



Appendix 2

Audited Financial Report



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Narrabri Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“To deliver services to and represent the interests
of the whole community and provide a quality of
living environment within available resources”



Narrabri Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
 - (iv) These financial statements were authorised for issue by the Council on 27 October 2016. Council has the power to amend and reissue these financial statements.
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Narrabri Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

Each year, NSW local governments are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

A summary of Council's financial performance for the year, listing all income and expenses. It 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 values of Council's infrastructure, property, plant & equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

4. The Statement of Changes in Equity

Records the change for the year of Council's 'net wealth'.

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. It 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 external accountants (that generally specialise in local government).

In NSW, the auditor provides two 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 statements to the Office of Local Government.

Narrabri Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

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

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

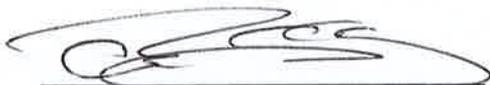
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 25 October 2016.



Catherine Redding
Mayor



Cameron Staines
Councillor



Stewart Todd
General manager



Tim McClellan
Responsible accounting officer

Narrabri Shire Council

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
18,383	Rates and annual charges	3a	18,388	17,847
6,913	User charges and fees	3b	8,791	8,349
1,406	Interest and investment revenue	3c	1,332	1,401
2,942	Other revenues	3d	2,315	2,263
12,481	Grants and contributions provided for operating purposes	3e,f	12,506	11,172
3,319	Grants and contributions provided for capital purposes	3e,f	10,267	12,268
Other income:				
–	Net share of interests in joint ventures and associates using the equity method	19	–	24
45,444	Total income from continuing operations		53,599	53,324
Expenses from continuing operations				
14,394	Employee benefits and on-costs	4a	15,466	14,804
603	Borrowing costs	4b	597	676
11,175	Materials and contracts	4c	9,120	10,932
9,794	Depreciation and amortisation	4d	9,614	9,867
–	Impairment	4d	–	–
4,611	Other expenses	4e	4,040	4,008
43	Net losses from the disposal of assets	5	449	610
–	Net share of interests in joint ventures and associates using the equity method	19	4	–
40,620	Total expenses from continuing operations		39,290	40,897
4,824	Operating result from continuing operations		14,309	12,427
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
4,824	Net operating result for the year		14,309	12,427
4,824	Net operating result attributable to Council		14,309	12,427
–	Net operating result attributable to non-controlling interests		–	–
1,505	Net operating result for the year before grants and contributions provided for capital purposes		4,042	159

¹ Original budget as approved by Council – refer Note 16

Narrabri Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		14,309	12,427
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	8,258	857
Other comprehensive income – joint ventures and associates	19b	(9)	–
Total items which will not be reclassified subsequently to the operating result		8,249	857
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		8,249	857
Total comprehensive income for the year		22,558	13,284
Total comprehensive income attributable to Council		22,558	13,284
Total comprehensive income attributable to non-controlling interests		–	–

Narrabri Shire Council

Statement of Financial Position

as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	3,312	12,158
Investments	6b	44,000	33,012
Receivables	7	3,505	9,439
Inventories	8	3,561	3,483
Other	8	46	–
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		54,424	58,092
Non-current assets			
Investments	6b	–	–
Receivables	7	493	427
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	420,262	399,703
Investments accounted for using the equity method	19	172	185
Investment property	14	–	–
Intangible assets	25	–	–
Total non-current assets		420,927	400,315
TOTAL ASSETS		475,351	458,407
LIABILITIES			
Current liabilities			
Payables	10	3,736	8,357
Borrowings	10	1,006	865
Provisions	10	3,495	2,977
Total current liabilities		8,237	12,199
Non-current liabilities			
Payables	10	11	10
Borrowings	10	7,792	9,464
Provisions	10	161	142
Total non-current liabilities		7,964	9,616
TOTAL LIABILITIES		16,201	21,815
Net assets		459,150	436,592
EQUITY			
Retained earnings	20	203,464	189,164
Revaluation reserves	20	255,686	247,428
Council equity interest		459,150	436,592
Non-controlling equity interests		–	–
Total equity		459,150	436,592

Narrabri Shire Council

Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		189,164	247,428	436,592	–	436,592
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		189,164	247,428	436,592	–	436,592
c. Net operating result for the year		14,309	–	14,309	–	14,309
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	8,258	8,258	–	8,258
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	(9)	–	(9)	–	(9)
Other comprehensive income		(9)	8,258	8,249	–	8,249
Total comprehensive income (c&d)		14,300	8,258	22,558	–	22,558
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		203,464	255,686	459,150	–	459,150

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		176,737	246,571	423,308	–	423,308
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		176,737	246,571	423,308	–	423,308
c. Net operating result for the year		12,427	–	12,427	–	12,427
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	857	857	–	857
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
Other comprehensive income		–	857	857	–	857
Total comprehensive income (c&d)		12,427	857	13,284	–	13,284
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		189,164	247,428	436,592	–	436,592

Narrabri Shire Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
18,345	Rates and annual charges		18,205	17,767
6,612	User charges and fees		12,258	8,462
1,370	Investment and interest revenue received		1,470	1,369
16,012	Grants and contributions		24,433	22,161
–	Bonds, deposits and retention amounts received		61	–
2,937	Other		7,062	2,626
Payments:				
(14,383)	Employee benefits and on-costs		(15,135)	(15,371)
(11,213)	Materials and contracts		(12,724)	(12,186)
(607)	Borrowing costs		(520)	(591)
–	Bonds, deposits and retention amounts refunded		–	(3)
(4,608)	Other		(8,906)	(331)
14,465	Net cash provided (or used in) operating activities	11b	26,204	23,903
Cash flows from investing activities				
Receipts:				
3,385	Sale of investment securities		62,000	57,200
230	Sale of real estate assets		–	302
–	Sale of infrastructure, property, plant and equipment		447	349
Payments:				
–	Purchase of investment securities		(73,000)	(64,000)
(17,282)	Purchase of infrastructure, property, plant and equipment		(22,811)	(16,050)
–	Purchase of real estate assets		(69)	(8)
(13,667)	Net cash provided (or used in) investing activities		(33,433)	(22,207)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(901)	Repayment of borrowings and advances		(1,591)	(3,181)
(26)	Repayment of finance lease liabilities		(26)	(25)
(927)	Net cash flow provided (used in) financing activities		(1,617)	(3,206)
(129)	Net increase/(decrease) in cash and cash equivalents		(8,846)	(1,510)
6,116	Plus: cash and cash equivalents – beginning of year	11a	12,158	13,668
5,987	Cash and cash equivalents – end of the year	11a	3,312	12,158
Additional Information:				
	plus: Investments on hand – end of year	6b	44,000	33,012
	Total cash, cash equivalents and investments		47,312	45,170

Please refer to Note 11 for information on the following:

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

In preparing these financial statements, Council has been deemed to be a not-for-profit entity.

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

Because AASBs are sector neutral, some standards either:

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

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

Under the LGA, Regulation and Local Government Code of Accounting Practice & Financial Reporting,

it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements.

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (to conform to AASBs).

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

Critical accounting estimates and assumptions

Council makes estimates & assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates & 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 estimated fair values of infrastructure, property, plant & equipment,

(b) Revenue recognition

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

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

Revenue is measured at fair value of consideration received or receivable on the following major income categories:

Rates, Annual Charges, Grants & Contributions

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

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent

a charge against the rateable property that will be recovered when the property is next sold.

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

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

Where grants or contributions, recognised as revenues during the financial year, were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

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

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

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

Developer contributions may only be used for the purposes for which the contributions were required however, Council may apply contributions according to priorities.

Note 17 provides more information in relation to developer contributions.

User Charges, Fees and Other Income

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

Dividend Income

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

Other Income

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

(c) Principles of Consolidation

(i) The Consolidated Fund

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

The following entities have been included as part of the Consolidated Fund:

- *Narrabri Shire Council General Fund*
- *Narrabri Shire Council Water Supply Fund*
- *Narrabri Shire Council Sewerage Fund*

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

- *Narrabri Heritage Committee*
- *Friends of the Theatre*
- *Newtown Park Incorporated*
- *Gwabegar Community Centre Advisory Committee*
- *Oval Management Committee*
- *Park Management Committee*

(ii) The Trust Fund

In accordance with the provisions of s411 of the LGA, a separate Trust Fund is maintained to account for all money and property received by the Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements.

Trust monies and property held by Council but not subject to control of Council, have been excluded.

(iii) Interests in Other Entities

Joint Ventures and Associates

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

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

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

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

(d) Leases

Leases entered into are reviewed and classified on inception as either a Finance or Operating lease.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable. They are included in current assets, except for those with maturities greater than 12 months after the

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

balance sheet date, which are classified as non-current assets.

(iii) Held-to-maturity investments

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

These investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Types of investments

Council has an approved Investment Policy in accordance with s625 of the LGA, s212 of the LG Regulation and Ministerial Investment Order.

Investments are placed and managed in accordance with this policy.

(g) Fair Value Estimation – Financial Instruments

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

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

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

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

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

If the market for a financial asset is not active, Council establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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

(h) Receivables

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores

Raw materials and stores are stated at the lower of cost and net realisable value.

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

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

Land Held for Resale

Land held for resale is stated at the lower of its carrying amount and fair value less costs to sell.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(j) Infrastructure, Property, Plant & Equipment (IPP&E)

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

- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Operational Land** (external valuation)
- **Community land** (Valuer General's valuation)
- **Land improvements** (external valuation)
- **Buildings – Specialised / Non-Specialised**
(external valuation)
- **Other Structures** (external valuation)
- **Roads Assets incl. roads, bridges & footpaths**
(external valuation)
- **Bulk Earthworks** (external valuation)
- **Stormwater Drainage** (external valuation)
- **Water and Sewerage Networks** (external valuation)
- **Swimming Pools** (external valuation)

Initial Recognition

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

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

Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset Revaluations (including indexation)

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

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

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Department of Primary Industries (Water).

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

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

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

Capitalisation Thresholds

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

Land	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Plant & Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$1,000
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Building

- Construction / Extensions	100% Capitalised
- Renovations	> \$10,000

Other Structures	> \$2,000
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Water & Sewer Assets

Reticulation extensions	> \$1,000
Other	> \$1,000

Stormwater Assets

Drains & Culverts	> \$1,000
Other	> \$1,000

Transport Assets

Road construction & reconstruction	> \$1,000
Reseal / Resheet & major repairs:	> \$1,000

Bridge construction & reconstruction	> \$1,000
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Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Infrastructure	> \$10,000

Depreciation

Depreciation on Council's IPP&E assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's IPP&E include:

Plant & Equipment

- Office Equipment	5 to 10 years
- Office Furniture	10 to 20 years
- Computer Equipment	3 years
- Vehicles	5 years
- Heavy Plant/Road Making equip.	10 to 20 years
- Other Plant and Equipment	5 to 10 years

Other Structures

- Parks & Recreation Structures	10 years
- All Other Structures	10 to 50 years

Buildings

- Buildings: Masonry	50 to 100 years
- Buildings: Other	20 to 40 years

Stormwater Drainage

- Pumps	30 years
- Drainage	60 years
- Reticulation Pipes	80 years

Transportation Assets

- Sealed Roads: Surface	18 to 25 years
- Sealed Roads: Structure	90 years
- Natural Surface Roads	Infinite
- Gravel Surface Roads	30 years
- Unsealed Roads	30 years
- Causeways	100 years
- Bridges	80 to 100 years
- Kerb, Gutter & Paths	20 to 90 years

Water & Sewer Assets

- Reservoirs	100 years
- Bores	30 years
- Reticulation Pipes: PVC	80 years
- Reticulation Pipes: Other	50 to 100 years
- Pumps and Telemetry	15 years

Other Infrastructure Assets

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

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

Disposal and Derecognition

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(k) Land

Land is in accordance with Part 2 of Chapter 6 of the LGA classified as either Operational or Community.

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

(l) Crown reserves

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

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

(m) Impairment of Assets

All IPP&E is subject to an annual assessment of impairment.

Impairment occurs whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash-generating purposes (eg. infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value

in use, otherwise value in use is estimated by using a discounted cash flow model.

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

(n) Payables

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

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

(o) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(p) Borrowing costs

Borrowing costs are expensed.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(q) Provisions

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

- Council has a legal or constructive obligation as a result of past events,
- it is more likely that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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

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

Provisions are measured at the present value of 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 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.

(r) Employee benefits

(i) Short-term obligations

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

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

amounts expected to be paid when the liabilities are settled.

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

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

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

(ii) Other long-term obligations

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

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

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

(iii) Retirement benefit obligations

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as its present value. The present value is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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

Council is party to an Industry Defined Benefit Plan known as the 'Local Government Superannuation Scheme – Pool B'. This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

There is insufficient information to account for the scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all councils.

The last valuation of the scheme was performed by Mercer Consulting Pty Ltd on 24/02/16 and covers the period ended 30/06/15. The scheme is monitored annually and the actuary has estimated that as at 30 June 2016 a prior period deficit still exists.

Since 1 July 2009, employers have been required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the scheme are recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a). For the year ending 30 June 2016 this amounted to \$180,703.

The amount of additional contributions included in the total employer contribution above is \$69,959.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$135,094 as at 30 June 2016.

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

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

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

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense as they become payable.

(iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

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

(s) Allocation between current and non-current assets and liabilities

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

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

Exceptions

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(t) Taxes

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

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax.

Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST.

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

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

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

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

(u) New accounting standards and Interpretations issued (not yet effective)

Certain new accounting standards & interpretations have been published but are not mandatory for the reporting period ending 30 June 2016. Council has not adopted any of these standards early.

These include the following that are anticipated to impact local government:

AASB 9 – Financial Instruments

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

AASB ED 260 – Income of Not-for-Profit Entities

AASB16 – Leases

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

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

AASB 2014 – 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(v) Rounding of amounts

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

(w) Comparative figures

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

(x) Disclaimer

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	3	–	50	490	451	(50)	(487)	(451)	–	–	248	7,162
Administration	687	960	3,138	6,341	6,092	6,319	(5,654)	(5,132)	(3,181)	40	43	54,793	56,251
Public order and safety	297	302	372	870	763	984	(573)	(461)	(612)	381	316	1,494	1,504
Health	195	82	–	140	103	–	55	(21)	–	–	–	–	–
Environment	3,049	3,016	3,151	2,926	3,178	3,128	123	(162)	23	50	351	8,309	7,058
Community services and education	–	2	1	26	9	4	(26)	(7)	(3)	12	1	–	–
Housing and community amenities	3,703	5,442	8,006	808	1,037	968	2,895	4,405	7,038	128	53	2,213	1,375
Water supplies	3,730	5,501	3,821	3,530	3,225	2,644	200	2,276	1,177	1,110	226	39,938	37,616
Sewerage services	3,375	3,359	3,279	3,244	3,166	2,983	131	193	296	31	31	45,235	44,480
Recreation and culture	2,044	1,956	1,958	6,507	6,179	6,175	(4,463)	(4,223)	(4,217)	296	310	26,074	24,448
Mining, manufacturing and construction	227	184	428	965	933	695	(738)	(749)	(267)	–	–	1,255	2,203
Transport and communication	8,176	13,648	10,114	13,606	12,734	14,935	(5,430)	914	(4,821)	8,673	6,784	288,319	270,207
Economic affairs	643	659	745	1,607	1,377	1,611	(964)	(718)	(866)	–	36	7,301	5,918
Total functions and activities	26,126	35,114	35,013	40,620	39,286	40,897	(14,494)	(4,172)	(5,884)	10,721	8,151	475,179	458,222
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	24	–	4	–	–	(4)	24	–	–	172	185
General purpose income ¹	19,318	18,485	18,287	–	–	–	19,318	18,485	18,287	6,452	6,417	–	–
Operating result from continuing operations	45,444	53,599	53,324	40,620	39,290	40,897	4,824	14,309	12,427	17,173	14,568	475,351	458,407

1. Includes: rates and annual charges, untied general purpose grants and unrestricted interest and investment income.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

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

GOVERNANCE

Costs relating to elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy making committees, area representation and public disclosure and legislative compliance.

