

Narrabri Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

“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 2017

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

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

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

- (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 31 October 2017. 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 2017

Understanding Council's financial statements

Introduction

Each year, NSW local government councils are required to present a set of audited financial statements to their 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 2017.

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 value 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 annual financial statements are required to be audited by the NSW Audit Office (the auditor).

The auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

Narrabri Shire Council**General Purpose Financial Statements**
for the year ended 30 June 2017**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.

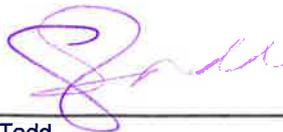
Signed in accordance with a resolution of Council made on 26 September 2017.



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 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
18,737	Rates and annual charges	3a	18,985	18,388
8,517	User charges and fees	3b	10,203	8,791
1,179	Interest and investment revenue	3c	1,494	1,332
2,369	Other revenues	3d	3,051	2,315
12,828	Grants and contributions provided for operating purposes	3e,f	16,478	12,506
9,521	Grants and contributions provided for capital purposes	3e,f	7,141	10,267
Other income:				
–	Net share of interests in joint ventures and associates using the equity method	19	9	–
53,151	Total income from continuing operations		57,361	53,599
Expenses from continuing operations				
16,868	Employee benefits and on-costs	4a	15,175	15,466
536	Borrowing costs	4b	405	597
9,151	Materials and contracts	4c	11,392	9,120
9,857	Depreciation and amortisation	4d	9,874	9,614
4,146	Other expenses	4e	4,253	4,040
43	Net losses from the disposal of assets	5	667	449
–	Net share of interests in joint ventures and associates using the equity method	19	–	4
40,601	Total expenses from continuing operations		41,766	39,290
12,550	Operating result from continuing operations		15,595	14,309
12,550	Net operating result for the year		15,595	14,309
12,550	Net operating result attributable to Council		15,595	14,309
3,029	Net operating result for the year before grants and contributions provided for capital purposes		8,454	4,042

¹ Original budget as approved by Council – refer Note 16

Narrabri Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		15,595	14,309
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	26,252	8,258
Other comprehensive income – joint ventures and associates	19b	–	(9)
Total items which will not be reclassified subsequently to the operating result		26,252	8,249
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		26,252	8,249
Total comprehensive income for the year		41,847	22,558
Total comprehensive income attributable to Council		41,847	22,558

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

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Narrabri Shire Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	4,172	3,312
Investments	6b	52,000	44,000
Receivables	7	5,463	3,385
Inventories	8	3,387	3,561
Other	8	246	166
Total current assets		65,268	54,424
Non-current assets			
Receivables	7	–	493
Infrastructure, property, plant and equipment	9	451,427	420,262
Investments accounted for using the equity method	19	181	172
Total non-current assets		451,608	420,927
TOTAL ASSETS		516,876	475,351
LIABILITIES			
Current liabilities			
Payables	10	3,807	3,267
Income received in advance	10	564	469
Borrowings	10	1,043	1,006
Provisions	10	3,632	3,495
Total current liabilities		9,046	8,237
Non-current liabilities			
Payables	10	5	11
Borrowings	10	6,749	7,792
Provisions	10	79	161
Total non-current liabilities		6,833	7,964
TOTAL LIABILITIES		15,879	16,201
Net assets		500,997	459,150
EQUITY			
Retained earnings	20	218,904	203,464
Revaluation reserves	20	282,093	255,686
Council equity interest		500,997	459,150
Non-controlling equity interests		–	–
Total equity		500,997	459,150

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

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Narrabri Shire Council

Statement of Changes in Equity
for the year ended 30 June 2017

\$ '000	Notes	2017			2016				
		Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Total equity
Opening balance (as per last year's audited accounts)		203,464	255,686	459,150	459,150	189,164	247,428	436,592	436,592
a. Net operating result for the year		15,595	–	15,595	15,595	14,309	–	14,309	14,309
b. Other comprehensive income									
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	26,252	26,252	26,252	–	8,258	8,258	8,258
– Joint ventures and associates	19b	–	–	–	–	(9)	–	(9)	(9)
Other comprehensive income		–	26,252	26,252	26,252	(9)	8,258	8,249	8,249
Total comprehensive income (c&d)		15,595	26,252	41,847	41,847	14,300	8,258	22,558	22,558
c. Transfers between equity		(155)	155	–	–	–	–	–	–
Equity – balance at end of the reporting period		218,904	282,093	500,997	500,997	203,464	255,686	459,150	459,150

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

Narrabri Shire Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
18,717	Rates and annual charges		18,995	18,205
8,420	User charges and fees		10,984	12,258
1,174	Investment and interest revenue received		1,283	1,470
22,210	Grants and contributions		22,981	24,433
–	Bonds, deposits and retention amounts received		–	61
2,421	Other		4,714	7,062
Payments:				
(16,827)	Employee benefits and on-costs		(15,338)	(15,135)
(9,078)	Materials and contracts		(13,749)	(12,724)
(536)	Borrowing costs		(341)	(520)
–	Bonds, deposits and retention amounts refunded		(37)	–
(4,144)	Other		(4,067)	(8,906)
<u>22,357</u>	Net cash provided (or used in) operating activities	11b	<u>25,425</u>	<u>26,204</u>
Cash flows from investing activities				
Receipts:				
5,891	Sale of investment securities		42,500	62,000
231	Sale of real estate assets		–	–
1,089	Sale of infrastructure, property, plant and equipment		736	447
Payments:				
–	Purchase of investment securities		(50,500)	(73,000)
(30,940)	Purchase of infrastructure, property, plant and equipment		(16,190)	(22,811)
–	Purchase of real estate assets		(34)	(69)
<u>(23,729)</u>	Net cash provided (or used in) investing activities		<u>(23,488)</u>	<u>(33,433)</u>
Cash flows from financing activities				
Receipts:				
1,000	Proceeds from borrowings and advances		–	–
Payments:				
(962)	Repayment of borrowings and advances		(1,051)	(1,591)
(26)	Repayment of finance lease liabilities		(26)	(26)
<u>12</u>	Net cash flow provided (used in) financing activities		<u>(1,077)</u>	<u>(1,617)</u>
<u>(1,360)</u>	Net increase/(decrease) in cash and cash equivalents		<u>860</u>	<u>(8,846)</u>
5,860	Plus: cash and cash equivalents – beginning of year	11a	3,312	12,158
<u>4,500</u>	Cash and cash equivalents – end of the year	11a	<u>4,172</u>	<u>3,312</u>
Additional Information:				
	plus: Investments on hand – end of year	6b	52,000	44,000
Total cash, cash equivalents and investments			<u>56,172</u>	<u>47,312</u>

Please refer to Note 11 for additional cash flow information.

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

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Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the NSW *Local Government Act 1993* (LGA) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity for the purpose of preparing these financial statements.

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year. This standard had no impact on reporting financial position or performance, however note 28 has been added.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] has also had no impact for Council.

(ii) Early adoption of standards

Council has not applied any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on 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 and equipment.

Significant judgements in applying accounting policies

(i) Impairment of Receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

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

Council bases its 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. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

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

Developer contributions may only be expended for the purposes for which the contributions were required, but Council may apply contributions

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

according to the priorities established in work schedules.

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

Control over granted assets/contributed 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.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

(ii) User charges and fees

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

(iii) 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.

(iv) Interest

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

(v) Rent

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

(vi) 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 s409(1) of the LGA, all money and property received by Council is held in Council's Consolidated Fund unless it is required to be held in Council's Trust Fund.

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

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

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

- *Gwabegar Community Centre Advisory Committee*
- *Narrabri Youth Shack*

(ii) The Trust Fund

In accordance with the provisions of s411 of the LGA, a separate and distinct Trust Fund is maintained to account for all money and property received by Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is not a member of any county councils.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Joint ventures/associates

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

If Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

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

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

(d) Leases

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

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged 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 is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

(f) 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.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position but are incorporated into cash and cash equivalents for presentation of the Statement of Cash Flows.

(g) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Inventory held for distribution

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

(iii) Land held for resale/capitalisation of borrowing costs

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

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

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

Each classification depends on the purpose for which the investments were acquired. Council determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

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

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

management intends to dispose of the investment within 12 months of the reporting date.

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

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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.

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

Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

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

(i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

Investment Policy

Council has an approved investment policy complying with s625 of the LGA and clause 212 of the *Local Government (General) Regulation 2005 (NSW)*.

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

(j) 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 reporting 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 reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

At reporting date, the following classes of IPPE 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)
- **Other Open Space / Recreational Assets**
(external valuation)

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

For all other asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a

decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant & 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
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Transportation Assets

- Sealed Roads: Surface	18 to 25 years
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Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

(l) Payables

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

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent

there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

(n) Borrowing costs

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

(o) Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(p) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments that 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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, ie. as an expense when it becomes payable.

Defined Contribution Plans

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

(q) Land under roads

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(r) Crown reserves

Crown Reserves under Council's care and control are recognised as assets of Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

(s) Rural fire service assets

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

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

(t) Goods and Services Tax (GST)

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

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

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

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

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

At date of authorisation of these financial statements, the standards and interpretations listed below were in issue but not yet effective.

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

- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

Effective for annual reporting periods beginning on or after 13 February 2017:

- AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle

Effective for annual reporting periods beginning on or after 13 December 2017:

- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Effective for annual reporting periods beginning on or after 1 January 2018 (AASB 9 Financial Instruments - December 2009):

- AASB 15 Revenue from Contracts with Customers
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) AASB 1057 Application of Australian Accounting Standards
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

Effective for annual reporting periods beginning on or after 1 January 2019:

- AASB 16 Leases
- AASB 16 Leases (Appendix D)
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities
- AASB 1058 Income of Not-for-Profit Entities
- AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

The full impact of these 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.

Please note that in Note 9b, Council has previously reported externally restricted domestic waste management (DWM) assets. These assets are attributable to general waste management only and should not be reported in Note 9b. DWM does not have any assets as the collection service is contracted out, and DWM is internally charged for disposal costs at the waste facility.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	–	1	3	662	641	490	(662)	(640)	(487)	–	–	67	60
Strategic Management	–	–	–	402	432	391	(402)	(432)	(391)	–	–	200	–
Workforce Management	125	133	105	961	737	827	(836)	(604)	(722)	20	40	112	22
Corporate Support	50	137	45	514	318	920	(464)	(181)	(875)	–	–	20,986	13,194
Financial Services	–	635	–	1,067	828	972	(1,067)	(193)	(972)	–	–	21,443	29,724
Information Services	–	–	–	781	772	730	(781)	(772)	(730)	–	–	243	243
Property and Assets	133	280	252	842	670	697	(709)	(390)	(445)	50	–	3,745	3,649
The Crossing Theatre	1,208	1,225	1,181	1,847	1,912	1,835	(639)	(687)	(654)	–	–	6,407	6,173
Libraries	56	66	58	653	652	637	(597)	(586)	(579)	56	54	1,179	1,227
Caravan Parks	84	85	79	69	68	66	15	17	13	–	–	815	797
Private Works	118	178	120	107	202	89	11	(24)	31	–	–	53	–
Development Services	1,480	5,150	5,242	1,175	997	1,170	305	4,153	4,072	35	75	145	50
Corporate Strategy	–	–	–	–	90	–	–	(90)	–	–	–	–	–
Environmental, Health and Compliance	274	382	291	618	752	650	(344)	(370)	(359)	234	147	132	122
Solid Waste Management	2,916	3,189	2,856	2,497	2,665	2,736	419	524	120	56	50	2,185	1,856
Economic Development	–	36	–	578	451	356	(578)	(415)	(356)	36	2	2,436	2,513
Cemeteries	179	209	247	341	244	279	(162)	(35)	(32)	–	–	728	661
Swimming Pools	472	482	555	1,534	1,435	1,528	(1,062)	(953)	(973)	137	185	9,080	7,765
Parks and Open Spaces	52	95	159	2,417	2,447	2,314	(2,365)	(2,352)	(2,155)	36	71	9,490	8,676
Saleyards	239	195	215	334	303	272	(95)	(108)	(57)	–	–	1,980	1,319

(continued on the next page...)

