
Non-current assets		
Infrastructure, property, plant and equipment	48,206	39,513
Total non-current assets	48,206	39,513
Total assets	53,019	49,258
LIABILITIES		
Current liabilities		
Payables	106	1,232
Total current liabilities	106	1,232
Total liabilities	106	1,232
Net assets	52,913	48,026
EQUITY		
Accumulated surplus	19,121	14,517
Revaluation reserves	33,792	33,509
Total equity	52,913	48,026

Narrabri Shire Council

Significant Accounting Policies

for the year ended 30 June 2021

Note – 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 (Act)*, the *Local Government (General) Regulation 2005 (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, fair value 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, and returns 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.

b. Narrabri Shire Council Sewerage Service

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

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):

Narrabri Shire Council

Significant Accounting Policies

for the year ended 30 June 2021

Note – Significant Accounting Policies (continued)

Notional rate applied (%)

Corporate income tax rate - **26%** (19/20: 27.5%)

Land tax - the first \$755,000 of combined land values attracts **0%**. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of **2.0%** applies.

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

The payment of taxation equivalent charges, referred to by the guidelines 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 DPIE - Water guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26% (19/20: 27.5%).

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 26% 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 for all Category 1 businesses has been applied to all 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.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where 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. The overall effect of subsidies is contained within the Income Statements of business activities.

(ii) 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

Significant Accounting Policies

for the year ended 30 June 2021

Note – Significant Accounting Policies (continued)

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.49% at 30/6/21.

(iii) 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 Department of Planning, Industry and Environment (DPIE) - Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIE - Water.



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

To the Councillors of Narrabri Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Narrabri Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

Basis for Opinion

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

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

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (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 the Significant accounting policies note to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

26 November 2021
SYDNEY

Narrabri Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

*Narrabri Shire will be 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 2021

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Narrabri Shire Council

Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2021/22 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	13,538	13,545
Plus or minus adjustments ²	b	6	16
Notional general income	c = a + b	13,544	13,561
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	352	271
Sub-total	k = (c + g + h + i + j)	13,896	13,832
Plus (or minus) last year's carry forward total	l	4	348
Sub-total	n = (l + m)	4	348
Total permissible income	o = k + n	13,900	14,180
Less notional general income yield	p	13,545	13,967
Catch-up or (excess) result	q = o - p	355	213
Less unused catch-up ⁵	s	(7)	-
Carry forward to next year ⁶	t = q + r + s	348	213

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.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT
Special Schedule – Permissible income for general rates
Narrabri Shire Council

To the Councillors of Narrabri Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Narrabri Shire Council (the Council) for the year ending 30 June 2022.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2021'.

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.

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. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

26 November 2021
SYDNEY

Narrabri Shire Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council ^a \$ '000	2020/21 Required maintenance \$ '000	2020/21 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	2,323	2,323	795	312	28,683	47,334	13.0%	53.0%	26.0%	8.0%	0.0%
	Sub-total	2,323	2,323	795	312	28,683	47,334	13.0%	53.0%	26.0%	8.0%	0.0%
Other structures	Other structures	406	406	169	123	11,569	15,036	48.0%	24.0%	26.0%	2.0%	0.0%
	Sub-total	406	406	169	123	11,569	15,036	48.0%	24.0%	26.0%	2.0%	0.0%
Open space / recreational assets	Swimming pools	633	633	235	299	6,444	8,671	24.0%	34.0%	34.0%	8.0%	0.0%
	Other	262	262	225	68	2,835	3,696	1.0%	35.0%	58.0%	6.0%	0.0%
	Sub-total	895	895	460	367	9,279	12,367	17.1%	34.3%	41.2%	7.4%	0.0%
Roads	Sealed roads	809	8,195	1,168	2,027	117,288	134,766	75.0%	22.0%	3.0%	0.0%	0.0%
	Unsealed roads	2,803	9,190	1,818	805	35,880	41,227	24.0%	47.0%	27.0%	2.0%	0.0%
	Kerb & gutter	5,426	28,667	29	46	27,163	34,130	4.0%	24.0%	69.0%	3.0%	0.0%
	Bridges	1,524	4,080	73	18	25,779	38,100	58.0%	36.0%	1.0%	4.0%	1.0%
	Footpaths	880	5,362	28	3	4,660	7,859	1.0%	58.0%	35.0%	6.0%	0.0%
	Bulk earthworks	–	–	–	–	91,785	91,785	36.0%	64.0%	0.0%	0.0%	0.0%
	Sub-total	11,442	55,494	3,116	2,899	302,555	347,867	48.2%	38.6%	12.0%	1.1%	0.1%
Stormwater drainage	Stormwater drainage	634	634	12	–	4,607	9,681	3.0%	43.0%	31.0%	20.0%	3.0%
	Sub-total	634	634	12	–	4,607	9,681	3.0%	43.0%	31.0%	20.0%	3.0%
Water supply network	Water supply network	5,658	5,658	822	1,467	39,041	78,538	21.0%	24.0%	45.0%	10.0%	0.0%
	Sub-total	5,658	5,658	822	1,467	39,041	78,538	21.0%	24.0%	45.0%	10.0%	0.0%

Narrabri Shire Council

Report on infrastructure assets as at 30 June 2021 (continued)

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council ^a					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Sewerage network	Sewerage network	13,671	13,671	420	264	31,567	102,276	16.0%	22.0%	32.0%	30.0%	0.0%
	Sub-total	13,671	13,671	420	264	31,567	102,276	16.0%	22.0%	32.0%	30.0%	0.0%
	Total – all assets	35,029	79,081	5,794	5,432	427,301	613,099	35.3%	34.7%	21.9%	8.0%	0.1%

(a) The estimated cost to bring to the agreed level of service is high as Council is yet to undertake consultation on satisfactory condition of its assets with the community.

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
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

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	2020	Indicators 2019	2018	Benchmark
Buildings and infrastructure renewals ratio						
Asset renewals ¹	24,310					
Depreciation, amortisation and impairment	8,409	289.10%	276.69%	0.00%	94.34%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	35,029					
Net carrying amount of infrastructure assets	484,172	7.23%	10.16%	12.92%	9.24%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	5,432					
Required asset maintenance	5,794	93.75%	138.84%	151.68%	99.97%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	79,081					
Gross replacement cost	613,099	12.90%	14.77%	16.23%	5.72%	

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

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

Narrabri Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	210.43%	199.59%	179.83%	790.92%	812.65%	314.46%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	3.80%	2.44%	14.49%	47.42%	43.31%	77.41%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	81.30%	127.65%	178.47%	168.49%	62.86%	202.19%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	13.82%	11.77%	7.20%	19.38%	13.37%	24.72%	

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