ADMINISTRATION

Corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Fire protection, animal control, enforcement of local government regulations, emergency services, other.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Social protection (welfare); migrant, Aboriginal and other community services; youth services; aged and disabled persons services; children's services; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

Public libraries; museums; community centres and public halls; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards; real estate development; and other business undertakings.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		3,946	3,819
Farmland		5,950	5,858
Mining		1,022	831
Business		904	1,103
Total ordinary rates		11,822	11,611
Special rates			
Drainage		–	2
Tourism		69	57
Total special rates		69	59
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		1,816	1,682
Water supply services		1,604	1,544
Sewerage services		2,574	2,495
Waste management services (non-domestic)		503	456
Total annual charges		6,497	6,177
TOTAL RATES AND ANNUAL CHARGES		18,388	17,847

Council has used 2014 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 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		2,010	2,028
Sewerage services		274	530
Waste management services (non-domestic)		492	481
Total user charges		2,776	3,039
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		242	253
Private works – section 67		121	83
Regulatory/ statutory fees		150	31
Registration fees		1	13
Total fees and charges – statutory/regulatory		514	380
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		63	283
Caravan park		79	80
Cemeteries		247	209
Contribution to works		498	49
Leaseback fees – Council vehicles		133	110
Quarry revenues		85	123
RMS (formerly RTA) charges (state roads not controlled by Council)		2,687	2,686
Saleyards		214	263
Swimming centres		290	383
Mining tonnage charges		1,129	591
Gravel tonnage charges		74	120
Other		2	33
Total fees and charges – other		5,501	4,930
TOTAL USER CHARGES AND FEES		8,791	8,349

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		121	106
– Interest earned on investments (interest and coupon payment income)		1,223	1,432
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		(12)	(137)
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,332</u>	<u>1,401</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		67	106
General Council cash and investments		144	130
Restricted investments/funds – external:			
Development contributions			
– Section 94		440	523
Water fund operations		430	392
Sewerage fund operations		238	227
Domestic waste management operations		11	–
Other externally restricted assets		2	–
Restricted investments/funds – internal:			
Internally restricted assets		–	23
<u>Total interest and investment revenue recognised</u>		<u>1,332</u>	<u>1,401</u>
(d) Other revenues			
Rental income – other council properties		302	234
Fines		20	30
Legal fees recovery – rates and charges (extra charges)		8	54
Crossing theatre		1,176	1,156
Diesel rebate		111	110
Insurance claim recoveries		67	158
Recoverable expenses		303	9
Sales – general		208	388
Other		120	124
<u>TOTAL OTHER REVENUE</u>		<u>2,315</u>	<u>2,263</u>

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	4,193	4,094	–	–
Financial assistance – local roads component	2,175	2,237	–	–
Pensioners' rates subsidies – general component	84	86	–	–
Total general purpose	6,452	6,417	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	35	35	–	–
– Sewerage	31	32	–	–
– Domestic waste management	37	37	–	–
Water supplies	–	–	1,075	191
Bushfire and emergency services	234	300	–	16
Community events	12	1	–	–
Employment and training programs	40	43	–	–
Environmental protection	–	–	13	100
Flood restoration	–	1,149	–	–
Heritage and cultural	4	29	–	–
Library	50	50	–	–
Library – special projects	–	16	–	–
Noxious weeds	135	214	–	–
Pools - LIRS subsidy	185	189	–	–
Recreation and culture	–	8	48	14
Street lighting	54	53	–	–
Transport (roads to recovery)	3,014	1,055	–	–
Transport (other roads and bridges funding)	–	50	5,645	4,129
RMS works – 3 x 3	–	400	–	–
Other	109	4	–	36
Total specific purpose	3,940	3,665	6,781	4,486
Total grants	10,392	10,082	6,781	4,486
Grant revenue is attributable to:				
– Commonwealth funding	9,382	7,386	–	–
– State funding	1,010	2,696	6,957	4,486
	10,392	10,082	6,781	4,486

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	–	–	3,169	7,569
S 94 – contributions towards amenities/services	–	–	1	20
S 94A – fixed development consent levies	–	–	68	57
Total developer contributions	–	–	3,238	7,646
Other contributions:				
Recreation and culture	6	–	55	–
Roads and bridges	1,000	–	109	–
RMS contributions (regional roads, block grant)	1,108	1,090	–	–
Sewerage (excl. section 64 contributions)	–	–	84	136
Total other contributions	2,114	1,090	248	136
Total contributions	2,114	1,090	3,486	7,782
TOTAL GRANTS AND CONTRIBUTIONS	12,506	11,172	10,267	12,268

\$ '000	Actual 2016	Actual 2015
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	15,378	13,039
Add: grants and contributions recognised in the current period but not yet spent:	4,291	8,414
Less: grants and contributions recognised in a previous reporting period now spent:	(8,425)	(6,075)
Net increase (decrease) in restricted assets during the period	(4,134)	2,339
Unexpended and held as restricted assets	11,244	15,378
Comprising:		
– Specific purpose unexpended grants	539	267
– Developer contributions	10,705	15,111
	11,244	15,378

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		11,431	10,531
Travel expenses		34	62
Employee leave entitlements (ELE)		1,788	1,827
Superannuation		1,229	1,096
Workers' compensation insurance		708	783
Fringe benefit tax (FBT)		137	123
Training costs (other than salaries and wages)		170	226
Protective clothing		55	41
Other		754	646
Total employee costs		16,306	15,335
Less: capitalised costs		(840)	(531)
TOTAL EMPLOYEE COSTS EXPENSED		15,466	14,804
Number of 'full-time equivalent' employees (FTE) at year end		164	162
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		180	180
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		505	571
Charges relating to finance leases		6	6
Total interest bearing liability costs expensed		511	577
(ii) Other borrowing costs			
Interest applicable on interest free (and favourable) loans to Council		86	99
Total other borrowing costs		86	99
TOTAL BORROWING COSTS EXPENSED		597	676
(c) Materials and contracts			
Raw materials and consumables		7,624	8,939
Contractor and consultancy costs			
– Contractor and consultancy costs		554	724
– Management fees		–	9
– Waste collection		796	1,105
– Other		–	3
Auditors remuneration ⁽¹⁾		46	59
Legal expenses:			
– Legal expenses: planning and development		21	16
– Legal expenses: debt recovery		59	44
– Legal expenses: other		20	33
TOTAL MATERIALS AND CONTRACTS		9,120	10,932

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
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(c) Materials and contracts (continued)

1. Auditor remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor:

Audit and other assurance services

Audit and review of financial statements: Council's Auditor		46	59
Remuneration for audit and other assurance services		46	59
Total Auditor remuneration		46	59

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015

(d) Depreciation, amortisation and impairment

Plant and equipment		–	–	1,048	1,155
Office equipment		–	–	83	76
Furniture and fittings		–	–	52	61
Land improvements (depreciable)		–	–	110	118
Infrastructure:					
– Buildings – non-specialised		–	–	436	433
– Buildings – specialised		–	–	140	138
– Other structures		–	–	450	421
– Roads		–	–	4,488	4,458
– Bridges		–	–	249	289
– Footpaths		–	–	75	87
– Stormwater drainage		–	–	122	121
– Water supply network		–	–	806	877
– Sewerage network		–	–	1,379	1,453
– Swimming pools		–	–	176	180
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	9,614	9,867

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Advertising		108	98
Bad and doubtful debts		78	55
Bank charges		80	82
Cleaning		122	156
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		327	311
Councillor expenses – mayoral fee		24	23
Councillor expenses – councillors' fees		119	118
Councillors' expenses (incl. mayor) – other (excluding fees above)		106	108
Donations, contributions and assistance to other organisations (Section 356)		77	87
– Donations, contributions and assistance		124	115
– Donations, contributions and assistance (Central Northern Libraries)		217	218
Electricity and heating		676	674
Fire control expenses		136	192
Insurance		565	549
Office expenses (including computer expenses)		363	299
Postage		22	22
Printing and stationery		75	56
Recoverable expenses		23	11
Street lighting		219	250
Subscriptions and publications		164	153
Telephone and communications		189	162
Tourism expenses (excluding employee costs)		160	191
Valuation fees – assets		11	22
Valuation fees – rates		55	56
<u>TOTAL OTHER EXPENSES</u>		<u>4,040</u>	<u>4,008</u>

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Proceeds from disposal – property		–	20
Less: carrying amount of property assets sold/written off		–	(29)
Net gain/(loss) on disposal		–	(9)
Plant and equipment			
Proceeds from disposal – plant and equipment		447	199
Less: carrying amount of plant and equipment assets sold/written off		(868)	(453)
Net gain/(loss) on disposal		(421)	(254)
Infrastructure			
Proceeds from disposal – infrastructure		–	130
Less: carrying amount of infrastructure assets sold/written off		(28)	(468)
Net gain/(loss) on disposal		(28)	(338)
Real estate assets held for sale			
Proceeds from disposal – real estate assets		–	302
Less: carrying amount of real estate assets sold/written off		–	(314)
Net gain/(loss) on disposal		–	(12)
Financial assets *			
Proceeds from disposal/redemptions/maturities – financial assets		62,000	57,200
Less: carrying amount of financial assets sold/redeemed/matured		(62,000)	(57,197)
Net gain/(loss) on disposal		–	3
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(449)	(610)
* Financial assets disposals/redemptions include:			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		–	3
Net gain/(loss) on disposal of financial instruments		–	3

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		312	–	3,158	–
Cash-equivalent assets ¹					
– Deposits at call		3,000	–	9,000	–
Total cash and cash equivalents		3,312	–	12,158	–
Investments (Note 6b)					
– Long term deposits		44,000	–	33,000	–
– CDO's		–	–	12	–
Total investments		44,000	–	33,012	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		47,312	–	45,170	–

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'	3,312	–	12,158	–
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Investments

a. 'At fair value through the profit and loss'					
– 'Held for trading'	6(b-i)	–	–	12	–
b. 'Held to maturity'	6(b-ii)	44,000	–	33,000	–
Investments		44,000	–	33,012	–

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6b. investments (continued)

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Note 6(b-i)				
Reconciliation of investments classified as 'at fair value through the profit and loss'				
Balance at the beginning of the year	12	–	346	–
Revaluations (through the Income Statement)	(12)	–	(137)	–
Disposals (sales and redemptions)	–	–	(197)	–
Balance at end of year	–	–	12	–
Comprising:				
– CDO's	–	–	12	–
Total	–	–	12	–
Note 6(b-ii)				
Reconciliation of investments classified as 'held to maturity'				
Balance at the beginning of the year	33,000	–	26,000	–
Additions	73,000	–	64,000	–
Disposals (sales and redemptions)	(62,000)	–	(57,000)	–
Balance at end of year	44,000	–	33,000	–
Comprising:				
– Long term deposits	44,000	–	33,000	–
Total	44,000	–	33,000	–

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	47,312	–	45,170	–
attributable to:				
External restrictions (refer below)	31,954	–	36,259	–
Internal restrictions (refer below)	14,878	–	6,711	–
Unrestricted	480	–	2,200	–
	47,312	–	45,170	–

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

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	569	–	(69)	500
External restrictions – included in liabilities	569	–	(69)	500

External restrictions – other

Developer contributions – general (D)	15,111	3,678	(8,084)	10,705
Specific purpose unexpended grants (F)	267	513	(241)	539
Water supplies (G)	12,746	546	–	13,292
Sewerage services (G)	7,529	–	(655)	6,874
Domestic waste management (G)	37	7	–	44
External restrictions – other	35,690	4,744	(8,980)	31,454
Total external restrictions	36,259	4,744	(9,049)	31,954

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant & Vehicle Replacement	2,387	1,987	(1,809)	2,565
Employees Leave Entitlements	906	191	–	1,097
Carry Over Works	242	1,154	(242)	1,154
Deposits, Retentions & Bonds	65	61	–	126
Airport Reserve	–	176	(176)	–
Boggabri Community Reserve	–	100	–	100
Buildings Infrastructure	654	738	–	1,392
CDO	357	–	(357)	–
Corporate Information System	–	1,500	–	1,500
Election Costs	60	60	–	120
Gwabegar Infrastructure (toilet block)	51	–	(51)	–
Heritage (Old Gaol)	23	–	(1)	22
Housing	714	–	(714)	–
Infrastructure Backlog Reserve	–	1,700	–	1,700
Library	51	–	(4)	47
Narrabri Depot Reserve	132	125	–	257
Office Equipment	154	135	–	289
Parks & Gardens (Bulk Water Sale Reserve)	128	37	–	165
Quarries	56	138	–	194
Real Estate - Shannon Estate Tree Planting	7	–	–	7
Restricted Funding	54	–	(54)	–
Risk Management	45	85	(108)	22
RMS Single Invitation Contract (warranty)	100	–	–	100
Roads Infrastructure Reserve	–	4,812	(4,812)	–
Roads - Leards Road Closure	–	1,000	–	1,000
Roads Infrastructure (Stormwater) Reserve	–	122	–	122
Staff Wellness Program	25	–	(25)	–
Statutory Land Planning Reserve	50	50	–	100
Swimming Pools	–	600	–	600
Tonnage Payments - Mining	377	1,779	–	2,156
Tonnage Payments - Gravel (upgrade)	9	63	(70)	2
Tourism - Kamilaroi Highway Group	33	4	–	37
Tonnage Payments - Gravel (maintenance)	31	11	(38)	4
Total internal restrictions	6,711	16,628	(8,461)	14,878
TOTAL RESTRICTIONS	42,970	21,372	(17,510)	46,832

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		917	451	794	391
Interest and extra charges		166	82	153	76
User charges and fees		982	–	3,884	–
Accrued revenues					
– Interest on investments		304	–	449	–
– Other income accruals		759	–	1,963	–
Government grants and subsidies		265	–	1,857	–
Net GST receivable		248	–	484	–
Other debtors		113	–	68	–
Total		3,754	533	9,652	467
Less: provision for impairment					
Rates and annual charges		–	(25)	–	(25)
Interest and extra charges		–	(15)	–	(15)
User charges and fees		(249)	–	(213)	–
Total provision for impairment – receivables		(249)	(40)	(213)	(40)
<u>TOTAL NET RECEIVABLES</u>		<u>3,505</u>	<u>493</u>	<u>9,439</u>	<u>427</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		249	135	226	113
– Other		2	–	2	–
Sewerage services					
– Rates and availability charges		136	67	122	61
– Other		1	–	92	–
Total external restrictions		388	202	442	174
Internally restricted receivables					
Nil					
Unrestricted receivables		3,117	291	8,997	253
TOTAL NET RECEIVABLES		3,505	493	9,439	427