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

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
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Tourism	213	193	182	517	545	555	(304)	(352)	(373)	15	9	802	848
Infrastructure Delivery Support	–	9	11	604	583	564	(604)	(574)	(553)	–	–	37	47
Design and Investigation Services	–	–	4	512	429	400	(512)	(429)	(396)	–	–	–	7
Fleet Management	214	280	253	184	224	(116)	30	56	369	–	–	11,601	12,320
Depots	–	–	–	310	315	271	(310)	(315)	(271)	–	–	3,123	2,932
Emergency Management	335	648	234	751	671	533	(416)	(23)	(299)	638	234	1,733	1,379
Transport	12,594	11,942	12,145	13,295	15,479	13,067	(701)	(3,537)	(922)	6,424	6,781	284,311	279,208
Airport	109	92	2,017	537	629	662	(428)	(537)	1,355	–	1,932	12,257	15,214
Water Services	9,398	5,578	5,501	3,186	3,139	3,225	6,212	2,439	2,276	1,457	1,110	53,233	39,938
Sewerage Services	3,446	3,533	3,359	3,306	3,136	3,166	140	397	193	53	31	68,172	45,235
Total functions and activities	33,695	34,753	35,114	40,601	41,766	39,286	(6,906)	(7,013)	(4,172)	9,247	10,721	516,695	475,179
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	9	–	–	–	4	–	9	(4)	–	–	181	172
General purpose income ¹	19,456	22,599	18,485	–	–	–	19,456	22,599	18,485	10,057	6,452	–	–
Operating result from continuing operations	53,151	57,361	53,599	40,601	41,766	39,290	12,550	15,595	14,309	19,304	17,173	516,876	475,351

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 2017

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 council elections, councillors fees and expenses, council donations, subscriptions to local authority associations, meetings of council and policy-making committees, area representation, public disclosure and legislative compliance.

Strategic Management: Provides organisational management for implementing Council's strategic agenda.

Workforce Management: Includes human resource management and operating costs, staff recruitment, work health and safety compliance and staff training costs.

Corporate Support: Provides managerial and administrative support to the Corporate Services directorate.

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

Information Services: Includes maintaining Council's information technology infrastructure, providing technical support and providing electronic records management services.

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

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

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

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

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

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

Corporate Strategy: Managerial and administrative support of Council's Integrated Planning and Reporting requirements including community consultation engagement.

Environmental, Health and Compliance: Includes noxious weeds control, environmental health control and ranger / regulatory control.

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

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

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

Swimming Pools: Includes outdoor swimming pools in Narrabri, Wee Waa and Boggabri, an indoor heated pool in Narrabri and an artesian bore bath (swimming pool) at Pilliga.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

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

Parks And Open Spaces: Includes management and maintenance of amenity and open spaces, sporting facilities, recreation parks, public amenities and dump points, public waste / litter control, monuments and memorials, street trees and town CBD precincts.

Salyards: Allows for the sale of cattle in Narrabri by local graziers and provides ancilliary services for stock transporters and drovers.

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

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

Design and Investigation Services: Includes site survey work, design and drafting infrastructure projects, capturing traffic count data, assessing heavy vehicle applications and maintaining alcohol free zones.

Fleet Management: Includes the acquisition, maintenance and disposal of Council's plant and vehicle fleet.

Depots: Includes maintaining depot support facilities at Narrabri, Wee Waa and Boggabri.

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

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

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

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

Sewerage Services: Sewerage services provided to Boggabri, Narrabri and Wee Waa.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Actual 2017	Actual 2016
(a) Rates and annual charges		
Ordinary rates		
Residential	4,031	3,946
Farmland	6,048	5,950
Mining	1,038	1,022
Business	934	904
Total ordinary rates	12,051	11,822
Special rates		
Tourism	70	69
Total special rates	70	69
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,955	1,816
Water supply services	1,651	1,604
Sewerage services	2,857	2,574
Waste management services (non-domestic)	401	503
Total annual charges	6,864	6,497
TOTAL RATES AND ANNUAL CHARGES	18,985	18,388

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 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	2,012	2,010
Sewerage services	197	274
Waste management services (non-domestic)	561	492
Other	89	–
Total user charges	2,859	2,776
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	223	242
Private works – section 67	178	121
Regulatory/ statutory fees	156	150
Registration fees	1	1
Total fees and charges – statutory/regulatory	558	514
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	92	63
Caravan park	85	79
Cemeteries	209	247
Contribution to works	69	498
Gravel tonnage charges	83	74
Leaseback fees – Council vehicles	139	133
Mining tonnage charges	1,262	1,129
Quarry revenues	78	85
RMS (formerly RTA) charges (state roads not controlled by Council)	4,298	2,687
Saleyards	194	214
Swimming centres	263	290
Other	14	2
Total fees and charges – other	6,786	5,501
TOTAL USER CHARGES AND FEES	10,203	8,791

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)	122	121
– Interest earned on investments (interest and coupon payment income)	1,372	1,223
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	–	(12)
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,494</u>	<u>1,332</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	69	67
General Council cash and investments	422	144
Restricted investments/funds – external:		
Development contributions		
– Section 94	345	440
Water fund operations	411	430
Sewerage fund operations	236	238
Domestic waste management operations	11	11
Other externally restricted assets	–	2
<u>Total interest and investment revenue recognised</u>	<u>1,494</u>	<u>1,332</u>
(d) Other revenues		
Rental income – other council properties	148	302
Fines	18	20
Legal fees recovery – rates and charges (extra charges)	108	8
Crossing theatre	1,221	1,176
Diesel rebate	100	111
Insurance claim recoveries	151	67
Recoverable expenses	785	303
Sales – general	286	208
Other	234	120
<u>TOTAL OTHER REVENUE</u>	<u>3,051</u>	<u>2,315</u>

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	4,379	4,193	–	–
Financial assistance – local roads component	2,200	2,175	–	–
FAG prepayment – general component	2,264	–	–	–
FAG prepayment – local roads component	1,129	–	–	–
Pensioners' rates subsidies – general component	85	84	–	–
Total general purpose	10,057	6,452	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	35	35	–	–
– Sewerage	31	31	–	–
– Domestic waste management	38	37	–	–
Water supplies	–	–	1,422	1,075
Sewerage services	–	–	22	–
Bushfire and emergency services	638	234	–	–
Community events	–	12	–	–
Employment and training programs	20	40	–	–
Environmental protection	103	–	–	13
Flood restoration	661	–	–	–
Heritage and cultural	–	4	–	–
Library	56	50	–	–
Noxious weeds	127	135	–	–
Pools - LIRS subsidy	137	185	–	–
Recreation and culture	–	–	–	48
Traffic route lighting subsidy	55	54	–	–
Transport (roads to recovery)	2,880	3,014	–	–
Transport (other roads and bridges funding)	400	–	2,428	5,645
Waste management	19	–	–	–
Other	94	109	81	–
Total specific purpose	5,294	3,940	3,953	6,781
Total grants	15,351	10,392	3,953	6,781
Grant revenue is attributable to:				
– Commonwealth funding	12,851	9,382	–	–
– State funding	2,500	1,010	3,953	6,781
	15,351	10,392	3,953	6,781

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	–	–	2,669	3,169
S 94 – contributions towards amenities/services	–	–	1	1
S 94A – fixed development consent levies	–	–	518	68
Total developer contributions 17	–	–	3,188	3,238
Other contributions:				
Recreation and culture	–	6	–	55
Roads and bridges	–	1,000	–	109
RMS contributions (regional roads, block grant)	1,127	1,108	–	–
Sewerage (excl. section 64 contributions)	–	–	–	84
Total other contributions	1,127	2,114	–	248
Total contributions	1,127	2,114	3,188	3,486
TOTAL GRANTS AND CONTRIBUTIONS	16,478	12,506	7,141	10,267

\$ '000	Actual 2017	Actual 2016
(g) Unspent 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	11,244	15,378
Add: grants and contributions recognised in the current period but not yet spent:	4,869	4,291
Less: grants and contributions recognised in a previous reporting period now spent:	(2,010)	(8,425)
Net increase (decrease) in restricted assets during the period	2,859	(4,134)
Unexpended and held as restricted assets	14,103	11,244
Comprising:		
– Specific purpose unexpended grants	1,246	539
– Developer contributions	12,752	10,705
– Other contributions	105	–
	14,103	11,244

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Actual 2017	Actual 2016
(a) Employee benefits and on-costs		
Salaries and wages	11,251	11,431
Travel expenses	45	34
Employee leave entitlements (ELE)	1,583	1,788
Superannuation	1,196	1,229
Workers' compensation insurance	799	708
Fringe benefit tax (FBT)	135	137
Training costs (other than salaries and wages)	135	170
Protective clothing	52	55
Other	639	754
Total employee costs	15,835	16,306
Less: capitalised costs	(660)	(840)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>15,175</u>	<u>15,466</u>
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	328	505
Charges relating to finance leases	6	6
Total interest bearing liability costs expensed	334	511
(ii) Other borrowing costs		
Interest applicable on interest free (and favourable) loans to Council	71	86
Total other borrowing costs	71	86
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>405</u>	<u>597</u>
(c) Materials and contracts		
Raw materials and consumables	9,727	7,624
Contractor and consultancy costs		
– Contractor and consultancy costs	621	554
– Waste collection	821	796
Auditors remuneration ⁽¹⁾	44	46
Legal expenses:		
– Legal expenses: planning and development	–	21
– Legal expenses: debt recovery	107	59
– Legal expenses: other	72	20
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>11,392</u>	<u>9,120</u>

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(c) Materials and contracts (continued)		
Auditor remuneration		
a. During the year, the following fees were incurred for services provided by the Auditor-General:		
Audit and other assurance services		
– Audit and review of financial statements: Auditor-General	19	–
Total Auditor-General remuneration	19	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:		
Audit and other assurance services		
– Audit and review of financial statements: Council's Auditor	25	46
Total remuneration of other Council's Auditors	25	46
Total Auditor remuneration	44	46
(d) Depreciation, amortisation and impairment		
Plant and equipment	1,056	1,048
Office equipment	75	83
Furniture and fittings	60	52
Land improvements (depreciable)	86	110
Infrastructure:		
– Buildings	571	576
– Other structures	599	366
– Roads	4,499	4,488
– Bridges	269	249
– Footpaths	74	75
– Stormwater drainage	123	122
– Water supply network	783	806
– Sewerage network	1,385	1,379
– Swimming pools	208	176
– Other open space/recreational assets	86	84
Total depreciation and amortisation costs	9,874	9,614
Impairment		
Nil		
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED	9,874	9,614

