

Narrabri Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

*Narrabri Shire will be a strong and vibrant regional growth
centre providing a quality living environment for the entire
Shire community*



Narrabri Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

*Narrabri Shire will be a strong and vibrant regional growth
centre providing a quality living environment for the entire
Shire community*



Narrabri Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

46-48 Maitland Street
Narrabri NSW 2390

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

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

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

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

Narrabri Shire Council

Consolidated Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2022.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Narrabri Shire Council

Consolidated Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

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

Council was impacted by multiple flood events in February/March 2020, March/April 2021, November 2021 and September to November 2022. During the 2021-22 financial year, Council identified that roads and bridges assets had been damaged during these events.

Council's underlying books and records are not sufficient to appropriately support the following significant balances and disclosures impacted by these events in its financial statements at 30 June 2022:

- carrying value of the capital work in progress balance of \$46.2 million,
- carrying value of the roads assets of \$194.4 million and bridges assets of \$32.6 million,
- validity of the prior period errors recorded by Council in Note G4-1 relating to the:
 - impairment adjustment of \$2.7 million to the previously reported carrying value of roads and bridges assets. Council attributed \$1.7 million to the flood event in 2019-20 and \$1.0 million to flood events in 2020,
 - adjustment of \$874,000 to operational expenditure, which was previously reported as capital work in progress at 30 June 2021.
- adjustment of \$874,000 to operational revenue to recognise grant revenue relating to the restatement of capital work in progress at 30 June 2021 (see above).

Whilst Council has prepared the financial report based upon its underlying books and records, due to the pervasive nature of the issues identified above, Management and Councillors are unable to warrant completeness and reliability of the financial statements taken as a whole.

Council is undertaking a comprehensive project to rectify the issues and continues to work on strengthening the governance, capability, financial reporting, internal control systems and processes of the organisation.

Because of the issues raised above we are unable to certify that the attached general purpose financial statements have been prepared in accordance with:

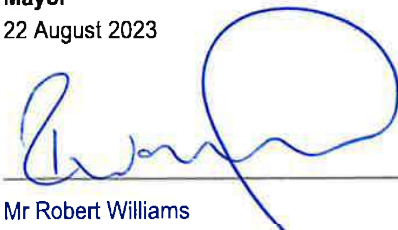
- The Local Government Act 1993 and the regulations made thereunder;
- The Australian Accounting Standards and other pronouncements of the Australia Accounting Standards Board; and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

Signed in accordance with a resolution of Council made on 22 August 2023.



Cr Ron Campbell
Mayor
22 August 2023



Mr Robert Williams
General Manager
22 August 2023



Cr Darrell Tiemens
Deputy Mayor
22 August 2023



Mr Ted Harrington
Responsible Accounting Officer
22 August 2023

Narrabri Shire Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022 \$ '000		Notes	Actual 2022 \$ '000	Restated Actual 2021 ¹ \$ '000
	Income from continuing operations			
21,865	Rates and annual charges	B2-1	21,844	20,961
8,744	User charges and fees	B2-2	8,456	7,610
1,971	Other revenues	B2-3	2,050	1,472
11,891	Grants and contributions provided for operating purposes	B2-4	15,997	16,350
19,853	Grants and contributions provided for capital purposes	B2-4	5,285	7,933
333	Interest and investment income	B2-5	332	390
156	Other income	B2-6	1,614	1,025
64,813	Total income from continuing operations		55,578	55,741
	Expenses from continuing operations			
18,103	Employee benefits and on-costs	B3-1	17,070	17,208
14,306	Materials and services	B3-2	17,604	17,979
253	Borrowing costs	B3-3	126	216
11,252	Depreciation, amortisation and impairment of non-financial assets	B3-4	10,957	10,225
772	Other expenses	B3-5	814	1,210
–	Net loss from the disposal of assets	B4-1	485	1,224
44,686	Total expenses from continuing operations		47,056	48,062
20,127	Operating result from continuing operations		8,522	7,679
20,127	Net operating result for the year attributable to Council		8,522	7,679
274	Net operating result for the year before grants and contributions provided for capital purposes		3,237	(254)

(1) Restated refer to Note G4-1

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

Narrabri Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2022

	Notes	2022 \$ '000	Restated 2021 ¹ \$ '000
Net operating result for the year – from Income Statement		8,522	7,679
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	44,193	15,935
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	G4-1	–	(1,035)
Total items which will not be reclassified subsequently to the operating result		44,193	14,900
Total other comprehensive income for the year		44,193	14,900
Total comprehensive income for the year attributable to Council		52,715	22,579