Notes on debtors above:

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		1,930	–	1,861	–
Stores and materials		374	–	387	–
Trading stock		1,257	–	1,235	–
Total inventories at cost		3,561	–	3,483	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		3,561	–	3,483	–
(b) Other assets					
Prepayments		46	–	–	–
TOTAL OTHER ASSETS		46	–	–	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Other disclosures

(a) Details for real estate development

Residential		1,930	–	1,861	–
Total real estate for resale		1,930	–	1,861	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		1,861	–	–	–
Development costs		69	–	1,861	–
Total costs		1,930	–	1,861	–
Total real estate for resale		1,930	–	1,861	–
Movements:					
Real estate assets at beginning of the year		1,861	–	2,167	–
– Purchases and other costs		69	–	8	–
– WDV of sales (expense)	5	–	–	(314)	–
Total real estate for resale		1,930	–	1,861	–

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

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

	2016	2015
Real estate for resale	1,712	1,489
	1,712	1,489

(c) Inventory write downs

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

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

Narrabri Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment											depreciation	impairment	
Capital work in progress	14,493	–	–	–	14,493	12,817	6,660	–	–	(896)	–	–	33,074	–	–	–	33,074
Plant and equipment	–	14,072	4,925	–	9,147	–	2,041	(868)	(1,048)	232	–	–	–	15,477	5,973	–	9,504
Office equipment	–	1,148	893	–	255	–	29	–	(83)	137	–	–	–	1,314	976	–	338
Furniture and fittings	–	1,322	958	–	364	–	92	–	(52)	–	–	–	–	1,414	1,010	–	404
Land:																	
– Operational land	–	8,451	–	–	8,451	–	–	–	–	–	–	–	–	8,451	–	–	8,451
– Community land	–	4,166	–	–	4,166	–	–	–	–	–	(1,098)	–	–	3,068	–	–	3,068
Land improvements – depreciable	–	3,756	988	–	2,768	107	3	–	(110)	29	–	851	–	5,358	1,710	–	3,648
Infrastructure:																	
– Buildings – non-specialised	–	27,801	11,683	–	16,118	178	104	(5)	(436)	–	–	440	–	28,146	11,747	–	16,399
– Buildings – specialised	–	7,996	2,862	–	5,134	9	137	–	(140)	132	–	–	–	8,274	3,002	–	5,272
– Other structures	–	14,570	5,499	–	9,071	257	–	(23)	(450)	338	–	6,311	–	19,308	3,804	–	15,504
– Roads	–	229,796	82,708	–	147,088	–	–	–	(4,488)	–	–	384	–	230,092	87,108	–	142,984
– Bridges	–	25,760	9,613	–	16,147	–	–	–	(249)	–	–	–	–	25,760	9,862	–	15,898
– Footpaths	–	5,252	1,696	–	3,556	–	–	–	(75)	–	–	–	–	5,252	1,771	–	3,481
– Bulk earthworks (non-depreciable)	–	91,740	–	–	91,740	–	–	–	–	–	–	–	–	91,740	–	–	91,740
– Stormwater drainage	–	9,678	4,347	–	5,331	–	–	–	(122)	–	–	–	–	9,678	4,469	–	5,209
– Water supply network	–	53,598	31,568	–	22,030	275	–	–	(806)	28	–	301	–	54,706	32,878	–	21,828
– Sewerage network	–	89,534	53,632	–	35,902	102	–	–	(1,379)	–	–	518	–	90,980	55,837	–	35,143
– Swimming pools	–	10,296	2,354	–	7,942	–	–	–	(176)	–	–	551	–	11,467	3,150	–	8,317
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	14,493	598,936	213,726	–	399,703	13,745	9,066	(896)	(9,614)	–	(1,098)	9,356	33,074	610,485	223,297	–	420,262

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual				Actual			
	2016				2015			
Class of asset	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
WIP	3,860	–	–	3,860	1,978	–	–	1,978
Plant and equipment	–	244	201	43	–	244	188	56
Office equipment	–	5	5	–	–	5	5	–
Land								
– Operational land	–	245	–	245	–	245	–	245
Buildings	–	177	72	105	–	177	69	108
Other structures	–	92	17	75	–	26	10	16
Infrastructure	–	54,706	32,878	21,828	–	53,659	31,568	22,091
Total water supply	3,860	55,469	33,173	26,156	1,978	54,356	31,840	24,494
Sewerage services								
WIP	1,741	–	–	1,741	490	–	–	490
Plant and equipment	–	111	103	8	–	114	103	11
Furniture and fittings	–	3	3	–	–	3	3	–
Land								
– Operational land	–	906	–	906	–	906	–	906
Buildings	–	394	136	258	–	394	129	265
Other structures	–	158	58	100	–	68	33	35
Infrastructure	–	90,980	55,837	35,143	–	89,534	53,632	35,902
Total sewerage services	1,741	92,552	56,137	38,156	490	91,019	53,900	37,609
Domestic waste management								
WIP	105	–	–	105	64	–	–	64
Plant and equipment	–	33	20	13	–	33	17	16
Land								
– Improvements - depreciable	–	893	496	397	–	1,219	569	650
Buildings	–	338	40	298	–	214	35	179
Other structures	–	1,227	286	941	–	702	172	530
Total DWM	105	2,491	842	1,754	64	2,168	793	1,439
TOTAL RESTRICTED I,PP&E	5,706	150,512	90,152	66,066	2,532	147,543	86,533	63,542

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		271	–	274	–
Payments received in advance		469	–	530	–
Accrued expenses:					
– Borrowings		20	–	29	–
– Salaries and wages		342	–	473	–
– Employee expense oncosts		230	11	208	10
– Other expenditure accruals		2,278	–	6,766	–
Security bonds, deposits and retentions		126	–	65	–
Other		–	–	12	–
Total payables		3,736	11	8,357	10
Borrowings					
Loans – secured ¹		980	7,790	839	9,436
Finance lease liabilities		26	2	26	28
Total borrowings		1,006	7,792	865	9,464
Provisions					
Employee benefits:					
Annual leave		974	–	884	–
Sick leave		299	–	325	–
Long service leave		2,144	161	1,721	142
Other leave (TIL, RDO)		78	–	47	–
Total provisions		3,495	161	2,977	142
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		8,237	7,964	12,199	9,616
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		136	–	160	–
Sewer		396	143	552	275
Liabilities relating to externally restricted assets		532	143	712	275
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		532	143	712	275
Total liabilities relating to unrestricted assets		7,705	7,821	11,487	9,341
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		8,237	7,964	12,199	9,616

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 15.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,203	1,839
Payables – security bonds, deposits and retentions	40	21
	<u>2,243</u>	<u>1,860</u>

Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	884	841	(776)	25	–	974
Sick leave	325	(19)	(20)	13	–	299
Long service leave	1,863	429	(93)	106	–	2,305
Other leave (TIL, RDO)	47	167	(138)	2	–	78
TOTAL	3,119	1,418	(1,027)	146	–	3,656

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	3,312	12,158
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		3,312	12,158
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		14,309	12,427
Adjust for non-cash items:			
Depreciation and amortisation		9,614	9,867
Net losses/(gains) on disposal of assets		449	610
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		12	137
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		86	99
Share of net (profits) or losses of associates/joint ventures		4	(24)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		5,832	(4,034)
Increase/(decrease) in provision for doubtful debts		36	51
Decrease/(increase) in inventories		(9)	(394)
Decrease/(increase) in other assets		(46)	81
Increase/(decrease) in payables		(3)	160
Increase/(decrease) in accrued interest payable		(9)	(14)
Increase/(decrease) in other accrued expenses payable		(4,619)	4,175
Increase/(decrease) in other liabilities		11	264
Increase/(decrease) in employee leave entitlements		537	498
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		26,204	23,903
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		300	300
Total financing arrangements		300	300
Amounts utilised as at balance date:			
– Credit cards/purchase cards		13	28
Total financing arrangements utilised		13	28
(ii) Secured loan liabilities			

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Nil			
(b) Finance lease commitments			
(i) Commitments under finance leases at the reporting date are payable as follows:			
Within the next year		26	26
Later than one year and not later than 5 years		2	28
Later than 5 years		–	–
Total minimum lease payments		28	54
Less: future finance charges		–	–
Amount recognised as a liability		28	54
(ii) Finance lease liability recognised represent;			
Current liabilities		26	26
Non-current liabilities		2	28
Total finance lease liabilities disclosed		28	54
(iii) General details			
Council leases the following property, plant and equipment under finance leases:			
	Term (years)	Option to purchase	Contingent rent clauses
Other equipment/assets	No	No	
Total carrying value at year end			
		28	54

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>4,507</u>	10.40%	2.14%	-5.83%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>43,344</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>30,838</u>	57.52%	56.14%	59.86%
Total continuing operating revenue ⁽¹⁾	<u>53,611</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>20,370</u>	3.73x	2.07x	2.08x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>5,462</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>14,718</u>	6.65x	2.94x	3.10x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>2,214</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>1,576</u>	7.92%	7.12%	7.15%
Rates, annual and extra charges collectible	<u>19,891</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>47,312</u>	14.59 mths	17.1 mths	12.0 mths
Payments from cash flow of operating and financing activities	<u>3,242</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

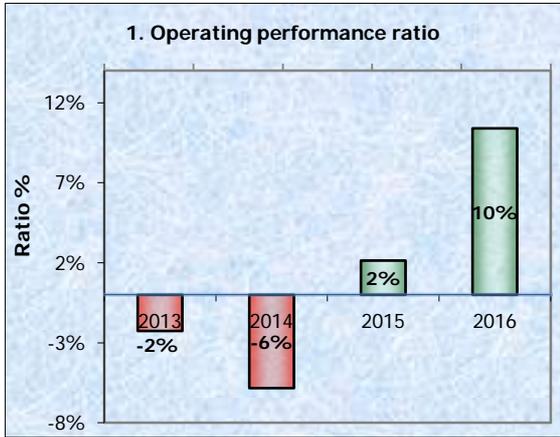
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽³⁾ Refer to Note 10(a).

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

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

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



Purpose of operating performance ratio

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

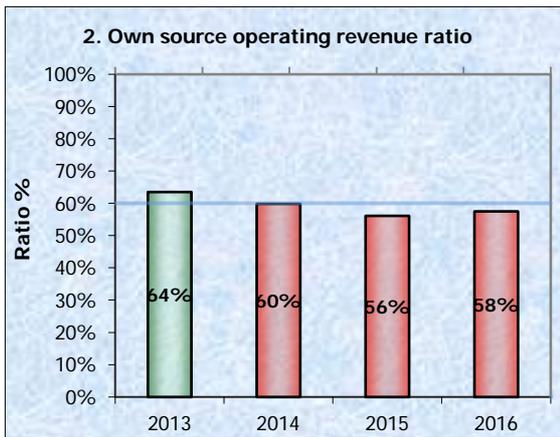
Commentary on 2015/16 result

2015/16 ratio 10.40%

Council has been able to turn this ratio around in the last two years through prudent financial management.

Benchmark: — Minimum $\geq 0.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

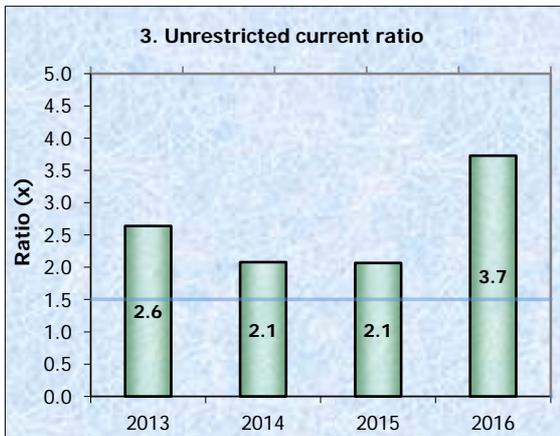
Commentary on 2015/16 result

2015/16 ratio 57.52%

Council has a comparatively large capital contributions component as a result of its mining VPAs which tends to drag down this ratio.

Benchmark: — Minimum $\geq 60.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2015/16 result

2015/16 ratio 3.73x

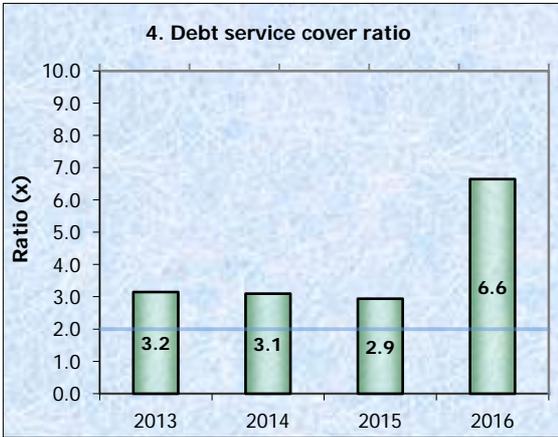
Council remains in a healthy financial position in terms of meeting its short term obligations.

Benchmark: — Minimum ≥ 1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark

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

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



Purpose of debt service cover ratio

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

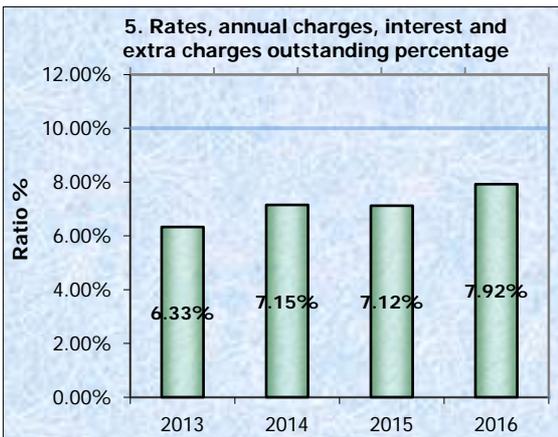
Commentary on 2015/16 result

2015/16 ratio 6.65x

Council has sufficient cash to service its debt.

Benchmark: Minimum ≥ 2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

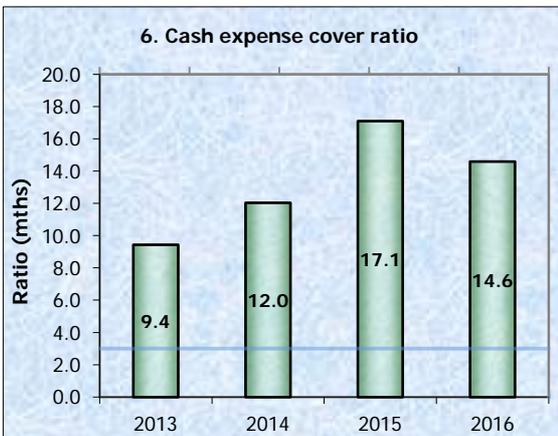
Commentary on 2015/16 result

2015/16 ratio 7.92%

This ratio has an alarming trend that is reflective of the prolonged drought rural NSW has been through. Council has rigid recovery processes in place but is limited in how far it can go.