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(e) Other expenses		
Advertising	176	108
Bad and doubtful debts	150	78
Bank charges	84	80
Cleaning	126	122
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	370	327
Councillor expenses – mayoral fee	25	24
Councillor expenses – councillors' fees	105	119
Councillors' expenses (incl. mayor) – other (excluding fees above)	82	106
Donations, contributions and assistance to other organisations (Section 356)	–	77
– Donations, contributions and assistance	135	124
– Donations, contributions and assistance (Central Northern Libraries)	295	217
Election expenses	113	–
Electricity and heating	649	676
Fire control expenses	162	136
Insurance	612	565
Office expenses (including computer expenses)	290	363
Postage	15	22
Printing and stationery	77	75
Recoverable expenses	13	23
Street lighting	248	219
Subscriptions and publications	158	164
Telephone and communications	169	189
Tourism expenses (excluding employee costs)	141	160
Valuation fees – assets	2	11
Valuation fees – rates	56	55
<u>TOTAL OTHER EXPENSES</u>	<u>4,253</u>	<u>4,040</u>

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Actual 2017	Actual 2016
Plant and equipment		
Proceeds from disposal – plant and equipment	456	447
Less: carrying amount of plant and equipment assets sold/written off	(796)	(868)
Net gain/(loss) on disposal	(340)	(421)
Infrastructure		
Proceeds from disposal – infrastructure	280	–
Less: carrying amount of infrastructure assets sold/written off	(607)	(28)
Net gain/(loss) on disposal	(327)	(28)
Financial assets		
Proceeds from disposal/redemptions/maturities – financial assets	42,500	62,000
Less: carrying amount of financial assets sold/redeemed/matured	(42,500)	(62,000)
Net gain/(loss) on disposal	–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>	<u>(667)</u>	<u>(449)</u>

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)				
Cash on hand and at bank	172	–	312	–
Cash-equivalent assets ¹				
– Deposits at call	4,000	–	3,000	–
Total cash and cash equivalents	4,172	–	3,312	–
Investments (Note 6b)				
– Long term deposits	52,000	–	44,000	–
Total investments	52,000	–	44,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	56,172	–	47,312	–

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'	4,172	–	3,312	–
Investments				
b. 'Held to maturity'	52,000	–	44,000	–
Investments	52,000	–	44,000	–

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 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	56,172	–	47,312	–
attributable to:				
External restrictions (refer below)	35,788	–	31,954	–
Internal restrictions (refer below)	20,335	–	14,878	–
Unrestricted	49	–	480	–
	56,172	–	47,312	–

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	500	–	(34)	466
External restrictions – included in liabilities	500	–	(34)	466

External restrictions – other

Developer contributions – general (B)	10,705	3,533	(1,486)	12,752
RMS (formerly RTA) contributions (C)	–	105	–	105
Specific purpose unexpended grants (D)	539	707	–	1,246
Water supplies (E)	13,292	–	(161)	13,131
Sewerage services (E)	6,874	1,150	–	8,024
Domestic waste management (E)	44	20	–	64
External restrictions – other	31,454	5,515	(1,647)	35,322
Total external restrictions	31,954	5,515	(1,681)	35,788

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- D Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- E 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 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and Vehicle Replacement	2,565	1,909	(1,418)	3,056
Employees Leave Entitlements	1,097	17	–	1,114
Carry Over Works	1,154	–	(1,154)	–
Deposits, Retentions and Bonds	126	–	(37)	89
Airport Reserve	–	285	(21)	264
Boggabri Community Reserve	100	–	–	100
Buildings Infrastructure	1,392	1,106	(334)	2,164
Corporate Information System	1,500	–	(12)	1,488
Election Costs	120	60	(113)	67
Heritage (Old Gaol)	22	–	(7)	15
Housing (Doctors) Reserve	–	105	–	105
Infrastructure Backlog Reserve	1,700	800	–	2,500
Library	47	–	–	47
Narrabri CBD Masterplan	–	534	–	534
Narrabri Depot Reserve	257	–	–	257
Office Equipment	289	136	(54)	371
Parks & Gardens (Bulk Water Sale Reserve)	165	20	–	185
Quarries Restoration and Improvements	194	38	–	232
Real Estate – Shannon Estate Tree Planting	7	–	–	7
Risk Management	22	113	(23)	112
RMS Single Invitation Contract (warranty)	100	–	–	100
Roads Infrastructure Reserve	–	4,424	(4,424)	–
Roads: Leards Road Closure	1,000	–	(1,000)	–
Roads: Narrabri West (Old Turrawan Rd) Masterplan	–	150	–	150
Roads Infrastructure (Stormwater) Reserve	122	123	–	245
Statutory Land Planning Reserve	100	71	(26)	145
Swimming Pools	600	–	–	600
Tonnage Payments – Mining	2,156	1,262	(1,107)	2,311
Tonnage Payments – Gravel (upgrade)	2	71	(73)	–
Tourism – Kamilaroi Highway Group	37	8	–	45
Tonnage Payments – Gravel (maintenance)	4	12	(16)	–
FAG Payments Received in Advance	–	3,392	–	3,392
Friends of the Crossing Theatre	–	70	–	70
Strategic Project Planning	–	200	–	200
Waste Management	–	370	–	370
Total internal restrictions	14,878	15,276	(9,819)	20,335
TOTAL RESTRICTIONS	46,832	20,791	(11,500)	56,123

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	1,443	–	917	451
Interest and extra charges	326	–	166	82
User charges and fees	554	–	862	–
Accrued revenues				
– Interest on investments	492	–	304	–
– Other income accruals	1,413	–	759	–
Government grants and subsidies	934	–	265	–
Net GST receivable	337	–	248	–
Other debtors	214	–	113	–
Total	5,713	–	3,634	533
Less: provision for impairment				
Rates and annual charges	(110)	–	–	(25)
Interest and extra charges	(70)	–	–	(15)
User charges and fees	(70)	–	(249)	–
Total provision for impairment – receivables	(250)	–	(249)	(40)
<u>TOTAL NET RECEIVABLES</u>	<u>5,463</u>	<u>–</u>	<u>3,385</u>	<u>493</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	425	–	249	135
– Other	42	–	2	–
Sewerage services				
– Rates and availability charges	234	–	136	67
– Other	2	–	1	–
Total external restrictions	703	–	388	202
Internally restricted receivables				
Nil				
Unrestricted receivables	4,760	–	2,997	291
<u>TOTAL NET RECEIVABLES</u>	<u>5,463</u>	<u>–</u>	<u>3,385</u>	<u>493</u>

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% (2016 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 2017

Note 8. Inventories and other assets

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	1,964	–	1,930	–
Stores and materials	411	–	374	–
Trading stock	1,012	–	1,257	–
Total inventories at cost	3,387	–	3,561	–
(ii) Inventories at net realisable value (NRV)				
Nil				
<u>TOTAL INVENTORIES</u>	<u>3,387</u>	<u>–</u>	<u>3,561</u>	<u>–</u>
(b) Other assets				
Prepayments	193	–	46	–
Work in progress	53	–	120	–
<u>TOTAL OTHER ASSETS</u>	<u>246</u>	<u>–</u>	<u>166</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 8. Inventories and other assets (continued)

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
Other disclosures				
(a) Details for real estate development				
Residential	1,964	–	1,930	–
Total real estate for resale	1,964	–	1,930	–
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	1,964	–	1,861	–
Development costs	–	–	69	–
Total costs	1,964	–	1,930	–
Total real estate for resale	1,964	–	1,930	–
Movements:				
Real estate assets at beginning of the year	1,930	–	1,861	–
– Purchases and other costs	34	–	69	–
Total real estate for resale	1,964	–	1,930	–

(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;

	2017	2016
Real estate for resale	–	1,712
	–	1,712

(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.

Attachment 13.4.a

Narrabri Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	33,074	–	33,074	5,675	2,715	–	–	(14,050)	–	–	27,414	–	27,414
Plant and equipment	15,477	5,973	9,504	1,168	–	(795)	(1,056)	–	–	–	15,305	6,484	8,821
Office equipment	1,314	976	338	–	25	–	(75)	–	–	–	1,339	1,051	288
Furniture and fittings	1,414	1,010	404	103	111	(1)	(60)	15	–	–	1,627	1,055	572
Land:													
– Operational land	8,451	–	8,451	–	–	–	–	–	–	–	8,451	–	8,451
– Community land	3,068	–	3,068	–	–	–	–	–	–	–	3,068	–	3,068
Land improvements – depreciable	5,358	1,710	3,648	6	–	–	(86)	–	–	–	5,365	1,797	3,568
Infrastructure:													
– Buildings	36,420	14,749	21,671	373	69	(186)	(571)	6	–	30	36,527	15,135	21,392
– Other structures	16,730	2,829	13,901	74	139	(35)	(599)	11,344	(6,805)	–	21,408	3,389	18,019
– Roads	230,092	87,108	142,984	4,421	–	(386)	(4,499)	–	–	–	233,549	91,029	142,520
– Bridges	25,760	9,862	15,898	3	–	–	(269)	–	–	–	25,763	10,131	15,632
– Footpaths	5,252	1,771	3,481	–	–	–	(74)	–	–	–	5,252	1,845	3,407
– Bulk earthworks (non-depreciable)	91,740	–	91,740	–	–	–	–	–	–	–	91,740	–	91,740
– Stormwater drainage	9,678	4,469	5,209	–	–	–	(123)	–	–	–	9,678	4,592	5,086
– Water supply network	54,706	32,878	21,828	1,081	7	–	(783)	1,195	–	10,134	59,632	26,170	33,462
– Sewerage network	90,980	55,837	35,143	198	2	–	(1,385)	1,483	–	22,893	96,026	37,692	58,334
– Swimming pools	11,467	3,150	8,317	–	20	–	(208)	7	–	–	11,494	3,358	8,136
– Other open space/recreational assets	2,578	975	1,603	–	–	–	(86)	–	–	–	2,578	1,061	1,517
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	643,559	223,297	420,262	13,102	3,088	(1,403)	(9,874)	–	(6,805)	33,057	656,216	204,789	451,427

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 2017

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

\$ '000	Actual			Actual		
	2017			2016		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	5,618	–	5,618	3,860	–	3,860
Plant and equipment	244	211	33	244	201	43
Office equipment	5	5	–	5	5	–
Land						
– Operational land	245	–	245	245	–	245
Buildings	177	75	102	177	72	105
Other structures	92	21	71	92	17	75
Infrastructure	59,632	26,170	33,462	54,706	32,878	21,828
Total water supply	66,013	26,482	39,531	59,329	33,173	26,156
Sewerage services						
WIP	318	–	318	1,741	–	1,741
Plant and equipment	111	104	7	111	103	8
Furniture and fittings	3	3	–	3	3	–
Land						
– Operational land	906	–	906	906	–	906
Buildings	394	142	252	394	136	258
Other structures	158	63	95	158	58	100
Infrastructure	96,026	37,692	58,334	90,980	55,837	35,143
Total sewerage services	97,916	38,004	59,912	94,293	56,137	38,156
Domestic waste management Refer to Note 1(w)						
TOTAL RESTRICTED I,PP&E	163,929	64,486	99,443	153,622	89,310	64,312