Benchmark: Maximum $< 10.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark
Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2015/16 result

2015/16 ratio 14.59 mths

Council's liquidity is very good.

Benchmark: Minimum ≥ 3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding capital grants and contributions less operating expenses</u>	26.83%	4.82%	8.88%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 24.08%	3.99%	-0.64%
2. Own source operating revenue ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding all grants and contributions</u>	73.51%	91.97%	53.01%
Total continuing operating revenue ⁽¹⁾	prior period: 94.09%	94.27%	49.83%
3. Unrestricted current ratio			
<u>Current assets less all external restrictions⁽²⁾</u>	99.58x	17.70x	3.73x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 81.09x	13.97x	2.07x
4. Debt service cover ratio			
<u>Operating result⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation</u>	0.00	10.83x	5.38x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	11.22x	2.12x
5. Rates, annual charges, interest and extra charges outstanding percentage			
<u>Rates, annual and extra charges outstanding</u>	23.56%	7.90%	6.30%
Rates, annual and extra charges collectible	prior period: 21.65%	7.49%	5.57%
6. Cash expense cover ratio			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	0.00	0.00	14.59 mths
Payments from cash flow of operating and financing activities	prior period: 0.00 mths	0.00 mths	14.52 mths

Notes

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	3,312	12,158	3,312	12,158
Investments				
– 'Held for trading'	–	12	–	12
– 'Held to maturity'	44,000	33,000	44,000	33,000
Receivables	3,998	9,866	4,174	9,798
Total financial assets	51,310	55,036	51,486	54,968
Financial liabilities				
Payables	3,278	7,837	3,048	7,837
Loans/advances	8,770	10,275	8,770	10,275
Lease liabilities	28	54	28	54
Total financial liabilities	12,076	18,166	11,846	18,166

Fair value is determined as follows:

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

2016	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	470	470	(470)	(470)
2015				
Possible impact of a 10% movement in market values	1	1	(1)	(1)
Possible impact of a 1% movement in interest rates	420	420	(420)	(420)

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2016	2016	2015	2015
	Rates and	Other	Rates and	Other
	annual	receivables	annual	receivables
	charges		charges	
(i) Ageing of receivables – %				
Current (not yet overdue)	67%	91%	67%	91%
Overdue	33%	9%	33%	9%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	917	2,661	794	8,130
Overdue	451	258	391	804
	1,368	2,919	1,185	8,934
(iii) Movement in provision for impairment of receivables			2016	2015
Balance at the beginning of the year			253	202
+ new provisions recognised during the year			36	51
Balance at the end of the year			289	253

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	126	2,897	–	–	–	–	–	3,023	3,278
Loans and advances	–	980	1,042	836	5,225	151	536	8,770	8,770
Lease liabilities	–	26	2	–	–	–	–	28	28
Total financial liabilities	126	3,903	1,044	836	5,225	151	536	11,821	12,076
2015									
Trade/other payables	65	7,772	–	–	–	–	–	7,837	7,837
Loans and advances	–	7,277	668	720	503	420	687	10,275	10,275
Lease liabilities	–	26	26	2	–	–	–	54	54
Total financial liabilities	65	15,075	694	722	503	420	687	18,166	18,166

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	3,278	0.00%	7,837	0.00%
Loans and advances – fixed interest rate	8,770	3.99%	10,275	6.20%
Lease liabilities	28	8.68%	54	8.68%
	<u>12,076</u>		<u>18,166</u>	

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 23 June 2015.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
REVENUES					
Rates and annual charges	18,383	18,388	5	0%	F
User charges and fees	6,913	8,791	1,878	27%	F
Tonnage charges of \$1,203k were original budgeted as operating contributions. Also, unexpected contributions to works of \$443k and additional water consumption charges of \$438k were largely responsible of the variance.					
Interest and investment revenue	1,406	1,332	(74)	(5%)	U
Other revenues	2,942	2,315	(627)	(21%)	U
Crossing Theatre income (\$162k) and scrap metal sales (\$476k) were down from their original budgets.					
Operating grants and contributions	12,481	12,506	25	0%	F
Capital grants and contributions	3,319	10,267	6,948	209%	F
A number of capital grants were received after the original budget was drafted. These include \$2,061k for the Timber Bridge Replacement program, \$1,694k for the replacement of Harparary Bridge, \$1,931k to finalise the upgrade to the Narrabri Airport infrastructure, \$969k for the Narrabri water augmentation project, \$106k for preliminary works for the Baan Baa water project plus some other minor projects.					

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	14,394	15,466	(1,072)	(7%) U
Borrowing costs	603	597	6	1% F
Materials and contracts	11,175	9,120	2,055	18% F
Council's aggressive approach to seeking efficiencies has no doubt led to a favourable reduction in costs.				
Depreciation and amortisation	9,794	9,614	180	2% F
Other expenses	4,611	4,040	571	12% F
This favourable result has been largely achieved by reduced cleaning, street lighting charges and tourism expenses.				
Net losses from disposal of assets	43	449	(406)	(944%) U
Council did not budget for profit/losses in its plant disposal as they would generally be expected to be immaterial. This year plant did not achieve expected sales results leading to the recorded loss on sale.				
Joint ventures and associates – net losses	–	4	(4)	0% U
Council does not budget for net profit/losses from Joint Ventures & Associates in its original estimates as they are generally immaterial.				
Budget variations relating to Council's Cash Flow Statement include:				
Cash flows from operating activities	14,465	26,204	11,739	81.2% F
This variation flows through from the favourable variations in User Charges & Fees and Grants & Contributions.				
Cash flows from investing activities	(13,667)	(33,433)	(19,766)	144.6% U
This variation is the result of additional investment and IPP&E purchases from the favourable variance in Cash Flows from Operating Activities.				
Cash flows from financing activities	(927)	(1,617)	(690)	74.4% U
Council resolved to pay out a loan for staff housing as it was no longer considered necessary.				

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	123	–	–	3	–	–	126	–
Parking	18	–	–	–	–	–	18	–
Open space	27	1	–	1	–	–	29	–
Community facilities	21	–	–	1	–	–	22	–
Bushfire	15	–	–	2	–	–	17	–
Other	38	–	–	1	–	–	39	–
S94 contributions – under a plan	242	1	–	8	–	–	251	–
S94A levies – under a plan	943	68	–	30	–	–	1,041	–
Total S94 revenue under plans	1,185	69	–	38	–	–	1,292	–
S93F planning agreements	13,926	3,169	–	402	(8,084)	–	9,413	–
Total contributions	15,111	3,238	–	440	(8,084)	–	10,705	–

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	123	–	–	3	–	–	126	–
Parking	18	–	–	–	–	–	18	–
Open space	27	1	–	1	–	–	29	–
Community facilities	21	–	–	1	–	–	22	–
Bushfire	15	–	–	2	–	–	17	–
Other	38	–	–	1	–	–	39	–
Total	242	1	–	8	–	–	251	–

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 2013

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	943	68	–	30	–	–	1,041	–
Total	943	68	–	30	–	–	1,041	–

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

ASSETS NOT RECOGNISED (continued):

(iii) Rural Fire Fighting Assets

Council has title to and is the registered owner of various rural fire fighting appliances and associated rural fire fighting equipment.

These assets are under the control of the Rural Fire Services to enable them to provide the necessary bushfire protection services to the Council area as set out in its Service Level Agreement with Council.

In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities

\$ '000

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

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

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

Controlled entities (subsidiaries)

Note 19(a)

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

Joint ventures and associates

Note 19(b)

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

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

Joint operations

Note 19(c)

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

Unconsolidated structured entities

Note 19(d)

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

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

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

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

	Council's share of net income		Council's share of net assets	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Joint ventures	–	–	–	–
Associates	(4)	24	172	185
Total	(4)	24	172	185

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

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

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

(b) Joint ventures and associates

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2016	2015
Central Northern Libraries	Associate		172	185
Total carrying amounts – material joint ventures and associates			172	185

(b) Details

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

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015	2016	2015
Central Northern Libraries	172	185	14%	15%	14%	15%	14%	15%

(d) Summarised financial information for joint ventures and associates

	Central Northern Libraries	
	2016	2015
Statement of financial position		
Current assets		
Cash and cash equivalents	529	499
Total current assets	529	499
Non-current assets	676	734
Net assets	1,205	1,233
Reconciliation of the carrying amount		
Opening net assets (1 July)	1,233	1,076
Profit/(loss) for the period	(28)	157
Closing net assets	1,205	1,233
Council's share of net assets (%)	14.3%	15.0%
Council's share of net assets (\$)	172	185

NB. Council's share of net assets has reduced from 15% to 14.3% (\$9,000) with the inclusion of Gwydir into the group.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

None.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		189,164	176,737
a. Other comprehensive income (excl. direct to reserves transactions)		(9)	–
b. Net operating result for the year		14,309	12,427
Balance at end of the reporting period		203,464	189,164
(b) Revaluation reserves			
(i) Reserves are represented by:			
Infrastructure, property, plant and equipment revaluation reserve		255,686	247,428
Total		255,686	247,428
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
Opening balance		247,428	246,571
Revaluations for the year	9(a)	8,258	857
Balance at end of year		255,686	247,428
TOTAL VALUE OF RESERVES		255,686	247,428

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Council made no correction of errors during the current reporting period.

(d) Voluntary changes in accounting policies

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

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,604	2,556	14,228
User charges and fees	2,354	481	5,956
Interest and investment revenue	430	238	664
Other revenues	–	8	2,307
Grants and contributions provided for operating purposes	141	31	12,334
Grants and contributions provided for capital purposes	969	–	9,298
Other income			
Net gains from disposal of assets	3	–	–
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	5,501	3,314	44,787
Expenses from continuing operations			
Employee benefits and on-costs	535	445	14,486
Borrowing costs	–	22	575
Materials and contracts	1,864	1,119	6,137
Depreciation and amortisation	825	1,389	7,400
Impairment	–	–	–
Other expenses	–	146	3,894
Net losses from the disposal of assets	–	–	452
Share of interests in joint ventures and associates using the equity method	–	–	4
Total expenses from continuing operations	3,224	3,121	32,948
Operating result from continuing operations	2,277	193	11,839
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	2,277	193	11,839
Net operating result attributable to each council fund	2,277	193	11,839
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	1,308	193	2,541

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

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

Narrabri Shire Council

Notes to the Financial Statements

as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	–	–	3,312
Investments	13,292	6,874	23,834
Receivables	251	137	3,117
Inventories	–	–	3,561
Other	–	–	46
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	13,543	7,011	33,870
Non-current assets			
Investments	–	–	–
Receivables	135	67	291
Inventories	–	–	–
Infrastructure, property, plant and equipment	26,156	38,156	355,950
Investments accounted for using the equity method	–	–	172
Investment property	–	–	–
Intangible assets	–	–	–
Total non-current assets	26,291	38,223	356,413
TOTAL ASSETS	39,834	45,234	390,283
LIABILITIES			
Current liabilities			
Payables	136	264	3,336
Borrowings	–	132	874
Provisions	–	–	3,495
Total current liabilities	136	396	7,705
Non-current liabilities			
Payables	–	–	11
Borrowings	–	143	7,649
Provisions	–	–	161
Total non-current liabilities	–	143	7,821
TOTAL LIABILITIES	136	539	15,526
Net assets	39,698	44,695	374,757
EQUITY			
Retained earnings	19,988	12,128	171,348
Revaluation reserves	19,710	32,567	203,409
Total equity	39,698	44,695	374,757

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 27/10/16.

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

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

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

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

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

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has various garbage centres and transfer stations situated around the community.

These all have useful lives, which on being reached will result in Council having to reinstate these areas through restoration and remediation works.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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

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

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

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

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

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/14	–	–	9,504	9,504
Office Equipment	30/06/14	–	–	338	338
Furniture & Fittings	30/06/14	–	–	404	404
Operational Land	30/06/14	–	–	8,451	8,451
Community Land	30/06/16	–	–	3,068	3,068
Land Improvements	30/06/16	–	–	3,648	3,648
Buildings - Non Specialised	30/06/16	–	–	16,399	16,399
Buildings - Specialised	30/06/14	–	–	5,272	5,272
Other Structures	30/06/16	–	–	15,504	15,504
Roads	30/06/14	–	–	142,984	142,984
Bridges	30/06/14	–	–	15,898	15,898
Footpaths	30/06/14	–	–	3,481	3,481
Bulk Earthworks	30/06/14	–	–	91,740	91,740
Stormwater Drainage	30/06/14	–	–	5,209	5,209
Water Supply Network	30/06/16	–	–	21,828	21,828
Sewerage Network	30/06/16	–	–	35,143	35,143
Swimming Pools	30/06/16	–	–	8,317	8,317
Total infrastructure, property, plant and equipment		–	–	387,188	387,188

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	dd/mm/yy	–	–	12	12
Total financial assets		–	–	12	12
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/14	–	–	9,187	9,187
Office Equipment	30/06/14	–	–	256	256
Furniture & Fittings	30/06/14	–	–	322	322
Operational Land	30/06/14	–	–	8,410	8,410
Community Land	30/06/14	–	–	4,207	4,207
Land Improvements	30/06/14	–	–	2,570	2,570
Buildings - Non Specialised	30/06/14	–	–	15,909	15,909
Buildings - Specialised	30/06/14	–	–	5,031	5,031
Other Structures	30/06/14	–	–	9,894	9,894
Roads	30/06/14	–	–	147,507	147,507
Bridges	30/06/14	–	–	16,065	16,065
Footpaths	30/06/14	–	–	3,342	3,342
Bulk Earthworks	30/06/14	–	–	91,617	91,617
Stormwater Drainage	30/06/14	–	–	5,331	5,331
Water Supply Network	30/06/15	–	–	22,091	22,091
Sewerage Network	30/06/15	–	–	35,902	35,902
Swimming Pools	30/06/14	–	–	7,569	7,569
Total infrastructure, property, plant and equipment		–	–	385,210	385,210

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

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

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

Infrastructure, property, plant and equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

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

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

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

Operational & Community Land

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

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

Buildings - Non-Specialised & Specialised

Non-Specialised & Specialised Buildings are valued internally using the Rawlinson's Construction Guide in June 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the building into significant parts. While all buildings were physically inspected and the unit rates based on square metres from Rawlinson's Construction Guide no market based evidence (Level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs. While the costs were current and the impact of depreciation negligible, the building has been classified as Level 3 as they are immaterial in relation to the overall value of the asset type.

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

Other Structures

Other Structures comprise of Aerodrome runway, lighting, irrigation systems, fencing etc. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors. No market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using Level 3 valuation inputs.

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Roads

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

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

Bridges

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

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

Footpaths

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

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

Drainage Infrastructure

Assets within this class comprise pits and pipes.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

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

Water Supply Network

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

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

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

Narrabri Shire Council

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

Note 27. Fair value measurement (continued)

Sewerage Network

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

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

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

Swimming Pools

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

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

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	P&E, Office Equip & Furniture	Land & Improves	Buildings & Other Structures	Transport Assets	Stormwater Drainage	Water Supply Network	Sewerage Network	Swimming Pools	Total
Opening balance – 1/7/14	10,316	15,122	31,319	260,983	5,427	22,481	36,649	7,749	390,046
Transfers from/(to) another asset class	1	198	(511)	–	25	(82)	(4)	373	–
Purchases (GBV)	1,194	212	617	2,740	–	182	179	–	5,124
Disposals (WDV)	(453)	(29)	(110)	(358)	–	–	–	–	(950)
Depreciation and impairment	(1,292)	(118)	(992)	(4,834)	(121)	(877)	(1,453)	(180)	(9,867)
FV gains – other comprehensive income	–	–	–	–	–	326	531	–	857
Closing balance – 30/6/15	9,766	15,385	30,323	258,531	5,331	22,030	35,902	7,942	385,210
Purchases (GBV)	2,531	139	1,155	–	–	303	102	–	4,230
Disposals (WDV)	(868)	–	(28)	–	–	–	–	–	(896)
Depreciation and impairment	(1,183)	(110)	(1,026)	(4,812)	(122)	(806)	(1,379)	(176)	(9,614)
FV gains – other comprehensive income	–	(247)	6,751	384	–	301	518	551	8,258
Closing balance – 30/6/16	10,246	15,167	37,175	254,103	5,209	21,828	35,143	8,317	387,188

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

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

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

I,PP&E

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Plant & Equipment	9,504	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life • Residual Value
Office Equipment	338	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining useful life • Residual value
Furniture / Fittings	404	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining useful life • Residual value
Operational Land	8,410	Land values for similar land averaged m ² rate	<ul style="list-style-type: none"> • Land Value (price per m²)
Community Land	4,333	Land values obtained from NSW Valuer-General	<ul style="list-style-type: none"> • Land Value (price per m²)
Land Improvements	3,648	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life • Residual Value
Buildings - Non Specialised	16,399	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life • Residual Value
Buildings - Specialised	5,272	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life • Residual Value
Other Structures	15,504	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 2016

Note 27. Fair value measurement (continued)

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Roads	142,984	Unit rates per m ² or length	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value
Bridges	15,898	Unit rates per m ² or length	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life
Footpaths	3,481	Unit rates per m ² or length	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life
Bulk Earthworks	91,740	Cost used to approximate fair value	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value
Stormwater Drainage	5,209	Cost used to approximate fair value	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life
Water Supply Network	21,828	Cost used to approximate fair value	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life
Sewerage Network	35,143	Cost used to approximate fair value	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life
Swimming Pools	8,317	Cost used to approximate fair value	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value

c. The valuation process for level 3 fair value measurements

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

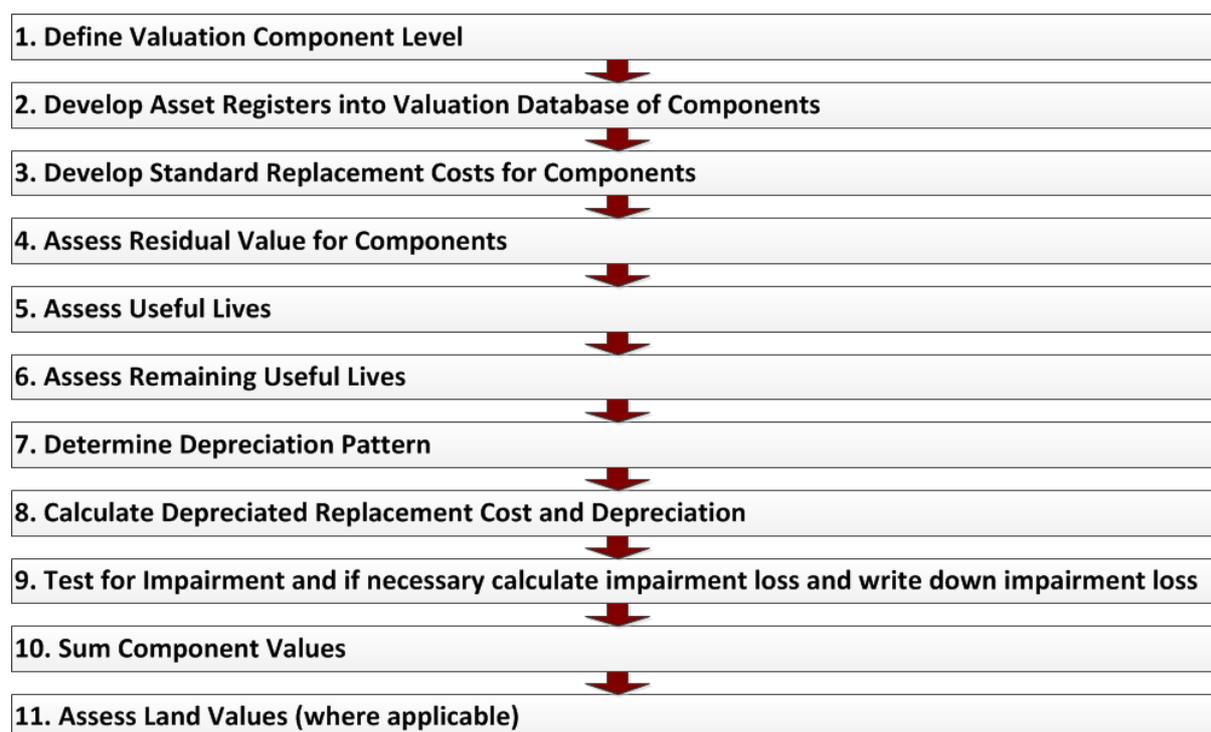
Note 27. Fair value measurement (continued)

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

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

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

Figure 1 – DRC Revaluation Process



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

- Pavement - Sealed Roads
- Pavement – Unsealed Roads
- Sealed Roads - Surface
- All Bridges and Major Culverts
- Footpaths
- Kerb and Gutter
- Stormwater Drainage
- Water Mains
- Sewer Mains
- Water Meters

Narrabri Shire Council

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

Note 27. Fair value measurement (continued)

- Sewer Treatment Plants
- Sewer Pump Stations
- Water Reservoirs
- Water Pump Stations and Bores

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

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

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

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

(5). Highest and best use

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 28. 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:

8.35am to 5.00pm
Monday to Friday

Telephone: 02 6799 6881

Facsimile: 02 6799 6888

Internet: <http://www.narrabri.nsw.gov.au>

Email: council@narrabri.nsw.gov.au

Officers

GENERAL MANAGER

Stewart Todd

RESPONSIBLE ACCOUNTING OFFICER

Tim McClellan

PUBLIC OFFICER

Helen Carroll

AUDITORS

Crowe Horwath
2 Commercial Avenue
Dubbo NSW 2830

Elected members

MAYOR

Catherine Redding

COUNCILLORS

Cameron Staines (Deputy Mayor)
Maxine Booby
Ron Campbell
Ron Campey
Lloyd Finlay
Robert Kneale
Ann Loder
Annie McMahon

Other information

ABN: 95 717 801 656

Crowe Horwath Auswild

ABN 73 735 149 969
Member Crowe Horwath International

2 Commercial Avenue
Dubbo NSW 2830 Australia

PO Box 654
Dubbo NSW 2830 Australia

Tel 02 6883 5600
Fax 02 6884 2242

Bathurst Office

157 George Street
Bathurst NSW 2795 Australia

PO Box 684
Bathurst NSW 2795 Australia

Tel 02 6330 2200
Fax 02 6330 2299

www.crowehorwath.com.au

INDEPENDENT AUDITORS' REPORT TO NARRABRI SHIRE COUNCIL (SECTION 417(2) – REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Narrabri Shire Council ('the Council'), which comprises the statement of financial position as at 30 June 2016 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 28 and the Statement by Councillors and Management of the Council. The financial statements and Council's statement are in the approved form as required by Section 413(2)(c) of the Local Government Act, 1993.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors and management of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

We performed the procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting and Australian Accounting Standards, a view which is consistent with our understanding of the Council's financial position and of its performance.

Our audit responsibilities do not extend to the Original Budget figures disclosed in the income statement, cash flow statement, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules and accordingly, we express no opinion on them.

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

The audit opinion expressed in this report has been formed on the above basis.

AUDITOR'S OPINION

In our opinion:

- a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993 Chapter 13, Part 3, Division 2;
- b) the Council's financial statements:
 - have been properly prepared in accordance with the requirements of this Division;
 - are consistent with the Council's accounting records;
 - present fairly the Council's financial position and result of its operations; and
 - are in accordance with applicable Accounting Standards.
- c) all information relevant to the conduct of the audit has been obtained; and
- d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

Crowe Horwath Auswild
CROWE HORWATH AUSWILD

Clare Wagner

Clare Wagner
Audit Partner

Dated at Dubbo this 27th day of October 2016

Report on the Conduct of the Audit

Narrabri Shire Council

Year Ended 30 June 2016

27th October 2016

Mr Stewart Todd
General Manager
Narrabri Shire Council
PO Box 261
NARRABRI NSW 2390

Dear Stewart

Having completed an audit examination of the books of account and associated records of the Narrabri Shire Council for the twelve months period ended 30 June 2016 we have pleasure in submitting our report on the conduct of the audit in accordance with Section 417 (3) of the Local Government Act 1993.

BACKGROUND

Council is required to prepare two sets of financial statements for audit each year, these being:

General Purpose Financial Statements

These financial statements present the actual financial position and performance of the Council. Council has prepared the general purpose financial statements in accordance with:

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

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

These financial statements have been prepared in much the same manner as those of the previous year.

Special Purpose Financial Statements

These financial statements have been prepared in accordance with the requirements of the National Competition Policy which requires separate financial statements for each declared business activity. Council's declared business activities for the 2016 financial year were:

- Water Supplies
- Sewerage Service

The principle differences between the general purpose financial statements and the special purpose financial statements are that:

- certain taxes and other costs that would apply if these business activities were operating in the commercial sector have been imputed in the special purpose financial statements (ie income tax and land tax),
- the special purpose financial statements contain additional disclosures such as council subsidies, return on investments and dividends paid.

These financial statements have been prepared in much the same manner as those of the previous year.

Auditor's Responsibility

As part of our role as auditor of Council, Section 415 (3) of the Local Government Act 1993 and the Local Government (General) Regulation requires us to consider and provide comment on the material items affecting the general purpose financial statements and other matters pertinent to the audit. The following section of this report provides an understanding of Council's financial position as at 30 June 2016, its performance for the year then ended its cash flows and other material financial matters

FINANCIAL RESULTS

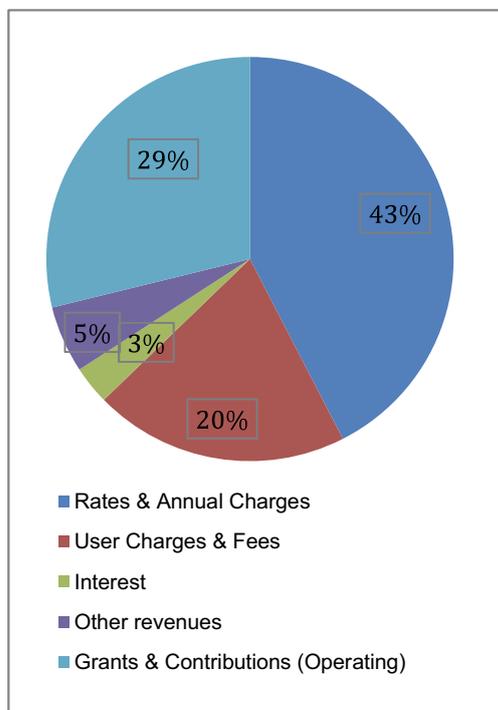
The net operating result for the year before grants and contributions provided for capital purposes is a \$4,042,000 surplus (2015: \$159,000). The significant variance in Council's reported financial results for the current year has been due to a number of major factors including:

- The IPART rate peg of 2.4% in the 2015/16 year resulted in an additional \$211,000 in revenue for ordinary rates income. This contributed to an overall increase of \$541,000 for total rates and annual charges income for the year.
- Raw materials and consumables expenditure decreased by \$1,315,000 from \$8,939,000 in 2015 to \$7,624,000 in the current financial year. The contractor and consultancy costs have also decreased by \$170,000. Materials and contracts overall has decreased by \$1,812,000 (an overall decrease of 16.58%).
- Employee benefits and on-costs increased by \$662,000 mainly due to an increase in salaries and wages from \$10,531,000 in 2015 to \$11,431,000 in 2016 as a result of wages increased by 2.7% across all Council staff, this increment in salaries and wages impacted on superannuation which increased from \$1,096,000 in 2015 to \$1,229,000 in 2016. However, this has been offset by a reduction in employee leave entitlements from \$1,827,000 in 2015 to \$1,788,000 in 2016 and reduction in travel expenses by \$28,000, worker compensation by \$75,000, and a reduction in training costs by \$56,000.
- In turn Council have seen a significant increase in infrastructure, property, plant and equipment in the current financial period where a total of \$22,811,000 in asset additions and asset renewals were recognised. This is compared with \$16,050,000 in the previous year.

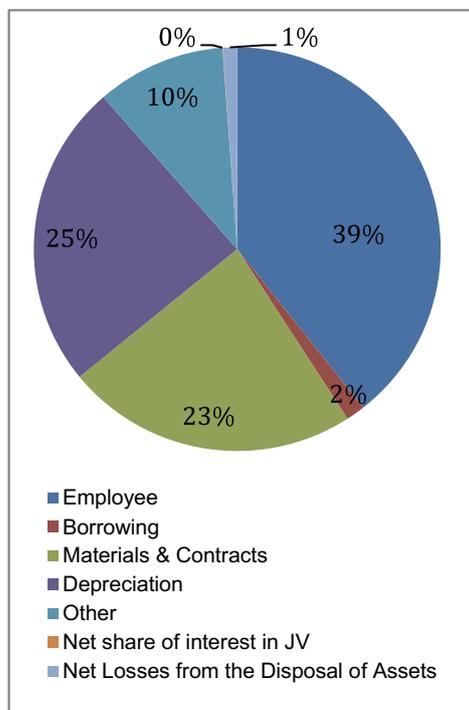
Excluding capital grants & contributions operating revenues for the year (\$43,332,000) have increased approximately 5% on those of the previous year (\$41,056,000) whilst during the same period operating expenses have also decreased approximately 4% to \$39,290,000.

A breakdown of Council's operating revenues and expenses for the year are as follows:

Operating Revenues



Operating Expenditure



In addition to operating revenues, Council received capital grants and contributions amounting to \$10,267,000 (2015: \$12,268,000). In the twelve months period to 30 June 2016 Council's operating result from continuing operations' (including capital grants and contributions) was a surplus of \$14,309,000 compared with a surplus of \$12,427,000 in the previous year.

BUDGET COMPARISON

The net operating surplus for the year of \$14,309,000 was significantly higher than the original budget expectations which anticipated a surplus of \$4,824,000.