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 2017

Note 10a. Payables, borrowings and provisions

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	326	–	271	–
Accrued expenses:				
– Borrowings	13	–	20	–
– Salaries and wages	209	–	342	–
– Employee expense oncosts	245	5	230	11
– Other expenditure accruals	2,837	–	2,278	–
Security bonds, deposits and retentions	89	–	126	–
Other	88	–	–	–
Total payables	3,807	5	3,267	11
Income received in advance				
Payments received in advance	564	–	469	–
Total income received in advance	564	–	469	–
Borrowings				
Loans – secured ¹	1,041	6,749	980	7,790
Finance lease liabilities	2	–	26	2
Total borrowings	1,043	6,749	1,006	7,792
Provisions				
Employee benefits:				
Annual leave	947	–	974	–
Sick leave	280	–	299	–
Long service leave	2,327	79	2,144	161
Other leave (til, RDO)	78	–	78	–
Total provisions	3,632	79	3,495	161
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>	<u>9,046</u>	<u>6,833</u>	<u>8,237</u>	<u>7,964</u>
(i) Liabilities relating to restricted assets				
	2017		2016	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	857	–	136	–
Sewer	187	–	396	143
Liabilities relating to externally restricted assets	1,044	–	532	143
Internally restricted assets				
Nil				
Total liabilities relating to restricted assets	1,044	–	532	143
Total liabilities relating to unrestricted assets	8,002	6,833	7,705	7,821
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	9,046	6,833	8,237	7,964

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 2017

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

\$ '000	Actual 2017	Actual 2016
(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	2,394	2,203
Payables – security bonds, deposits and retentions	27	40
	<u>2,421</u>	<u>2,243</u>

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	974	806	(853)	20	–	947
Sick leave	299	(16)	(7)	4	–	280
Long service leave	2,305	385	(321)	37	–	2,406
Other leave (til, RDO)	78	12	(14)	2	–	78
TOTAL	3,656	1,187	(1,195)	63	–	3,711

- 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 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	4,172	3,312
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		4,172	3,312
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		15,595	14,309
Adjust for non-cash items:			
Depreciation and amortisation		9,874	9,614
Net losses/(gains) on disposal of assets		667	449
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		–	12
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		71	86
Share of net (profits) or losses of associates/joint ventures		(9)	4
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,546)	5,832
Increase/(decrease) in provision for doubtful debts		(39)	36
Decrease/(increase) in inventories		208	(9)
Decrease/(increase) in other assets		(80)	(46)
Increase/(decrease) in payables		55	(3)
Increase/(decrease) in accrued interest payable		(7)	(9)
Increase/(decrease) in other accrued expenses payable		426	(4,619)
Increase/(decrease) in other liabilities		155	11
Increase/(decrease) in employee leave entitlements		55	537
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		25,425	26,204
(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		18	13
Total financing arrangements utilised		18	13
(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 2017

Note 12. Commitments for expenditure

\$ '000	Actual 2017	Actual 2016			
(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	2	26			
Later than one year and not later than 5 years	–	2			
Total minimum lease payments	2	28			
Amount recognised as a liability	2	28			
(ii) Finance lease liability recognised represent;					
Current liabilities	2	26			
Non-current liabilities	–	2			
Total finance lease liabilities disclosed	2	28			
(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	5	No	No	2	28
Total carrying value at year end				2	28
(c) Operating lease commitments (non-cancellable)					
Nil					
(d) Investment property commitments					
Nil					

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2017	2017	2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>9,112</u>	18.15%	10.40%	2.14%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>50,211</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>33,733</u>	58.82%	57.52%	56.14%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>57,352</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>28,777</u>	5.16x	3.73x	2.07x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>5,581</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>19,391</u>	13.08x	6.65x	2.94x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,482</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>1,589</u>	7.64%	7.92%	7.12%	<10% Rural
Rates, annual and extra charges collectible	<u>20,791</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>56,172</u>	19.48 mths	14.6 mths	17.1 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,884</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.

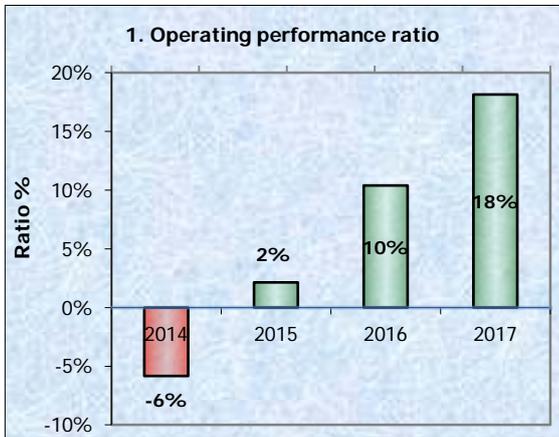
⁽³⁾ Refer to Note 10(a).

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

Narrabri Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

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 2016/17 result

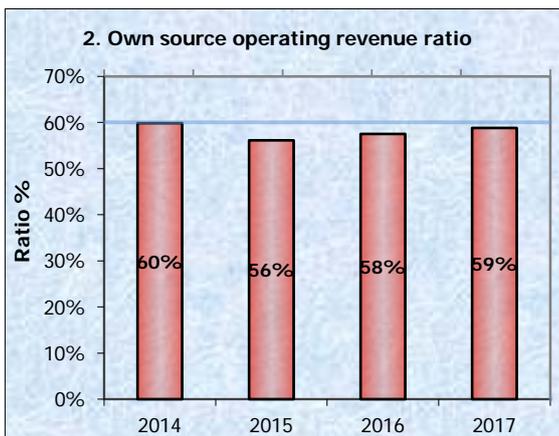
2016/17 ratio 18.15%

Council is pleased with its operating performances over the last few years. It should be noted that this year's performance however includes a prepayment of half of Council's 2017/2018 Financial Assistance Grant (\$3,392k) allocation from the Commonwealth Government.

Benchmark: Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result

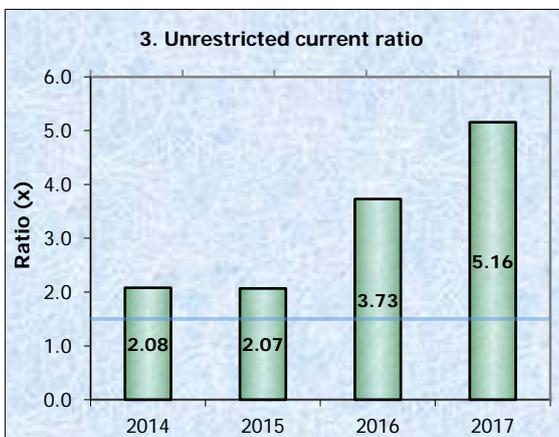
2016/17 ratio 58.82%

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 #25

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 2016/17 result

2016/17 ratio 5.16x

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

Benchmark: Minimum ≥ 1.50

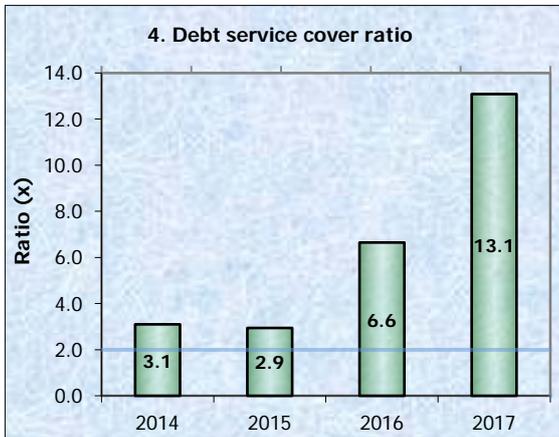
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Narrabri Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

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 2016/17 result

2016/17 ratio 13.08x

Council has sufficient cash to service its debt.

Benchmark: ——— Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result

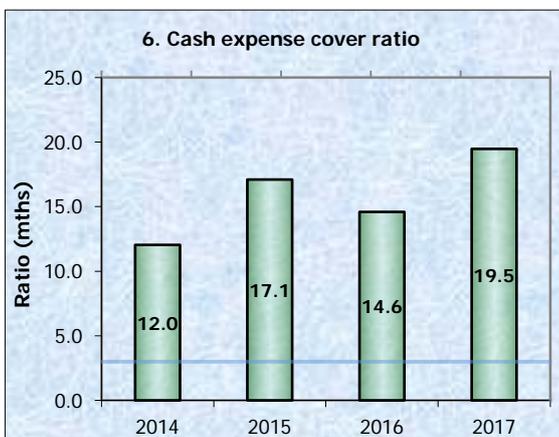
2016/17 ratio 7.64%

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

Benchmark: ——— Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result

2016/17 ratio 19.48 mths

Council's liquidity level is very good.

Benchmark: ——— Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	18.15%	8.88%	24.34%	26.83%	10.48%	4.82%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	54.76%	53.01%	73.04%	73.51%	93.11%	91.97%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	5.16x	3.73x	15.87x	99.58x	44.17x	17.70x	>1.5x

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 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	10.77x	5.38x	0.00x	0.00x	135.62x	10.83x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	5.72%	6.30%	25.34%	23.56%	8.18%	7.90%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	13.79	14.59	66.91	0.00	54.19	0.00	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) 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 2017

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	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	4,172	3,312	4,172	3,312
Investments				
– 'Held to maturity'	52,000	44,000	52,000	44,000
Receivables	5,463	3,878	5,463	3,878
Total financial assets	61,635	51,190	61,635	51,190
Financial liabilities				
Payables	3,812	3,278	3,804	3,278
Loans/advances	7,790	8,770	7,790	8,770
Lease liabilities	2	28	2	28
Total financial liabilities	11,604	12,076	11,596	12,076

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 2017

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.

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.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 1% movement in interest rates	560	560	(560)	(560)
2016				
Possible impact of a 1% movement in interest rates	470	470	(470)	(470)

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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.

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:

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	87%	0%	91%
Overdue	100%	13%	100%	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	–	3,716	–	2,541
Overdue	1,443	554	1,368	258
	1,443	4,270	1,368	2,799
(iii) Movement in provision for impairment of receivables				
			2017	2016
Balance at the beginning of the year			289	253
+ new provisions recognised during the year			150	36
– amounts already provided for and written off this year			(189)	–
Balance at the end of the year			250	289

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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		
2017									
Trade/other payables	89	3,715	–	–	–	–	–	3,804	3,812
Loans and advances	–	1,042	836	5,225	151	164	372	7,790	7,790
Lease liabilities	–	2	–	–	–	–	–	2	2
Total financial liabilities	89	4,759	836	5,225	151	164	372	11,596	11,604
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

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:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	3,812	0.00%	3,278	0.00%
Loans and advances – fixed interest rate	7,790	3.99%	8,770	3.99%
Lease liabilities	2	8.68%	28	8.68%
	<u>11,604</u>		<u>12,076</u>	

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 21 June 2016.

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	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	18,737	18,985	248	1%	F
User charges and fees	8,517	10,203	1,686	20%	F
RMS charges (state roads not controlled by Council) exceeded expectations by \$1,848k. Council was able to utilise surplus funds the RMS had available towards the end of the financial year.					
Interest and investment revenue	1,179	1,494	315	27%	F
Due to a better than expected cash position at 30 June 2016 and also the cash flow around Council's capital works program.					
Other revenues	2,369	3,051	682	29%	F
Council received recoverable expenses that were not budgeted for such as final dividend payments for previously written off CDOs, insurance claims and contract retention/warranty claims.					
Operating grants and contributions	12,828	16,478	3,650	28%	F
Council received half of its 2017/2018 Financial Assistance Grant in advance (\$3,392k).					
Capital grants and contributions	9,521	7,141	(2,380)	(25%)	U
Mainly due to Council's long-term Narrabri Water Augmentation program not meeting its annual capital expenditure budget estimate.					