Details of material variations between the original budget and actual results are detailed in Note 16 to the General Purpose Financial Statements. In essence, the variations from the expected result have been attributed to:

Favourable Variances

- Significant variance in User Charges and Fees due to significant increase in tonnage charges as actual revenue generated exceeded budgeted amount by \$1,203,000, and unexpected contributions to works of \$443,000 and additional water consumption charges of \$438,000.
- Large increase in Capital Grant and Contributions due to number of capital grants that were received after the original budget was drafted. These include \$2,061k for the Timber Bridge Replacement program, \$1,694k for the replacement of Harparary Bridge, \$1,931k to finalise the upgrade to the Narrabri Airport infrastructure, \$969k for the Narrabri water augmentation project, \$106k for preliminary works for Baan Baa water project plus some other minor projects.
- Borrowing costs was lower than budget as a result of reduction in interest rates.
- Decrease in Materials and Contracts reflects the Council's aggressive approach to seeking efficiencies which has had greater impact on the Council spending compared to the amount budgeted.
- Decrease in other expenses has been largely achieved by Council by reduced cleaning, street lighting charges and tourism expenses.
- Large variance in Cash flows from operating activities due to additional Cash flows received by Council especially from the grant and contributions and user charges & fees.

Unfavourable Variances

- Interest and Investment Revenue was lower than budget due to interest rates. Interest rates have been lower compared to the same period in the prior year.
- Other revenue decreased as a result of reduction in Crossing Theatre income by \$162,000 and scarp metal sales were down by \$476,000 from the original budgets.
- Net losses from disposal of assets variance relates to various plant and equipment traded and infrastructure assets disposed of during the year. The plant and equipment assets resulted in loss on disposal of \$421,000 and infrastructure disposal resulted in loss of \$28,000.

DETAILED AUDIT OBSERVATIONS

OPERATING INCOME

Rates and Annual Charges

Revenue from rates and annual charges (excluding Council owned properties) amounted to \$18,388,000 (2015: \$17,847,000).

In setting the **ordinary rates** for the year Council resolved to adopt the approved maximum increase available of 2.4%. This action has resulted in revenues from ordinary rates increasing from \$17,847,000 in 2014/2015 to \$18,388,000 in the current year.

Council's **ordinary rating base** remained fairly static in the current year with 6,773 assessments subject to **ordinary rates** at year end.

Council further resolved that other charges be adjusted as follows:

- Water availability charges increased 3% to \$333 per meter.
- Sewerage annual charges increased 3% to \$697.
- Residential Domestic waste management access charges (\$135 + \$300) increased 6% to \$435.

Such increases have resulted in revenues as follows:

Annual Charges	2016	2015
	\$	\$
Domestic and Non-domestic Waste Management	2,319,000	2,138,000
Water Supply Services	1,604,000	1,544,000
Sewerage Services	2,574,000	2,495,000

Interest and extra charges on overdue rates for the year was \$121,000 and outstanding rates were subject to interest at the rate of 8.5% pa (2015: 8.5%).

User Charges and Fees

Council derived \$2,776,000 from **specific user charges** (2015: \$3,039,000 and a further \$514,000 from **fees** (2015: \$380,000) imposed during the twelve month period ended 30 June 2016.

Impacting significantly on user charges and fees revenues for the year were:

Water Consumption Charges (decreased \$18,000)

Water usage charges were increased by 4% in the current year as follows:

	2016	2015
	\$	\$
Usage charge	\$0.90 per kl	\$0.87 per kl

Revenue from domestic water consumption charges amounted to \$2,010,000 (2015: \$2,028,000).

Other major revenues received from user charges and fees included:

	2016	2015
	\$	\$
Aerodrome	63,000	283,000
Caravan Park	79,000	80,000
Cemeteries	247,000	209,000
Leaseback fees – Council vehicles	133,000	110,000
Contribution to Works	498,000	49,000
RMS Charges	2,687,000	2,686,000
Mining Tonnage Charges	1,129,000	591,000
Gravel Tonnage Charges	74,000	120,000

Interest

Interest and investment revenues decreased during the twelve months period with income being earned as follows:

	2016	2015
	\$	\$
Overdue Rates and Charges	67,000	106,000
General Council Investments	144,000	130,000
Development Contributions	440,000	523,000
Water Fund Operations	430,000	392,000

Sewerage Fund Operations	238,000	227,000
Domestic waste management operations	11,000	-
Other externally restricted assets	2,000	-
Internal Restricted Assets	-	23,000
	1,332,000	1,401,000

Interest on investments for the year represented approximately 11.3% (2015: 12.1%) of ordinary rating income.

Other Revenues

Other revenue income in the current year (\$2,315,000) is slightly higher than the previous year (\$2,263,000) the difference was due to an amount of increase in Crossing Theatre income from \$1,156,000 in 2014/2015 to \$1,176,000 in 2015/2016 as a result of increase in live shows ticketing. Also there has been an increase in Recoverable expense in 2015/2016 year to the amount of \$303,000. This has been partially offset by reduction in sales – general by \$180,000 and other revenue has decreased by \$4,000 in 2015/2016.

Grants, Subsidies and Contributions

Operating Grants and Contributions

Operating grants and contributions amounting to \$12,506,000 were received in 2015/2016 compared with \$11,172,000 received in the previous year.

Other major specific purpose operating grants and contributions were received for, Bushfire and emergency services (\$234,000) and RMS – roads to recovery (\$3,014,000).

Capital Grants and Contributions

Total capital grants and contributions received for the year amounted to \$10,267,000 compared with \$12,268,000 received in the previous year. This decrease is predominantly due to reduction in contributions received for S.93F which has reduced from \$7,569,000 in 2014-15 to \$3,169,000 in 2015-16. This has been offset by an increase in specific grant for water supplies from \$191,000 in 2014-15 to \$1,075,000 in 2015-16 and RMS – other roads and bridges funding from \$4,129,000 in 2014-15 to \$5,645,000 in 2015-16.

In accordance with the Code of Accounting Practice all grant and contribution monies received in 2015/2016 (both expended and unexpended) have been brought to account as income. Grants and contributions recognised as revenues in the current reporting period but not yet expended in accordance with the conditions attached thereto, amounted to \$4,291,000. At year end Council held unexpended grants and contributions amounting to \$11,244,000 (2015 - \$15,378,000) and such funds have been identified as an externally restricted asset.

OPERATING EXPENDITURE

An expense from continuing operations (\$39,290,000) was lower than budget expectations (\$40,620,000) and lower than the previous year (\$40,897,000).

Impacting significantly on operating expenses for the year were:

Employee Costs

Total employee costs (\$15,466,000) increased approximately 4.5% in the twelve months period to 30 June 2016 principally due to:

- Council had accounted for the capitalised employee cost (\$840,000) for the year compared to (\$531,000) in prior year.
- Salaries and wages increase due to the 2.7% award increase.
- Employee leave entitlements decreased by \$39,000. This is largely attributable to the change in present value rates based on lower interest rates.
- Workers Compensation Insurance decreased by \$75,000.

At year end Council's full time equivalent employees numbered 164 (2015: 162).

Materials and Contracts

Materials and contracts expenditure (\$9,120,000) decreased considerably in the current year primarily due to reduction in waste collection expenses from \$1,105,000 in 2014-15 to \$796,000 in 2015-16. Contractor and consultancy costs has also decreased by \$170,000. Raw materials and consumables decreased due to increased expenditure on capital assets.

Depreciation Expenses

Depreciation expenses (\$9,614,000) have dropped by \$253,000 from the previous year (\$9,867,000) mainly due to the disposal of plant and equipment, other structures and non-specialised building assets.

Depreciation expenses account for approximately 24% of Council's total expenses which is comparable with most Councils with whom we are associated.

ASSETS

Cash & Investments

At balance date Council controlled cash and investments totalling \$47,312,000 (2015: \$45,170,000).

Council utilises its investments to cover both externally and internally imposed requirements and comprises of developer contributions - general (\$10,705,000), specific purpose unexpended grants (\$539,000), water supplies (\$13,292,000), domestic waste management (\$44,000), and sewerage services (\$6,874,000).

Externally restricted investments amounted to \$31,954,000 whilst internally restricted investments amounted to \$14,878,000.

Council held a further \$480,000 in unrestricted investments.

Council's cash and investments were held as follows:

	2016	2015
	\$	\$
Cash and Cash Equivalents	3,312,000	12,158,000
Long Term Deposits	44,000,000	33,000,000
CDO's	-	12,000
	47,312,000	45,170,000

Debtors

Rates and Annual Charges

At balance date outstanding rates and annual charges and interest amounted to \$1,576,000 (2015: \$1,374,000) which represented 7.92% of total receivable (2015: 7.12%). An amount of \$469,000 rates and annual charges income received in advance is now disclosed separately at Note 10a.

We note that the percentage of rates outstanding is below the rural benchmark of 10% however we encourage Council to implement and enforce stringent recovery action against ratepayers with arrears in an endeavour to lowering the percentage arrears to closer to 5%.

Outstanding rates and annual charges have been subject to interest at the rate of 8.50% and Council has determined that a provision for doubtful debts is not necessary as all arrears are secured by a charge over the land.

Property, Plant and Equipment

During the reporting period Council expended / acquired assets with the value of \$22,811,000 (2015: \$16,050,000).

The principal items being:

	2016	2015
	\$	\$
Capital Work in Progress	19,477,000	12,263,000
Plant and Equipment	2,041,000	1,178,000
Office Equipment	29,000	-
Furniture and Fittings	92,000	7,000
Land Improvements - depreciable	110,000	130,000
Buildings	428,000	206,000
Other Structures	257,000	408,000
Roads, Bridges, Footpaths	-	1,542,000
Water and Sewerage Assets	377,000	316,000

Additionally, we note that Council sold assets with a written down value of \$896,000. The sale of these assets has resulted in a loss of \$449,000 being brought to account (2015: \$610,000).

Further, we report that in accordance with the requirements of the Code of Accounting Practice, Council's water and sewerage assets were indexed upwards in accordance with the latest indices provided by the NSW Office of Water.

These revaluations have resulted in Council's assets being adjusted as follows:

Water Supply Network	increased \$301,000 to \$54,706,000
Sewerage Network	increased \$518,000 to \$90,980,000

In 2016 Council was required to complete a revaluation of the community land, other assets, other structures and land improvements. The revaluation movement for each is shown below:

Community land revalued from \$4,166,000 to \$3,068,000
Other structures revalued from \$14,570,000 to \$19,308,000
Swimming pools revalued from \$10,296,000 to \$11,467,000
Land improvements – depreciable from \$3,756,000 to \$5,358,000

The total amount of the revaluation was \$8,258,000 and is shown as other comprehensive income and increases the revaluation reserve from \$247,428,000 to \$255,686,000.

The combined action of asset movements and revaluations has resulted in the written down value of property, plant and equipment increasing from \$399,703,000 in 2014/2015 to \$420,262,000 as at 30 June 2016.

Major acquisitions during the year were again funded from grants, contributions and cash and investments.

Provisions

At 30 June 2016 the Provision for Employee Accrued Entitlements totalled \$3,656,000.

The components of the liability are:

	2016	2015
	\$	\$
Annual Leave	974,000	884,000
Sick Leave	299,000	325,000
Long Service Leave	2,305,000	1,863,000
Other Leave	78,000	47,000
	3,656,000	3,119,000

The average leave entitlement per full time employee as at 30 June 2016 was \$22,293 (2015: \$19,253).

At year end Council had set aside funds amounting to \$1,097,000 or 30% of the employees leave entitlement liability. Such funds have been identified as an internally restricted asset.

Loans and Debt Servicing

During the year there were no new loans raised. Council repaid borrowings of \$1,617,000 and at year end Council's borrowings amounted to \$8,798,000 (2015: \$10,329,000).

The loan liability is apportioned as follows:

	2016	2015
	\$	\$
Current	1,006,000	865,000
Non Current	7,792,000	9,464,000

Council required \$2,214,000 to service its loan commitments in 2015/2016, which has given Council a favourable debt service ratio of 6.65 against benchmark of 2.

SUMMARY

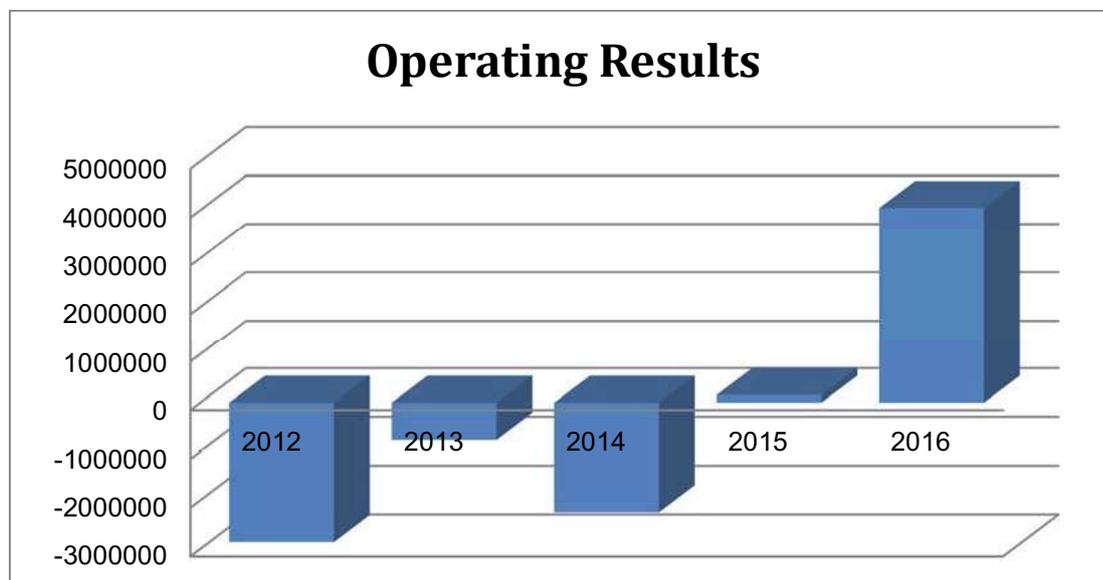
In analysing Council's financial results for the year, particular attention must be given to the following:

- Operating Result
- Cash Flow
- Reserves (internally restricted and unrestricted assets)
- Performance Ratios

Operating Result

Council reported an operating surplus before capital amounts of \$4,042,000 for the twelve month period to 30 June 2016. This surplus result has been reported after allowing for depreciation expenses of \$9,614,000. The surplus was significantly larger than the 2014/2015 results (\$159,000) and was well above the operating surplus of \$1,505,000 budgeted for in 2015/2016.

Operating Surplus/(Deficit) before Capital Amounts

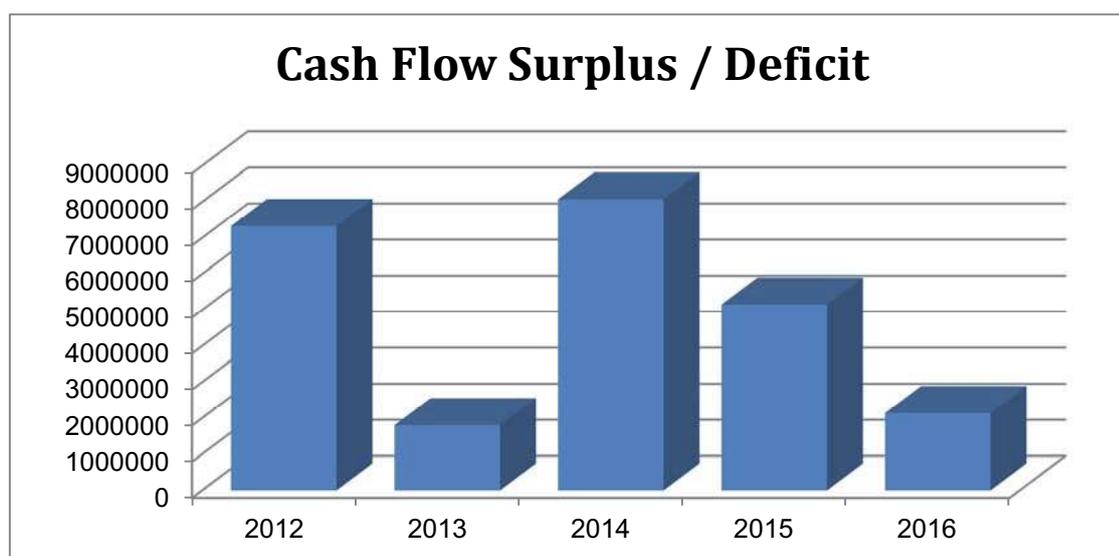


Cash Flow

Council achieved a cash surplus of \$26,204,000 (2015: 23,903,000) from its general operating activities which was principally utilised to purchase assets and repayment of loans and finance lease.

These actions together with the proceeds from the sale of assets have resulted in Council having a net increase in cash and investments of \$2,142,000 for the year (2015: 5,156,000 increase).

Cash Flow Surplus/Deficit (movement)



For comparative purposes, we note the following factors that have impacted on the cash flow surplus in 2015/2016.

- Capital expenditure amounted to \$22,811,000 in the current year compared to \$16,050,000 in 2014/2015.
- Expenditure on materials and contracts decreasing \$1,812,000 from prior year.
- Repayment of Borrowings in 2016 \$1,591,000.

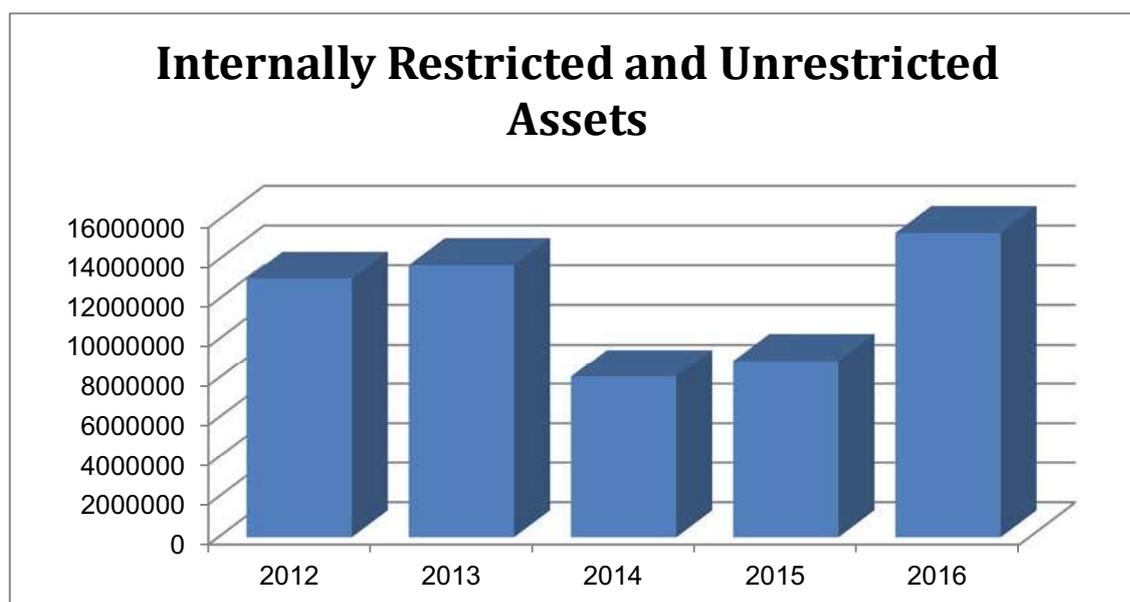
Upon analysis the cash flow surplus can be identified as follows:

<u>Activity</u>	<u>Surplus/(Deficit)</u>	
	2016	2015
	\$	\$
Externally Restricted	31,954,000	36,259,000
Internally Restricted	14,878,000	6,711,000
Unrestricted	480,000	2,200,000

Reserves (Internally Restricted and Unrestricted Assets)

As noted previously, Council's internal and unrestricted funds have increased by \$6,447,000 during the twelve months period and at year end Council held internally restricted investments amounting to \$14,878,000 (2015 - \$6,711,000) whilst a further \$480,000 was maintained as unrestricted investments (2015 - \$2,200,000).

Internal and Unrestricted Reserve Funds



As illustrated, Council's reserve funds have been consistently increased since 2014. It appears Council has maintained reasonable reserve across the years. We still encourage Council to ensure that reserve funding is commensurable with Council's long term plans.

Performance Ratios

Note 13 to the financial statements provide a measure of Council's performance using a number of selected ratios as follows:

Operating Performance Ratio

This ratio measures a Council's ability to contain operating expenditure within operating revenue.

The ratio of a surplus of 10.40% (2015 – 2.14%) is above the benchmark of 0%. Council's continues to maintain operating expenditures within operating revenues.

We stress the importance of considering these ratios in conjunction with other performance indicators and not in isolation. The fact that these ratios are based upon consolidated funds should also be kept in mind as the ratios for individual funds (i.e General, Water, Sewer, etc.) may vary significantly.

Own Source Operating Revenue

This ratio measures the fiscal flexibility of Council and its degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source revenue.

The ratio of 57.52% (2015 – 56.14%) is slightly below the benchmark of 60% and indicates Council is reliant on government grants and contributions to provide services to the community. However, we noted that Council has a comparative large capital contributions component as a result of its mining VPAs which tends to drag down this ratio.

Unrestricted Current Ratio

The unrestricted current ratio is a measure of Council's liquidity and demonstrates Council's ability to satisfy obligations out of short-term and immediate asset balances.

Council's ratio of 3.73:1 (2015 – 2.07:1) is considered strong, as the benchmark is a minimum of 1.5:1.

Debt Service Cover Ratio

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

Council's ratio of 6.65 (2015 – 2.94) is considered sound, as the benchmark is a minimum of 2.00%. This result means that Council has \$6.65 of cash to meet every \$1 of debt. It indicates that Council has the ability to borrow further if required.

Rates and Annual Charges Outstanding Ratio

The rates and annual charges outstanding percentage is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

Council's rates and annual charges outstanding percentage of 7.92% (2015 – 7.12%), is within the benchmark of 10%. Although the percentage is below the benchmark we still encourage Council to continue improving rates recovery by maintaining diligent recovery procedures.

Cash Expense Cover Ratio

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

Council's ratio of 14.59 months (2015 – 17.10 months) is well above the minimum benchmark of 3 months and indicates that Council is in a very strong cash and investment position.

OTHER MATTERS

Several performance improvement observations were noted during our year end audit visits. A final management letter will be issued to management. There were no major control deficiencies noted in Council's systems.

Independence

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

Reliance on the Report

The report on the conduct of the audit has been prepared for distribution to Council. We disclaim any assumption of responsibility for any reliance on this report to any person other than Council or for any purpose other than that for which it was prepared.

Crowe Horwath Auswild
CROWE HORWATH AUSWILD

Clare Wagner

Clare Wagner
Audit Partner

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Narrabri Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“To deliver services to and represent the interests
of the whole community and provide a quality of
living environment within available resources”



Narrabri Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
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Statement of Financial Position – Other Business Activities	n/a
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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 2016

Statement by Councillors and Management

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

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

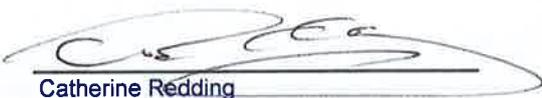
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

Signed in accordance with a resolution of Council made on 25 October 2016.



Catherine Redding
Mayor



Cameron Staines
Councillor



Stewart Todd
General manager



Tim McClellan
Responsible accounting officer

Narrabri Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	1,604	1,544
User charges	2,320	2,051
Fees	34	–
Interest	430	392
Grants and contributions provided for non-capital purposes	141	35
Profit from the sale of assets	3	1
Other income	–	–
Total income from continuing operations	4,532	4,023
Expenses from continuing operations		
Employee benefits and on-costs	535	501
Borrowing costs	–	–
Materials and contracts	1,864	1,362
Depreciation and impairment	825	894
Water purchase charges	–	–
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	–	280
Total expenses from continuing operations	3,224	3,037
Surplus (deficit) from continuing operations before capital amounts	1,308	986
Grants and contributions provided for capital purposes	969	191
Surplus (deficit) from continuing operations after capital amounts	2,277	1,177
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	2,277	1,177
Less: corporate taxation equivalent (30%) [based on result before capital]	(392)	(296)
SURPLUS (DEFICIT) AFTER TAX	1,885	881
Plus opening retained profits	17,711	16,534
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	392	296
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	19,988	17,711
Return on capital %	5.0%	4.0%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,885	881
Less: capital grants and contributions (excluding developer contributions)	(969)	(191)
Surplus for dividend calculation purposes	916	690
Potential dividend calculated from surplus	458	345

Narrabri Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	2,556	2,430
User charges	395	247
Liquid trade waste charges	86	310
Fees	–	–
Interest	238	227
Grants and contributions provided for non-capital purposes	31	31
Profit from the sale of assets	–	1
Other income	8	3
Total income from continuing operations	3,314	3,249
Expenses from continuing operations		
Employee benefits and on-costs	445	427
Borrowing costs	22	30
Materials and contracts	1,119	1,145
Depreciation and impairment	1,389	1,463
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	146	159
Total expenses from continuing operations	3,121	3,224
Surplus (deficit) from continuing operations before capital amounts	193	25
Grants and contributions provided for capital purposes	–	136
Surplus (deficit) from continuing operations after capital amounts	193	161
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	193	161
Less: corporate taxation equivalent (30%) [based on result before capital]	(58)	(8)
SURPLUS (DEFICIT) AFTER TAX	135	154
Plus opening retained profits	11,935	11,774
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	58	8
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	12,128	11,935
Return on capital %	0.6%	0.1%
Subsidy from Council	544	1,081
Calculation of dividend payable:		
Surplus (deficit) after tax	135	154
Less: capital grants and contributions (excluding developer contributions)	–	(136)
Surplus for dividend calculation purposes	135	18
Potential dividend calculated from surplus	68	9

Narrabri Shire Council

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

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	–	4,331
Investments	13,292	8,415
Receivables	251	226
Inventories	–	–
Other	–	2
Non-current assets classified as held for sale	–	–
Total current assets	13,543	12,974
Non-current assets		
Investments	–	–
Receivables	135	113
Inventories	–	–
Infrastructure, property, plant and equipment	26,156	24,494
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	26,291	24,607
TOTAL ASSETS	39,834	37,581
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	136	160
Borrowings	–	–
Provisions	–	–
Total current liabilities	136	160
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	136	160
NET ASSETS	39,698	37,421
EQUITY		
Retained earnings	19,988	17,711
Revaluation reserves	19,710	19,710
Council equity interest	39,698	37,421
Non-controlling equity interest	–	–
TOTAL EQUITY	39,698	37,421

Narrabri Shire Council

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

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	–	2,488
Investments	6,874	5,041
Receivables	137	183
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	7,011	7,712
Non-current assets		
Investments	–	–
Receivables	67	92
Inventories	–	–
Infrastructure, property, plant and equipment	38,156	37,609
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	38,223	37,701
TOTAL ASSETS	45,234	45,413
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	264	429
Borrowings	132	123
Provisions	–	–
Total current liabilities	396	552
Non-current liabilities		
Payables	–	–
Borrowings	143	275
Provisions	–	–
Total non-current liabilities	143	275
TOTAL LIABILITIES	539	827
NET ASSETS	44,695	44,586
EQUITY		
Retained earnings	12,128	11,935
Revaluation reserves	32,567	32,651
Council equity interest	44,695	44,586
Non-controlling equity interest	–	–
TOTAL EQUITY	44,695	44,586

Narrabri Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

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

Narrabri Shire Council

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

Note 1. Significant accounting policies

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

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

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

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

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

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

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

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

a. Narrabri Shire Council Water Supplies

Supply operations servicing 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.

Category 2

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

Nil

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

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

Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

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

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

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be

taken into account in terms of assessing the rate of return required on capital invested.

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

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

Since this taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations, it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

Narrabri Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

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

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.99% at 30/6/16.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best-Practice Management of

Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

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

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

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

2016

1. Calculation and payment of tax-equivalents

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

(i) Calculated tax equivalents	-
(ii) Number of assessments multiplied by \$3/assessment	13,734
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv) Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i) 50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	457,800
(ii) Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	137,340
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	2,984,800

2016 Surplus	915,600	2015 Surplus	690,200	2014 Surplus	1,379,000
		2015 Dividend	-	2014 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	137,340
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi) Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

(i) Completion of strategic business plan (including financial plan)	YES
(ii) Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
– Complying charges [item 2 (b) in table 1]	YES
– DSP with commercial developer charges [item 2 (e) in table 1]	YES
– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii) Sound water conservation and demand management implemented	YES
(iv) Sound drought management implemented	YES
(v) Complete performance reporting form (by 15 September each year)	YES
(vi) a. Integrated water cycle management evaluation	NO
b. Complete and implement integrated water cycle management strategy	NO

Narrabri Shire Council

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

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

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

2016

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	4,034
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	55.42%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	26,113
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,411
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	2,051
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	3.05%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	1,075

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

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

Note 3. Sewerage business
best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	12,105
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	67,550
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	121,050
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	536,900

2016 Surplus	135,100	2015 Surplus	17,500	2014 Surplus	384,300
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	67,550
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

Narrabri Shire Council

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

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,174
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	38,148
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,793
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,351
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	-0.02%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	7,208
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.92%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	3,402
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.23%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

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

Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2016

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-23.57%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	1,395
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	66

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

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INDEPENDENT AUDITORS' REPORT TO NARRABRI SHIRE COUNCIL REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements, being special purpose financial statements, of Narrabri Shire Council (the Council), which comprises the statements of financial position by business activity as at 30 June 2016, and the income statements by business activity for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors' and management of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the basis of preparation described in Note 1 to the financial statements, are appropriate to meet the requirements of the NSW Government Policy Statement "Application of National Competition Policy to Local Government", Division of Local Government Guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality", The Local Government Code of Accounting Practice and Financial Reporting and The Department of Water and Energy Practice Management of Water Supply and Sewerage Guidelines and are appropriate to meet the needs of the Council and the Division of Local Government.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

OPINION

In our opinion the financial statements of Narrabri Shire Council are in accordance with the Local Government Code of Accounting Practice and Financial Reporting, including:

- (i) giving a true and fair view of the Council's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Councils' financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose.