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
EXPENSES					
Employee benefits and on-costs	16,868	15,175	1,693	10%	F
Council had a number of staff vacancies in its structure that resulted in lower than budgeted wages and superannuation costs.					
Borrowing costs	536	405	131	24%	F
One loan was paid out, and two others were renegotiated in June 2016. The original budget was provided prior to then.					
Materials and contracts	9,151	11,392	(2,241)	(24%)	U
Mainly due to expenditure on Council's RMS state roads contract (\$1,759k greater than budget). Refer to notation for user charges and fees above.					
Depreciation and amortisation	9,857	9,874	(17)	(0%)	U
Other expenses	4,146	4,253	(107)	(3%)	U
Net losses from disposal of assets	43	667	(624)	(1451%)	U
Council did not budget for profit/loss on disposal of plant and infrastructure assets as they are generally expected to be immaterial.					

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

Cash flows from operating activities	22,357	25,425	3,068	13.7%	F
This variation flows through from the favourable variations noted in the Income Statement variations above.					
Cash flows from investing activities	(23,729)	(23,488)	241	(1.0%)	F
Cash flows from financing activities	12	(1,077)	(1,089)	(9075.0%)	U
Council did not proceed with a new loan and the renegotiated loans from June 2016 resulted in higher principal repayments (taking advantage of reduced interest rates).					

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	126	–	–	4	–	–	130	–
Parking	18	–	–	–	–	–	18	–
Open space	29	–	–	1	–	–	30	–
Community facilities	22	–	–	1	–	–	23	–
Bushfire	17	1	–	–	–	–	18	–
Other	39	–	–	1	–	–	40	–
S94 contributions – under a plan	251	1	–	7	–	–	259	–
S94A levies – under a plan	1,041	518	–	38	–	–	1,597	–
Total S94 revenue under plans	1,292	519	–	45	–	–	1,856	–
S93F planning agreements	9,413	2,669	–	300	(1,486)	–	10,896	–
Total contributions	10,705	3,188	–	345	(1,486)	–	12,752	–

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	126	–	–	4	–	–	130	–
Parking	18	–	–	–	–	–	18	–
Open space	29	–	–	1	–	–	30	–
Community facilities	22	–	–	1	–	–	23	–
Bushfire	17	1	–	–	–	–	18	–
Other	39	–	–	1	–	–	40	–
Total	251	1	–	7	–	–	259	–

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	1,041	518	–	38	–	–	1,597	–
Total	1,041	518	–	38	–	–	1,597	–

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 2017

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 2017	Actual 2016	Actual 2017	Actual 2016
Associates	9	(4)	181	172
Total	9	(4)	181	172

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	2017	2016
Central Northern Regional Libraries	Associate		181	172
Total carrying amounts – material joint ventures and associates			181	172

(b) Details

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

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016	2017	2016
Central Northern Regional Libraries	181	172	14%	14%	14%	14%	14%	14%

(d) Summarised financial information for joint ventures and associates

	Central Northern Regional Libraries	
	2017	2016
Statement of financial position		
Current assets		
Cash and cash equivalents	540	529
Non-current assets	724	676
Net assets	1,264	1,205
Reconciliation of the carrying amount		
Opening net assets (1 July)	1,205	1,233
Profit/(loss) for the period	59	(28)
Closing net assets	1,264	1,205
Council's share of net assets (%)	14.3%	14.3%
Council's share of net assets (\$)	181	172

Narrabri Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		203,464	189,164
a. Other comprehensive income (excl. direct to reserves transactions)		–	(9)
b. Net operating result for the year		15,595	14,309
Balance at end of the reporting period		218,904	203,464
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		282,093	255,686
Total		282,093	255,686
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		255,686	247,428
– Revaluations for the year	9(a)	26,252	8,258
– Transfer to retained earnings for asset disposals		155	–
– Balance at end of year		282,093	255,686
TOTAL VALUE OF RESERVES		282,093	255,686

(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.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,651	2,847	14,487
User charges and fees	2,059	267	7,877
Interest and investment revenue	411	236	847
Other revenues	–	8	3,043
Grants and contributions provided for operating purposes	35	31	16,412
Grants and contributions provided for capital purposes	1,422	22	5,697
Total income from continuing operations	5,578	3,411	48,372
Expenses from continuing operations			
Employee benefits and on-costs	546	414	14,215
Borrowing costs	–	13	392
Materials and contracts	1,793	1,037	8,562
Depreciation and amortisation	800	1,397	7,677
Other expenses	–	153	4,100
Net losses from the disposal of assets	–	–	667
Total expenses from continuing operations	3,139	3,014	35,613
Operating result from continuing operations	2,439	397	12,759
Net operating result for the year	2,439	397	12,759
Net operating result attributable to each council fund	2,439	397	12,759
Net operating result for the year before grants and contributions provided for capital purposes	1,017	375	7,062

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 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	131	24	4,017
Investments	13,000	8,000	31,000
Receivables	467	236	4,760
Inventories	–	–	3,387
Other	–	–	246
Total current assets	13,598	8,260	43,410
Non-current assets			
Infrastructure, property, plant and equipment	39,531	59,912	351,984
Investments accounted for using the equity method	–	–	181
Other	–	–	55
Total non-current assets	39,531	59,912	352,220
TOTAL ASSETS	53,129	68,172	395,630
LIABILITIES			
Current liabilities			
Payables	857	44	2,906
Income received in advance	–	–	564
Borrowings	–	143	955
Provisions	–	–	3,632
Total current liabilities	857	187	8,057
Non-current liabilities			
Payables	–	–	5
Borrowings	–	–	6,749
Provisions	–	–	79
Total non-current liabilities	–	–	6,833
TOTAL LIABILITIES	857	187	14,890
Net assets	52,272	67,985	380,740
EQUITY			
Retained earnings	22,499	12,525	183,880
Revaluation reserves	29,773	55,460	196,860
Total equity	52,272	67,985	380,740

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 2017

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 2017) 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 31/10/17.

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 2017.

(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 2017 and which are only indicative of conditions that arose after 30 June 2017.

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.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 30/6/17.

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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:

2017	Date	Fair value measurement hierarchy			Total
		Level 1	Level 2	Level 3	
Recurring fair value measurements	of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/17	–	–	8,821	8,821
Office Equipment	30/06/17	–	–	288	288
Furniture & Fittings	30/06/17	–	–	572	572
Operational Land	30/06/14	–	–	8,451	8,451
Community Land	30/06/16	–	–	3,068	3,068
Land Improvements	30/06/16	–	–	3,568	3,568
Buildings	30/06/14	–	–	21,392	21,392
Other Structures	30/06/16	–	–	18,019	18,019
Roads	30/06/14	–	–	142,520	142,520
Bridges	30/06/14	–	–	15,632	15,632
Footpaths	30/06/14	–	–	3,407	3,407
Bulk Earthworks	30/06/14	–	–	91,740	91,740
Stormwater Drainage	30/06/14	–	–	5,086	5,086
Water Supply Network	30/06/17	–	–	33,462	33,462
Sewerage Network	30/06/17	–	–	58,334	58,334
Swimming Pools	30/06/14	–	–	8,136	8,136
Other Open Space / Recreational Assets	30/06/16	–	–	1,517	1,517
Total infrastructure, property, plant and equipment		–	–	424,013	424,013

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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)

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	30/06/14	—	—	21,671	21,671
Other Structures	30/06/16	—	—	13,901	13,901
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
Other Open Space / Recreational Assets	30/06/16	—	—	1,603	1,603
Total infrastructure, property, plant and equipment		—	—	387,188	387,188

(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 2017

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

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 2017

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 2017

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.

Other Open Space / Recreational Assets

Assets within this class comprise playground equipment, BBQs, outdoor fitness facilities, etc. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors. No market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using Level 3 valuation inputs.

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	Pools, Other Open Space Rec Assets	Total
Opening balance – 1/7/15	9,766	15,385	30,323	258,531	5,331	22,030	35,902	7,942	385,210
Transfers from/(to) another asset class	–	–	(1,603)	–	–	–	–	1,603	–
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	35,572	254,103	5,209	21,828	35,143	9,920	387,188
Purchases (GBV)	1,422	6	12,005	4,424	–	2,283	1,683	27	21,850
Disposals (WDV)	(796)	–	(221)	(386)	–	–	–	–	(1,403)
Depreciation and impairment	(1,191)	(86)	(1,170)	(4,842)	(123)	(783)	(1,385)	(294)	(9,874)
FV gains – other comprehensive income	–	–	(6,775)	–	–	10,134	22,893	–	26,252
Closing balance – 30/6/17	9,681	15,087	39,411	253,299	5,086	33,462	58,334	9,653	424,013

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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.

IPP&E

Class	Fair value (30/7/16) \$'000	Valuation technique/s	Unobservable inputs
Plant & Equipment	8,821	Cost used to approximate fair value	<ul style="list-style-type: none"> • Depreciated Historical Cost • Remaining Useful Life • Residual Value
Office Equipment	288	Cost used to approximate fair value	<ul style="list-style-type: none"> • Depreciated Historical Cost • Remaining useful life • Residual value
Furniture / Fittings	572	Cost used to approximate fair value	<ul style="list-style-type: none"> • Depreciated Historical Cost • Remaining useful life • Residual value
Operational Land	8,451	Land values for similar land averaged m ² rate	<ul style="list-style-type: none"> • Land Value (price per m²)
Community Land	3,068	Land values obtained from NSW Valuer-General	<ul style="list-style-type: none"> • Land Value (price per m²)
Land Improvements	3,568	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life • Residual Value
Buildings	21,392	Cost used to approximate fair value	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life • Residual Value
Other Structures	18,019	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 2017

Note 27. Fair value measurement (continued)

Class	Fair value (30/7/16) \$'000	Valuation technique/s	Unobservable inputs
Roads	142,520	Unit rates per m ² or length	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value
Bridges	15,632	Unit rates per m ² or length	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life
Footpaths	3,407	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	5,086	Cost used to approximate fair value	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life
Water Supply Network	33,462	Cost used to approximate fair value	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life
Sewerage Network	58,334	Cost used to approximate fair value	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life
Swimming Pools	8,136	Cost used to approximate fair value	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value
Other Open Space / Recreational Assets	1,517	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 2017

Note 27. Fair value measurement (continued)

c. The valuation process for level 3 fair value measurements

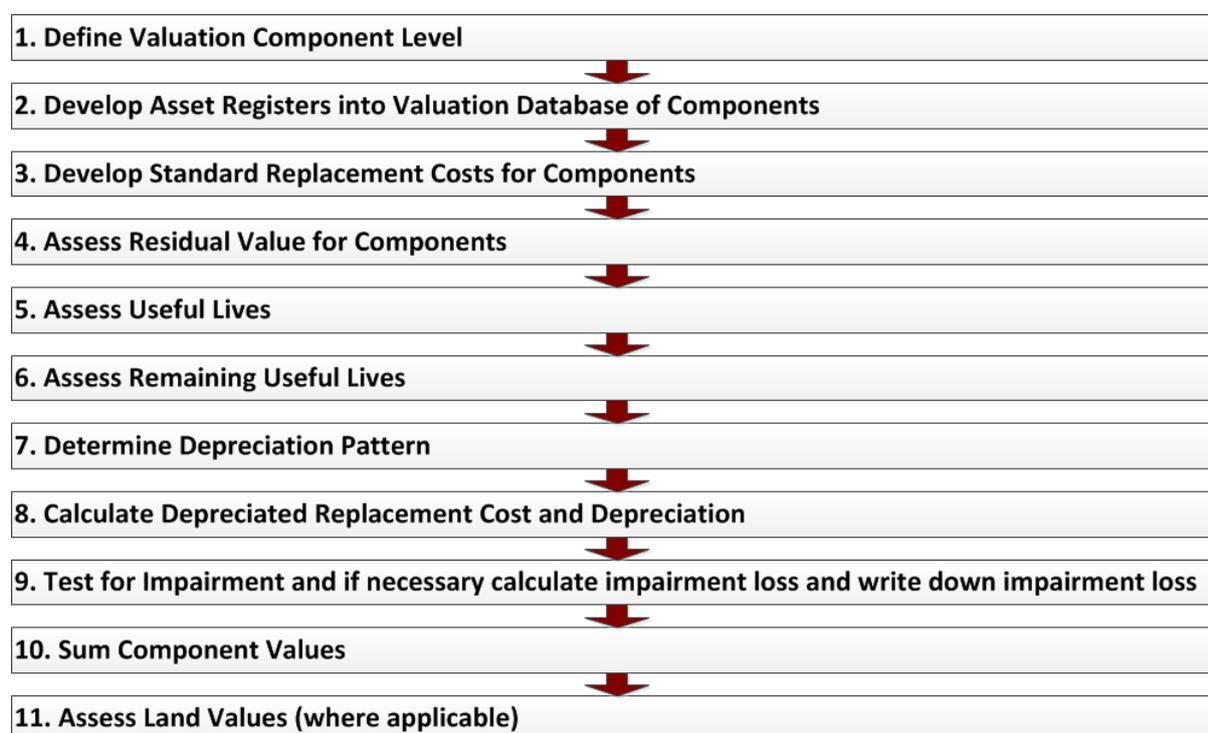
Council, with the assistance and support of Jeff Roorda and Associates (JRA) and Acqua (LMB), has undertaken a revaluation of its infrastructure assets, effective from 30/6/14, in accordance with AASB116 and the Australian Infrastructure Financial Management Guidelines (AIFMG).

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

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

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

Figure 1 – DRC Revaluation Process



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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

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

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

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

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

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

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

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

Narrabri Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

(5). Highest and best use

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

	\$ '000
Compensation:	2017
Short-term benefits	933
Post-employment benefits	58
Other long-term benefits	255
Total	1,246

b. Other transactions with KMP and their related parties

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

c. Other related party transactions

Nil

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 29. 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

Lindsay Mason

AUDITORS

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

Elected members**MAYOR**

Catherine Redding

COUNCILLORS

Cameron Staines (Deputy Mayor)

Maxine Booby

Ron Campbell

Ron Campey

Lloyd Finlay

Robert Kneale

Ann Loder

Annie McMahon

Other information

ABN: 95 717 801 656

End of Audited Financial Statements



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Narrabri Shire Council

To the Councillors of Narrabri Shire Council

Opinion

I have audited the accompanying financial statements of Narrabri Shire Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

Attachment 13.4.a

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 27 October 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

Attachment 13.4.a

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'C. Clayton', with a large, stylized flourish at the end.

Chris Clayton
Director, Financial Audit Services

31 October 2017
SYDNEY

Councillor Catherine Redding
 Mayor
 Narrabri Shire Council
 PO Box 63
 NARRABRI NSW 2380

Contact: Chris Clayton
 Phone no: 9275 7248
 Our ref: D1727469/1767

31 October 2017

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2017
 Narrabri Shire Council**

I have audited the general purpose financial statements of Narrabri Shire Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2017	2016	Variance
	\$'000	\$'000	%
Rates and annual charges revenue	18,985	18,388	3.2 
Grants and contributions revenue	23,619	22,773	3.7 
Operating result for the year	15,595	14,309	9.0 
Net operating result before capital amounts	8,454	4,042	109.1 

Council's operating result for the year ended 30 June 2017 was a surplus of \$15.6 million (\$14.3 million for the year ended 30 June 2016); more than the \$12.6 million surplus budgeted by Council. This year's operating result increased \$1.3 million (9.0 per cent) due to a range of factors impacting Council's revenue and expenses. Contributors to the net increase are detailed below.

Rates and annual charges increased \$597,000 (3.2 per cent) to \$19.0 million as result of an increase in rates by \$230,000 and increase in annual charges by \$367,000 due to an increase in rateable property.

Grants and contributions revenue increased \$846,000 (3.7 per cent) to \$23.6 million. This is mainly due to:

- \$3.4 million of 2017-18 financial assistance grant instalments received from the Commonwealth Government in 2016-17
- offset by a \$2.8 million decrease in grants provided for capital purposes.

User charges and fees revenue increased \$1.4 million (16.1 per cent) to \$10.2 million as a result of additional RMS funds made available to Council. This increase is largely offset by related increases in materials and contract expenses which increased \$2.3 million (24.9 per cent) during 2016-17.

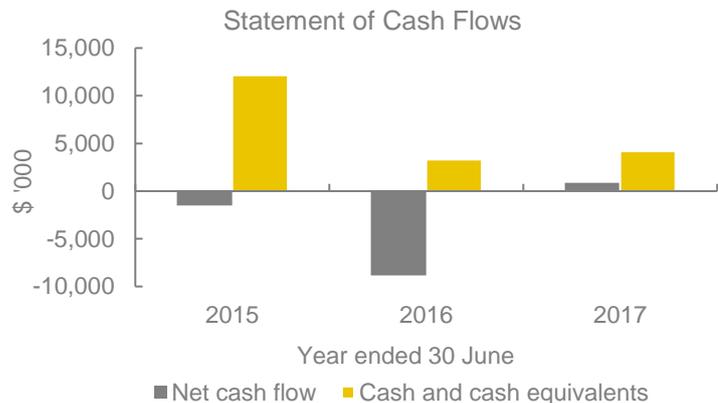
STATEMENT OF CASH FLOWS

Council recorded a net increase in cash and cash equivalents of \$860,000 at 30 June 2017 (net decrease of \$8.8 million at 30 June 2016).

Net cash provided by operating activities was \$25.4 million during 2016-17 (2015-16: \$26.2 million).

Net cash used in investing activities was \$23.4 million in 2016-17 compared to \$33.4 million in 2015-16. Council's investing activities for the year ended 30 June 2017 included:

- \$16.2 million for the purchase of infrastructure, property, plant and equipment
- \$8.0 million for the purchase of financial investments.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$'000	\$'000	
External restrictions	35,788	31,954	Cash and investment increased by \$8.8 million during 2016-17. Externally restricted cash and investments are restricted in their use by externally imposed requirements. The movement in external restrictions related to developer contributions, specific purpose unexpended grants, and sewerage services funds. Internally restricted cash and investments have been restricted in the use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internally restricted cash balances included an increase of \$3.4 million due to the receipt 2017-18 financial assistance grant instalments in 2016-17 from the Commonwealth Government.
Internal restrictions	20,335	14,878	
Unrestricted	49	480	
Cash and investments	56,172	47,312	

Debt

At 30 June 2017, Council recognised \$7.8 million in borrowings (30 June 2016: \$8.8 million) including:

- secured loans of \$7.8 million (30 June 2016: \$8.8 million)
- finance lease liabilities of \$2,000 (30 June 2016: \$28,000)

Council's loans are secured over the general rating income of Council.

PERFORMANCE RATIOS

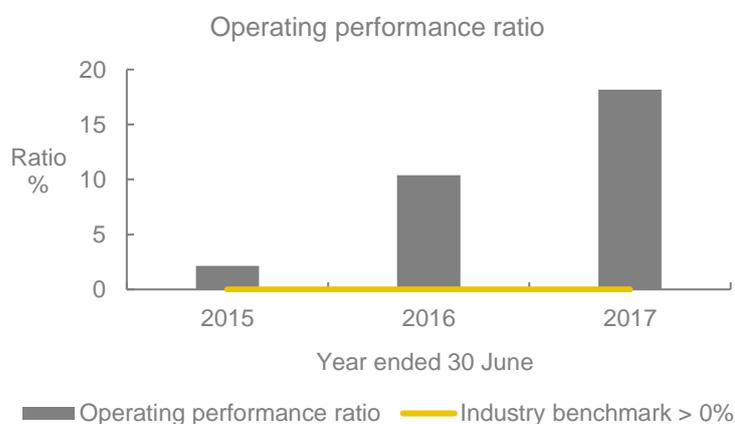
The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

Operating performance ratio

Council's operating performance ratio exceeded the industry benchmark over the past three years.

Council's 2016-17 ratio reflects the advanced receipt of 2017-18 financial assistance grant instalments from the Commonwealth Government in 2016-17.

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



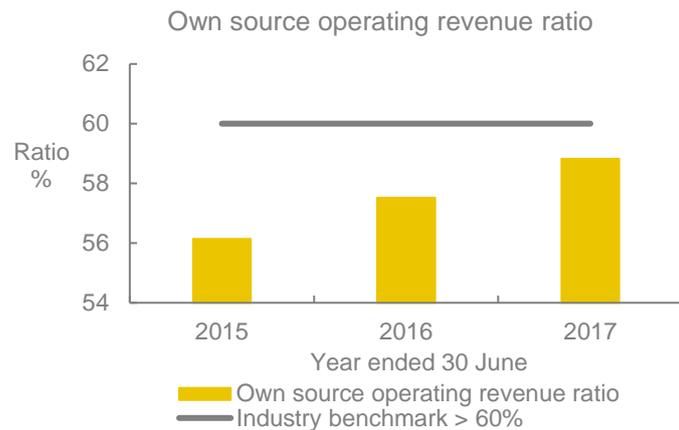
Own source operating revenue ratio

Council's own source operating revenue ratio was 58.8 per cent for the year ended 30 June 2017; slightly below the industry benchmark.

Council's ratio was continued to improve over the past three years.

Council attributes the ratio being below the industry benchmark due to a comparatively large capital contributions component from mining-related Voluntary Planning Agreements.

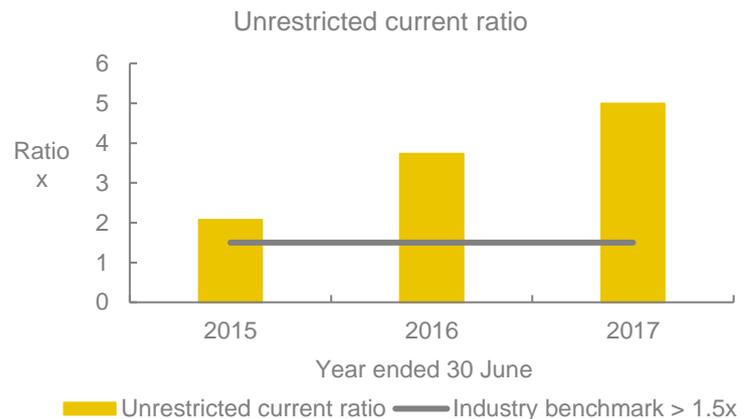
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

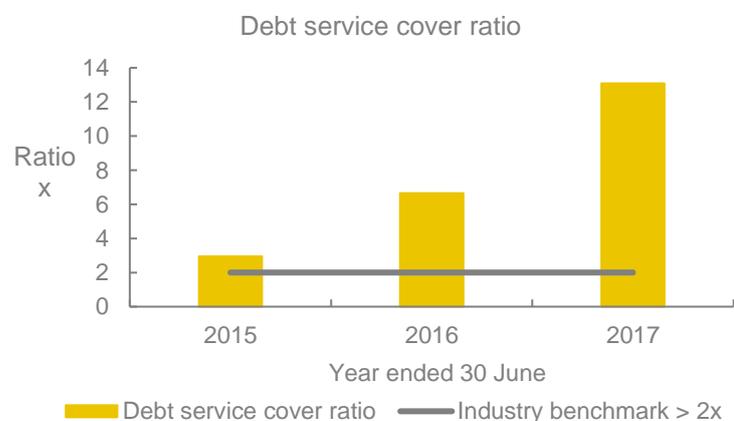
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio exceeded the industry benchmark over the past three years. The ratio indicates Council has adequate revenue to cover the principal repayments and borrowing costs of its debt.