The financial statements have been prepared for distribution to Council for the purpose of fulfilling the Council's financial reporting obligations under the Local Government Code of Accounting Practice and Financial Reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council and the Division of Local Government, or for any purpose other than that for which it was prepared.

Crowe Horwath Auswild
CROWE HORWATH AUSWILD

Clare Wagner

Clare Wagner
Audit Partner

Dated at Dubbo this 27th day of October 2016

Narrabri Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

“To deliver services to and represent the interests
of the whole community and provide a quality of
living environment within available resources”



Narrabri Shire Council

Special Schedules

for the year ended 30 June 2016

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Special Schedules¹

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Narrabri Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	490	3	–	(487)
Administration	6,092	960	–	(5,132)
Public order and safety				
Fire service levy, fire protection, emergency services	533	234	–	(299)
Beach control	–	–	–	–
Enforcement of local government regulations	75	20	–	(55)
Animal control	155	48	–	(107)
Other	–	–	–	–
Total public order and safety	763	302	–	(461)
Health	103	82	–	(21)
Environment				
Noxious plants and insect/vermin control	317	143	–	(174)
Other environmental protection	–	–	–	–
Solid waste management	2,736	2,843	13	120
Street cleaning	–	–	–	–
Drainage	121	–	–	(121)
Stormwater management	4	17	–	13
Total environment	3,178	3,003	13	(162)
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	4	–	–	(4)
Children's services	5	2	–	(3)
Total community services and education	9	2	–	(7)
Housing and community amenities				
Public cemeteries	279	247	–	(32)
Public conveniences	7	–	–	(7)
Street lighting	219	54	–	(165)
Town planning	457	1,900	3,238	4,681
Other community amenities	75	3	–	(72)
Total housing and community amenities	1,037	2,204	3,238	4,405
Water supplies	3,225	4,426	1,075	2,276
Sewerage services	3,166	3,275	84	193

Narrabri Shire Council

Special Schedule 1 – Net Cost of Services (continued) for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	637	58	–	(579)
Museums	1	–	–	(1)
Art galleries	–	–	–	–
Community centres and halls	1,900	1,185	–	(715)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	1,528	555	–	(973)
Parks and gardens (lakes)	2,113	55	103	(1,955)
Other sport and recreation	–	–	–	–
Total recreation and culture	6,179	1,853	103	(4,223)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	282	99	–	(183)
Other mining, manufacturing and construction	651	85	–	(566)
Total mining, manufacturing and const.	933	184	–	(749)
Transport and communication				
Urban roads (UR) – local	1,881	–	109	(1,772)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	4,151	4,014	1,652	1,515
Sealed rural roads (SRR) – regional	604	1,108	–	504
Unsealed rural roads (URR) – local	1,771	–	–	(1,771)
Unsealed rural roads (URR) – regional	143	–	–	(143)
Bridges on UR – local	5	–	–	(5)
Bridges on SRR – local	86	–	–	(86)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	8	–	2,061	2,053
Parking areas	–	–	–	–
Footpaths	75	–	–	(75)
Aerodromes	662	85	1,932	1,355
Other transport and communication	3,348	2,687	–	(661)
Total transport and communication	12,734	7,894	5,754	914
Economic affairs				
Camping areas and caravan parks	66	79	–	13
Other economic affairs	1,311	580	–	(731)
Total economic affairs	1,377	659	–	(718)
Totals – functions	39,286	24,847	10,267	(4,172)
General purpose revenues ⁽¹⁾		18,485		18,485
Share of interests – joint ventures and associates using the equity method	4	–		(4)
NET OPERATING RESULT ⁽²⁾	39,290	43,332	10,267	14,309

(1) Includes: rates and annual charges excluding water and sewer), non-capital general purpose grants, interest on investments (excl externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

Narrabri Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–							–	–
Treasury corporation	–	–	–							–	–
Other state government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	839	9,436	10,275	–	1,505	–	–	505	980	7,790	8,770
Other	–	–	–							–	–
Total loans	839	9,436	10,275	–	1,505	–	–	505	980	7,790	8,770
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	26	28	54	–	26	–	–	6	26	2	28
Deferred payments	–	–	–							–	–
Total long term debt	26	28	54	–	26	–	–	6	26	2	28
Total debt	865	9,464	10,329	–	1,531	–	–	511	1,006	7,792	8,798

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Narrabri Shire Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993] for the year ended 30 June 2016

\$'000

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General			
Water	215	22	104
Sewer			
Domestic waste management			
Gas			
Other			
Totals	215	22	104

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
Gwabegar Water	Other Water Schemes		01/07/10	10	30/06/20	6.94%	140	14	68
Pilliga Water	Other Water Schemes		01/07/10	10	30/06/20	6.94%	75	8	36
Totals							215	22	104

Narrabri Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	526	516
b. Engineering and supervision	479	496
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	92	71
d. Maintenance expenses	339	213
– Reservoirs		
e. Operation expenses	10	7
f. Maintenance expenses	44	19
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	197	260
i. Maintenance expenses	–	69
– Treatment		
j. Operation expenses (excluding chemical costs)	82	48
k. Chemical costs	85	71
l. Maintenance expenses	–	–
– Other		
m. Operation expenses	386	225
n. Maintenance expenses	171	148
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	812	877
b. Plant and equipment	13	17
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	3,236	3,037

Narrabri Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	1,616	1,544
b. Usage charges	2,009	1,951
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	22
8. Extra charges	26	22
9. Interest income	404	370
10. Other income	1	55
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	1,075	191
b. Grants for pensioner rebates	35	35
c. Other grants	–	–
12. Contributions		
a. Developer charges	20	23
b. Developer provided assets	–	–
c. Other contributions	327	–
13. Total income	5,513	4,213
14. Gain (or loss) on disposal of assets	–	1
15. Operating result	2,277	1,177
15a. Operating result (less grants for acquisition of assets)	1,202	986

Narrabri Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	220	74
c. Renewals	1,831	54
d. Plant and equipment	–	1,017
17. Repayment of debt	–	–
18. Totals	2,051	1,145
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	3,761	3,754
b. Residential (unoccupied, ie. vacant lot)	113	117
c. Non-residential (occupied)	643	641
d. Non-residential (unoccupied, ie. vacant lot)	61	67
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 62,935	\$ 64,389

Narrabri Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	13,292	–	13,292
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	249	135	384
c. User charges	2	–	2
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	26,113	26,113
b. Plant and equipment	–	43	43
29. Other assets	–	–	–
30. Total assets	<u>13,543</u>	<u>26,291</u>	<u>39,834</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	136	–	136
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>136</u>	<u>–</u>	<u>136</u>
36. NET ASSETS COMMITTED	<u>13,407</u>	<u>26,291</u>	<u>39,698</u>
EQUITY			
37. Accumulated surplus			20,059
38. Asset revaluation reserve			19,639
39. TOTAL EQUITY			<u>39,698</u>
Note to system assets:			
40. Current replacement cost of system assets			59,082
41. Accumulated current cost depreciation of system assets			(32,969)
42. Written down current cost of system assets			<u>26,113</u>

Narrabri Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	378	489
b. Engineering and supervision	334	282
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	6	8
b. Maintenance expenses	178	153
– Pumping stations		
c. Operation expenses (excluding energy costs)	131	108
d. Energy costs	45	99
e. Maintenance expenses	111	142
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	36	8
g. Chemical costs	28	17
h. Energy costs	52	38
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	69	87
– Other		
l. Operation expenses	425	296
m. Maintenance expenses	–	4
3. Depreciation expenses		
a. System assets	1,389	1,453
b. Plant and equipment	1	10
4. Miscellaneous expenses		
a. Interest expenses	22	30
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	3,205	3,224

Narrabri Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	2,556	2,430
7. Non-residential charges		
a. Access (including rates)	32	15
b. Usage charges	211	205
8. Trade waste charges		
a. Annual fees	57	1
b. Usage charges	30	309
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	14	13
10. Interest income	224	214
11. Other income	8	3
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	31	31
c. Other grants	–	–
13. Contributions		
a. Developer charges	35	27
b. Developer provided assets	–	–
c. Other contributions	200	136
14. Total income	3,398	3,384
15. Gain (or loss) on disposal of assets	–	1
16. Operating result	193	161
16a. Operating result (less grants for acquisition of assets)	193	161

Narrabri Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	37	580
c. Renewals	1,314	–
d. Plant and equipment	–	–
18. Repayment of debt	123	115
19. Totals	1,474	695
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	3,304	3,289
b. Residential (unoccupied, ie. vacant lot)	176	191
c. Non-residential (occupied)	521	525
d. Non-residential (unoccupied, ie. vacant lot)	34	37
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 55,848	\$ 57,138

Narrabri Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	6,874	–	6,874
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	136	67	203
c. User charges	1	–	1
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	38,148	38,148
b. Plant and equipment	–	8	8
30. Other assets	–	–	–
31. Total assets	<u>7,011</u>	<u>38,223</u>	<u>45,234</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	264	–	264
34. Borrowings	132	143	275
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>396</u>	<u>143</u>	<u>539</u>
37. NET ASSETS COMMITTED	<u>6,615</u>	<u>38,080</u>	<u>44,695</u>
EQUITY			
38. Accumulated surplus			11,586
39. Asset revaluation reserve			33,109
40. TOTAL EQUITY			<u>44,695</u>
Note to system assets:			
41. Current replacement cost of system assets			94,182
42. Accumulated current cost depreciation of system assets			(56,034)
43. Written down current cost of system assets			<u>38,148</u>

Notes to Special Schedules 3 and 5 for the year ended 30 June 2016

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Narrabri Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	1,766	1,766	384	341	21,671	36,420	2%	50%	41%	7%	0%
	Sub-total	1,766	1,766	384	341	21,671	36,420	2.0%	50.0%	41.0%	7.0%	0.0%
Other structures	Other structures	975	975	98	43	15,504	19,308	18%	33%	45%	4%	0%
	Sub-total	975	975	98	43	15,504	19,308	18.0%	33.0%	45.0%	4.0%	0.0%
Roads	Sealed roads	9,356	9,356	1,939	2,189	67,328	99,832	32%	58%	3%	6%	1%
	Unsealed roads	2,328	2,328	3,308	3,184	31,234	43,090	18%	76%	3%	1%	2%
	Bridges	608	608	129	99	15,898	25,760	28%	68%	3%	1%	0%
	Footpaths	185	185	15	20	3,481	5,252	76%	20%	4%	0%	0%
	Bulk earthworks	–	–	–	–	91,740	91,740	36%	64%	0%	0%	0%
	Kerb & gutter	–	–	–	1	44,422	87,170	17%	77%	3%	2%	1%
	Sub-total	12,477	12,477	5,391	5,493	254,103	352,844	28.0%	66.6%	2.2%	2.4%	0.8%

Narrabri Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	8,056	8,056	225	554	21,828	54,706	14%	34%	42%	10%	0%
	Sub-total	8,056	8,056	225	554	21,828	54,706	14.0%	34.0%	42.0%	10.0%	0.0%
Sewerage network	Sewerage network	15,507	15,507	401	358	35,143	90,980	15%	60%	15%	10%	0%
	Sub-total	15,507	15,507	401	358	35,143	90,980	15.0%	60.0%	15.0%	10.0%	0.0%
Stormwater drainage	Stormwater drainage	1,029	498	148	37	5,209	9,678	2%	44%	30%	19%	5%
	Sub-total	1,029	498	148	37	5,209	9,678	2.0%	44.0%	30.0%	19.0%	5.0%
Open space/recreational assets	Swimming pools	1,018	1,018	125	183	8,317	11,467	42%	12%	36%	10%	0%
	Sub-total	1,018	1,018	125	183	8,317	11,467	42.0%	12.0%	36.0%	10.0%	0.0%
TOTAL – ALL ASSETS		40,828	40,297	6,772	7,009	361,775	575,403	22.5%	58.8%	13.1%	5.1%	0.6%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Narrabri Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>13,552</u>	162.87%	100.50%	26.01%
Depreciation, amortisation and impairment	<u>8,321</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>40,828</u>	14.92%		
Carrying value of infrastructure assets	<u>273,683</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>7,009</u>	1.03	1.15	1.14
Required asset maintenance	<u>6,772</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>40,297</u>	7.00%		
Gross replacement cost	<u>575,403</u>			

Notes

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

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

Narrabri Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
<u>Asset renewals ⁽²⁾</u>	227.17%	95.29%	169.61%
Depreciation, amortisation and impairment			
prior period:	0.00%	0.00%	138.71%
2. Infrastructure backlog ratio			
<u>Estimated cost to bring assets to a satisfactory standard</u>	36.91%	44.13%	7.97%
Carrying value of infrastructure assets			
prior period:	0.00%	0.00%	4.76%
3. Asset maintenance ratio			
<u>Actual asset maintenance</u>	2.46	0.89	0.99
Required asset maintenance			
prior period:	1.18	1.14	1.15
4. Cost to bring assets to agreed service level			
<u>Estimated cost to bring assets to an agreed service level set by Council</u>	14.73%	17.04%	3.89%
Gross replacement cost			
prior period:	0.00%	0.00%	0.00%

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	11,969	12,493
Plus or minus adjustments ⁽²⁾	b	208	21
Notional general income	c = (a + b)	12,177	12,514
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	292	225
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	12,469	12,739
Plus (or minus) last year's carry forward total	l	–	(24)
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	–	(24)
Total permissible income	o = k + n	12,469	12,715
Less notional general income yield	p	12,493	12,714
Catch-up or (excess) result	q = o – p	(24)	1
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	(24)	1

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

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**NARRABRI SHIRE COUNCIL
INDEPENDENT AUDITORS' REPORT**

SCOPE

We have audited the Special Schedule 8 Permissible Income Report being the reconciliation of total permissible general income of Narrabri Shire Council (the Council), for 2016/17.

The Council is responsible for the preparation and presentation of the report in accordance with a directive of the Chief Executive, Local Government, Department Premier and Cabinet. We have conducted an independent audit of the Statement in order to express an opinion on their preparation and presentation.

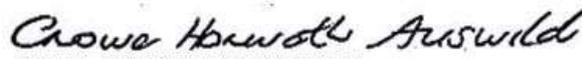
The report has been prepared using the checklist provided by the Division of Local Government. A copy of the checklist has been forwarded to the Council and to the Division of Local Government. The report has been prepared for the purpose of ensuring compliance by the Council of its financial reporting requirements under the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards so as to provide reasonable assurance as to whether the report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the report. We have not examined forecasts of expenditure or future policy decisions which impact on the calculation of domestic waste reasonable cost. These procedures have been undertaken to form an opinion as to whether, in all material respects, the report is presented fairly in accordance with the requirements of the Chief Executive of Local Government.

The audit opinion expressed in this Report has been formed on the above basis.

AUDIT OPINION

In our opinion the Special Schedule 8 Permissible Income Report of the total permissible general income of Narrabri Shire Council for 2016/17, are properly drawn up in accordance with the requirements of the Chief Executive, Local Government, and in accordance with the books and records of the Council.


CROWE HORWATH AUSWILD



Clare Wagner
Audit Partner

Dated at Dubbo this 27th day of October 2016