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

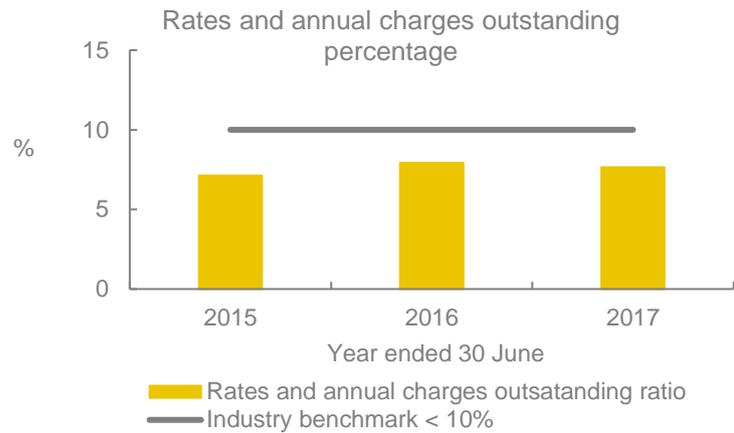


Rates and annual charges outstanding percentage

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

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts.

The benchmark set by OLG is less than 10 per cent for rural councils.

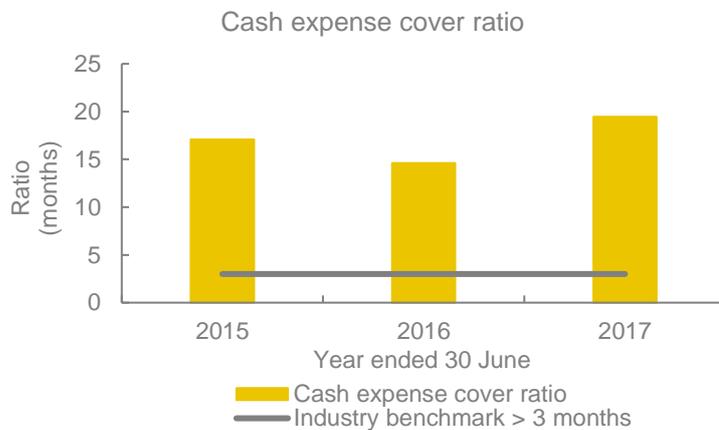


Cash expense cover ratio

As at 30 June 2017, Council had the capacity to cover over 19 months of cash expenditure without additional cash inflows.

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

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

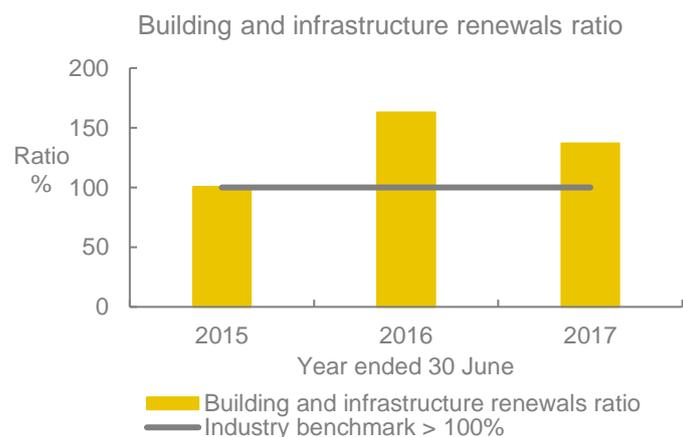


Building and infrastructure renewals ratio

Council's building and infrastructure renewals ratio exceeded the industry benchmark over the past three years.

The building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.



OTHER MATTERS

Council Entities

Council's interest in 'council entities' include:

- Statewide Limited
- StateCover Limited
- Central Northern Libraries.

I have obtained sufficient audit evidence to be satisfied Council's general purpose financial statements materially reflect Council's interest in the entities.

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public-sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

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

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



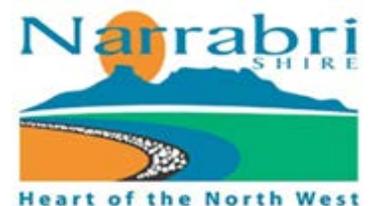
Chris Clayton
 Director, Financial Audit Services

cc: Mr Stewart Todd, General Manager
 Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Narrabri Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

“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 2017

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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 2017**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 26 September 2017.**

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 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	1,651	1,604
User charges	2,034	2,320
Fees	25	34
Interest	411	430
Grants and contributions provided for non-capital purposes	35	141
Profit from the sale of assets	–	3
Total income from continuing operations	4,156	4,532
Expenses from continuing operations		
Employee benefits and on-costs	546	535
Materials and contracts	1,793	1,864
Depreciation, amortisation and impairment	800	825
Total expenses from continuing operations	3,139	3,224
Surplus (deficit) from continuing operations before capital amounts	1,017	1,308
Grants and contributions provided for capital purposes	1,422	969
Surplus (deficit) from continuing operations after capital amounts	2,439	2,277
Surplus (deficit) from all operations before tax	2,439	2,277
Less: corporate taxation equivalent (30%) [based on result before capital]	(305)	(392)
SURPLUS (DEFICIT) AFTER TAX	2,134	1,885
Plus opening retained profits	19,988	17,711
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	305	392
Closing retained profits	22,427	19,988
Return on capital %	2.6%	5.0%
Calculation of dividend payable:		
Surplus (deficit) after tax	2,134	1,885
Less: capital grants and contributions (excluding developer contributions)	(1,422)	(969)
Surplus for dividend calculation purposes	712	916
Potential dividend calculated from surplus	356	458

Narrabri Shire Council

Income Statement of Council's Sewerage Business Activity
for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	2,847	2,556
User charges	32	395
Liquid trade waste charges	235	86
Interest	236	238
Grants and contributions provided for non-capital purposes	31	31
Other income	8	8
Total income from continuing operations	3,389	3,314
Expenses from continuing operations		
Employee benefits and on-costs	414	445
Borrowing costs	13	22
Materials and contracts	1,037	1,119
Depreciation, amortisation and impairment	1,397	1,389
Other expenses	153	146
Total expenses from continuing operations	3,014	3,121
Surplus (deficit) from continuing operations before capital amounts	375	193
Grants and contributions provided for capital purposes	22	–
Surplus (deficit) from continuing operations after capital amounts	397	193
Surplus (deficit) from all operations before tax	397	193
Less: corporate taxation equivalent (30%) [based on result before capital]	(112)	(58)
SURPLUS (DEFICIT) AFTER TAX	285	135
Plus opening retained profits	12,128	11,935
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	112	58
Closing retained profits	12,525	12,128
Return on capital %	0.6%	0.6%
Subsidy from Council	1,038	544
Calculation of dividend payable:		
Surplus (deficit) after tax	285	135
Less: capital grants and contributions (excluding developer contributions)	(22)	–
Surplus for dividend calculation purposes	263	135
Potential dividend calculated from surplus	132	68

Narrabri Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	131	–
Investments	13,000	13,292
Receivables	467	251
Total current assets	13,598	13,543
Non-current assets		
Receivables	–	135
Infrastructure, property, plant and equipment	39,531	26,156
Total non-current assets	39,531	26,291
TOTAL ASSETS	53,129	39,834
LIABILITIES		
Current liabilities		
Payables	857	136
Total current liabilities	857	136
Total non-current liabilities	–	–
TOTAL LIABILITIES	857	136
NET ASSETS	52,272	39,698
EQUITY		
Retained earnings	22,499	19,988
Revaluation reserves	29,773	19,710
TOTAL EQUITY	52,272	39,698

Narrabri Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	24	–
Investments	8,000	6,874
Receivables	236	137
Total current Assets	8,260	7,011
Non-current assets		
Receivables	–	67
Infrastructure, property, plant and equipment	59,912	38,156
Total non-current assets	59,912	38,223
TOTAL ASSETS	68,172	45,234
LIABILITIES		
Current liabilities		
Payables	44	264
Borrowings	143	132
Total current liabilities	187	396
Non-current liabilities		
Borrowings	–	143
Total non-current liabilities	–	143
TOTAL LIABILITIES	187	539
NET ASSETS	67,985	44,695
EQUITY		
Retained earnings	12,525	12,128
Revaluation reserves	55,460	32,567
TOTAL EQUITY	67,985	44,695

Narrabri Shire Council

Special Purpose Financial Statements for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
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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 2017

Note 1. Significant accounting policies

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

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

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

- the recognition & 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 (NCP)

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

The framework for its application is set out in the June 1996 NSW 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 Baan Baa, Bellata, Boggabri, Gwabegar, Pilliga, Narrabri and Wee Waa.

b. Narrabri Shire Council Sewerage Service

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

Category 2

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

Nil

Monetary amounts

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

As required by 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. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are paid by private sector businesses, such as income tax, these equivalent tax payments have

Narrabri Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

been applied to Council's 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 Council's business activities:

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$549,000** of the combined land values attracts **0%**. For land valued from **\$549,001 to \$3,357,000**, the rate is **1.6% + \$100**. For the remaining combined land value that exceeds **\$3,357,000**, 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 Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level (gain 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 gain/(loss) from ordinary activities before capital amounts has been achieved.

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

The 30% rate applied is the equivalent company tax rate prevalent at reporting date.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of IPP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10-year bond rate which is 2.38% at 30/6/17.

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	14,046
(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]	355,950
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	140,460
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	2,317,700

2017 Surplus	711,900	2016 Surplus	915,600	2015 Surplus	690,200
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	140,460
(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 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

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	3,784
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)]	%	54.73%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	39,498
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,355
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	2,283
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)]	%	1.60%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	1,422

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements

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

2017

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	12,228
(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]	131,500
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	122,280
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	415,600

2017 Surplus	263,000	2016 Surplus	135,100	2015 Surplus	17,500
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	122,280
(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 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

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	3,328
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	59,905
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,764
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,683
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)]	%	0.28%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	22

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	7,112
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.93%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	3,966
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)]	%	0.80%
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%

Narrabri Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

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)]	%	-17.47%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 799 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: - 593 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	1,392
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	66

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statement

Narrabri Shire Council

To the Councillors of Narrabri Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Narrabri Shire Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

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

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

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

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

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

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

Attachment 13.4.a

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

Emphasis of Matter - Basis of Accounting

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 27 October 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

Attachment 13.4.a

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read "C. Clayton". The signature is fluid and cursive, with a large loop at the end.

Chris Clayton
Director, Financial Audit Services

31 October 2017
SYDNEY

Narrabri Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

“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 2017

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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 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	641	1	–	(640)
Administration	5,648	1,365	–	(4,283)
Public order and safety				
Fire service levy, fire protection, emergency services	671	648	–	(23)
Beach control	–	–	–	–
Enforcement of local government regulations	69	11	–	(58)
Animal control	239	42	–	(197)
Other	–	–	–	–
Total public order and safety	979	701	–	(278)
Health	100	90	–	(10)
Environment				
Noxious plants and insect/vermin control	242	135	–	(107)
Other environmental protection	101	103	–	2
Solid waste management	2,665	3,189	–	524
Street cleaning	–	–	–	–
Drainage	123	–	–	(123)
Stormwater management	22	14	–	(8)
Total environment	3,153	3,441	–	288
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	4	–	–	(4)
Children's services	9	6	–	(3)
Total community services and education	13	6	–	(7)
Housing and community amenities				
Public cemeteries	244	209	–	(35)
Public conveniences	6	–	–	(6)
Street lighting	248	55	–	(193)
Town planning	375	1,837	3,188	4,650
Other community amenities	47	–	–	(47)
Total housing and community amenities	920	2,101	3,188	4,369
Water supplies	3,139	4,156	1,422	2,439
Sewerage services	3,136	3,511	22	397

Narrabri Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	652	66	–	(586)
Museums	7	–	–	(7)
Art galleries	–	–	–	–
Community centres and halls	1,980	1,225	–	(755)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	1,435	482	–	(953)
Parks and gardens (lakes)	2,282	37	31	(2,214)
Other sport and recreation	–	–	–	–
Total recreation and culture	6,356	1,810	31	(4,515)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	204	125	–	(79)
Other mining, manufacturing and construction	1,360	78	–	(1,282)
Total mining, manufacturing and const.	1,564	203	–	(1,361)
Transport and communication				
Urban roads (UR) – local	1,836	–	–	(1,836)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	4,559	2,880	–	(1,679)
Sealed rural roads (SRR) – regional	485	1,578	–	1,093
Unsealed rural roads (URR) – local	2,002	611	–	(1,391)
Unsealed rural roads (URR) – regional	164	–	–	(164)
Bridges on UR – local	10	–	–	(10)
Bridges on SRR – local	77	–	–	(77)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	27	105	2,428	2,506
Parking areas	–	–	–	–
Footpaths	74	–	–	(74)
Aerodromes	629	92	–	(537)
Other transport and communication	4,598	4,297	–	(301)
Total transport and communication	14,461	9,563	2,428	(2,470)
Economic affairs				
Camping areas and caravan parks	68	85	–	17
Other economic affairs	1,588	579	50	(959)
Total economic affairs	1,656	664	50	(942)
Totals – functions	41,766	27,612	7,141	(7,013)
General purpose revenues ⁽¹⁾		22,599		22,599
Share of interests – joint ventures and associates using the equity method	–	9		9
NET OPERATING RESULT ⁽²⁾	41,766	50,220	7,141	15,595

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Narrabri Shire Council

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

for the year ended 30 June 2017

\$'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	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	980	7,790	8,770	–	980	–	–	399	1,041	6,749	7,790
Other	–	–	–							–	–
Total loans	980	7,790	8,770	–	980	–	–	399	1,041	6,749	7,790
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	26	2	28	–	26	–	–	6	2	–	2
Deferred payments	–	–	–							–	–
Total long term debt	26	2	28	–	26	–	–	6	2	–	2
Total debt	1,006	7,792	8,798	–	1,006	–	–	405	1,043	6,749	7,792

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 2017

\$'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	23	81
Sewer			
Domestic waste management			
Gas			
Other			
Totals	215	23	81

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	15	53
Pilliga Water	Other water schemes		01/07/10	10	30/06/20	6.94%	75	8	28
Totals							215	23	81

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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	621	526
b. Engineering and supervision	507	479
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	195	92
d. Maintenance expenses	276	339
– Reservoirs		
e. Operation expenses	3	10
f. Maintenance expenses	42	44
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	176	197
i. Maintenance expenses	–	–
– Treatment		
j. Operation expenses (excluding chemical costs)	77	52
k. Chemical costs	107	115
l. Maintenance expenses	–	–
– Other		
m. Operation expenses	168	386
n. Maintenance expenses	183	171
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	787	812
b. Plant and equipment	10	13
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	3,152	3,236

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	1,664	1,616
b. Usage charges	2,012	2,009
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	–
8. Extra charges	26	26
9. Interest income	385	404
10. Other income	–	1
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	1,422	1,075
b. Grants for pensioner rebates	35	35
c. Other grants	–	–
12. Contributions		
a. Developer charges	7	20
b. Developer provided assets	–	–
c. Other contributions	40	327
13. Total income	5,591	5,513
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	2,439	2,277
15a. Operating result (less grants for acquisition of assets)	1,017	1,202

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	92	220
c. Renewals	2,191	1,831
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	2,283	2,051
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)	3,860	3,761
b. Residential (unoccupied, ie. vacant lot)	113	113
c. Non-residential (occupied)	656	643
d. Non-residential (unoccupied, ie. vacant lot)	53	61
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 63,526	\$ 62,935

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 2017

\$'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	13,131	–	13,131
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	425	–	425
c. User charges	42	–	42
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	39,498	39,498
b. Plant and equipment	–	33	33
29. Other assets	–	–	–
30. Total assets	<u>13,598</u>	<u>39,531</u>	<u>53,129</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	857	–	857
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>857</u>	<u>–</u>	<u>857</u>
36. NET ASSETS COMMITTED	<u>12,741</u>	<u>39,531</u>	<u>52,272</u>
EQUITY			
37. Accumulated surplus			22,499
38. Asset revaluation reserve			29,773
39. Other reserves			–
40. TOTAL EQUITY			<u>52,272</u>
Note to system assets:			
41. Current replacement cost of system assets			65,764
42. Accumulated current cost depreciation of system assets			(26,266)
43. Written down current cost of system assets			<u>39,498</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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	447	378
b. Engineering and supervision	313	334
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	6	6
b. Maintenance expenses	169	178
– Pumping stations		
c. Operation expenses (excluding energy costs)	122	131
d. Energy costs	44	45
e. Maintenance expenses	56	111
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	352	392
g. Chemical costs	32	28
h. Energy costs	60	52
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	77	69
– Other		
l. Operation expenses	84	69
m. Maintenance expenses	2	–
3. Depreciation expenses		
a. System assets	1,396	1,389
b. Plant and equipment	1	1
4. Miscellaneous expenses		
a. Interest expenses	13	22
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	3,174	3,205

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	2,847	2,556
7. Non-residential charges		
a. Access (including rates)	4	32
b. Usage charges	6	211
8. Trade waste charges		
a. Annual fees	49	57
b. Usage charges	186	30
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	15	14
10. Interest income	221	224
11. Other income	8	8
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	22	–
b. Grants for pensioner rebates	31	31
c. Other grants	–	–
13. Contributions		
a. Developer charges	22	35
b. Developer provided assets	–	–
c. Other contributions	160	200
14. Total income	3,571	3,398
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	397	193
16a. Operating result (less grants for acquisition of assets)	375	193

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	39	37
c. Renewals	1,644	1,314
d. Plant and equipment	–	–
18. Repayment of debt	–	123
19. Totals	1,683	1,474
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)	3,347	3,304
b. Residential (unoccupied, ie. vacant lot)	172	176
c. Non-residential (occupied)	522	521
d. Non-residential (unoccupied, ie. vacant lot)	35	34
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 56,263	\$ 55,848

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 2017

\$'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	8,024	–	8,024
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	234	–	234
c. User charges	–	–	–
d. Other	2	–	2
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	59,905	59,905
b. Plant and equipment	–	7	7
30. Other assets	–	–	–
31. Total assets	8,260	59,912	68,172
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	44	–	44
34. Borrowings	143	–	143
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	187	–	187
37. NET ASSETS COMMITTED	8,073	59,912	67,985
EQUITY			
38. Accumulated surplus			11,983
39. Asset revaluation reserve			56,002
40. Other reserves			–
41. TOTAL EQUITY			67,985
Note to system assets:			
42. Current replacement cost of system assets			97,805
43. Accumulated current cost depreciation of system assets			(37,900)
44. Written down current cost of system assets			59,905

Narrabri Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

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 2017

\$'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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	2,027	2,027	650	640	21,392	36,527	2%	50%	41%	7%	0%
	Sub-total	2,027	2,027	650	640	21,392	36,527	2.0%	50.0%	41.0%	7.0%	0.0%
Other structures	Other structures	385	385	469	414	18,019	21,408	56%	17%	26%	1%	0%
	Sub-total	385	385	469	414	18,019	21,408	56.0%	17.0%	26.0%	1.0%	0.0%
Roads	Sealed roads	7,140	7,140	1,918	2,799	67,808	102,006	32%	58%	3%	6%	1%
	Unsealed roads	1,886	1,886	3,524	3,531	31,395	44,373	18%	76%	3%	1%	2%
	Bridges	580	580	63	114	15,632	25,763	28%	68%	3%	1%	0%
	Footpaths	105	105	42	29	3,407	5,252	76%	20%	4%	0%	0%
	Bulk earthworks	–	–	–	–	91,740	91,740	36%	64%	0%	0%	0%
	Kerb & gutter	–	–	17	5	43,317	87,170	17%	77%	3%	2%	1%
	Sub-total	9,711	9,711	5,564	6,478	253,299	356,304	28.0%	66.6%	2.2%	2.4%	0.8%

Narrabri Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	7,931	7,931	439	610	33,462	59,632	14%	34%	42%	10%	0%
	Sub-total	7,931	7,931	439	610	33,462	59,632	14.0%	34.0%	42.0%	10.0%	0.0%
Sewerage network	Sewerage network	15,124	15,124	392	303	58,334	96,026	15%	60%	15%	10%	0%
	Sub-total	15,124	15,124	392	303	58,334	96,026	15.0%	60.0%	15.0%	10.0%	0.0%
Stormwater drainage	Stormwater drainage	997	997	134	8	5,086	9,678	2%	44%	30%	19%	5%
	Sub-total	997	997	134	8	5,086	9,678	2.0%	44.0%	30.0%	19.0%	5.0%
Open space/recreational assets	Swimming pools	782	782	292	330	8,136	11,494	42%	12%	36%	10%	0%
	Other	189	189	43	43	1,517	2,578	0%	34%	57%	9%	0%
	Sub-total	971	971	335	373	9,653	14,072	34.3%	16.0%	39.8%	9.8%	0.0%
	TOTAL – ALL ASSETS	37,146	37,146	7,983	8,826	399,245	593,647	23.6%	57.9%	12.9%	5.1%	0.5%

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 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators *					
consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	<u>11,770</u>	136.91%	>= 100%	162.87%	100.50%
Depreciation, amortisation and impairment	<u>8,597</u>				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>37,146</u>	12.08%	< 2%	15.12%	
Net carrying amount of infrastructure assets	<u>307,505</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>8,826</u>	1.11	> 1.00	1.03	1.15
Required asset maintenance	<u>7,983</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 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
<u>Asset renewals ⁽²⁾</u>				
Depreciation, amortisation and impairment	>= 100%	210.86%	18.58%	153.50%
	prior period:	227.17%	95.29%	169.61%
2. Infrastructure backlog ratio				
<u>Estimated cost to bring assets to a satisfactory standard</u>				
Net carrying amount of infrastructure assets	< 2%	23.70%	25.93%	6.43%
	prior period:	36.91%	44.13%	7.97%
3. Asset maintenance ratio				
<u>Actual asset maintenance</u>				
Required asset maintenance	> 1.00	1.39	0.77	1.11
	prior period:	2.46	0.89	0.99

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.

Narrabri Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	12,493	12,714
Plus or minus adjustments ⁽²⁾	b	21	(19)
Notional general income	c = (a + b)	12,514	12,695
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	225	190
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	12,739	12,885
Plus (or minus) last year's carry forward total	l	(24)	2
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	(24)	2
Total permissible income	o = k + n	12,716	12,887
Less notional general income yield	p	12,714	12,882
Catch-up or (excess) result	q = o – p	2	5
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	2	5

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.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Narrabri Shire Council

To the Councillors of Narrabri Shire Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Narrabri Shire Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Narrabri Shire Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 27 October 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Chris Clayton
Director, Financial Audit Services

31 October 2017
SYDNEY