(1) Restated refer to Note G4-1

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

Narrabri Shire Council

Statement of Financial Position

as at 30 June 2022

	Notes	2022 \$ '000	Restated 2021 ¹ \$ '000	Restated 2020 ¹ \$ '000
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	2,361	3,330	3,517
Investments	C1-2	36,000	27,000	33,000
Receivables	C1-4	6,011	7,398	9,958
Inventories	C1-5	7,094	6,331	5,838
Contract assets and contract cost assets	C1-6	7,976	6,997	5,028
Other	C1-9	301	359	358
Total current assets		59,743	51,415	57,699
Non-current assets				
Infrastructure, property, plant and equipment (IPPE)	C1-7	578,538	532,923	502,988
Intangible assets	C1-8	536	–	–
Investments accounted for using the equity method	D2	256	261	256
Total non-current assets		579,330	533,184	503,244
Total assets		639,073	584,599	560,943
LIABILITIES				
Current liabilities				
Payables	C3-1	2,987	3,161	4,895
Contract liabilities	C3-2	9,319	6,063	1,629
Borrowings	C3-3	599	576	554
Employee benefit provisions	C3-4	3,347	4,090	4,065
Provisions	C3-5	78	–	233
Total current liabilities		16,330	13,890	11,376
Non-current liabilities				
Payables	C3-1	191	191	191
Borrowings	C3-3	3,422	4,021	4,596
Employee benefit provisions	C3-4	231	279	120
Provisions	C3-5	2,109	2,143	3,164
Total non-current liabilities		5,953	6,634	8,071
Total liabilities		22,283	20,524	19,447
Net assets		616,790	564,075	541,496
EQUITY				
Accumulated surplus	C4-1	259,101	250,579	242,900
IPPE revaluation reserve	C4-1	357,689	313,496	298,596
Council equity interest		616,790	564,075	541,496
Total equity		616,790	564,075	541,496

(1) Restated refer to Note G4-1

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

Narrabri Shire Council

Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	2022			2021 ¹		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
		\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000
Opening balance at 1 July		251,772	316,217	567,989	243,336	300,282	543,618
Correction of prior period errors	G4-1	(1,193)	(2,721)	(3,914)	(436)	(1,686)	(2,122)
Restated opening balance		250,579	313,496	564,075	242,900	298,596	541,496
Net operating result for the year		8,522	–	8,522	8,436	–	8,436
Correction of prior period errors	G4-1	–	–	–	(757)	–	(757)
Net operating result for the period		8,522	–	8,522	7,679	–	7,679
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	44,193	44,193	–	15,935	15,935
– Impairment (loss) reversal relating to IPP&E	G4-1	–	–	–	–	(1,035)	(1,035)
Other comprehensive income		–	44,193	44,193	–	14,900	14,900
Total comprehensive income		8,522	44,193	52,715	7,679	14,900	22,579
Closing balance at 30 June		259,101	357,689	616,790	250,579	313,496	564,075

(1) Restated refer to Note G4-1

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

Narrabri Shire Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022 \$ '000		Notes	Actual 2022 \$ '000	Restated Actual 2021 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
21,865	Rates and annual charges		21,934	21,387
8,744	User charges and fees		10,180	8,944
333	Interest received		281	540
31,744	Grants and contributions		23,138	26,566
–	Bonds, deposits and retentions received		–	76
2,127	Other		6,939	7,339
<i>Payments:</i>				
(18,103)	Payments to employees		(17,828)	(16,980)
(14,306)	Payments for materials and services		(20,111)	(23,192)
(253)	Borrowing costs		(65)	(150)
(772)	Other		(1,199)	(4,520)
31,379	Net cash flows from operating activities	G1-1	23,269	20,010
Cash flows from investing activities				
<i>Receipts:</i>				
2,841	Redemption of term deposits		15,000	32,400
–	Sale of real estate assets		1,288	110
604	Proceeds from sale of IPPE		1,109	643
<i>Payments:</i>				
–	Acquisition of term deposits		(24,000)	(26,400)
(36,316)	Payments for IPPE		(14,823)	(26,397)
–	Purchase of real estate assets		(1,700)	–
–	Purchase of intangible assets		(536)	–
(32,871)	Net cash flows from investing activities		(23,662)	(19,644)
Cash flows from financing activities				
<i>Receipts:</i>				
2,450	Proceeds from borrowings		–	–
<i>Payments:</i>				
(687)	Repayment of borrowings		(576)	(553)
1,763	Net cash flows from financing activities		(576)	(553)
271	Net change in cash and cash equivalents		(969)	(187)
4,500	Cash and cash equivalents at beginning of year		3,330	3,517
4,771	Cash and cash equivalents at end of year	C1-1	2,361	3,330
12,567	plus: Investments on hand at end of year	C1-2	36,000	27,000
17,338	Total cash, cash equivalents and investments		38,361	30,330

The above Statement of Cash Flows 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 2022

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 22 August 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and the *Local Government (General) Regulations 2005*, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not-for-profit entity for the purpose of preparing these financial statements.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Material budget variations

and are clearly marked.

Covid-19 impacts

The Covid-19 global health crisis has continued to impact Council's operations during 2021/22, but has had only limited financial impact.

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

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

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

A1-1 Basis of preparation (continued)

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

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. COVID-19 pandemic - Council's operations were not significantly impacted by the COVID-19 pandemic during 2022. Council assessed the impacts on its financial statements for the current year and determined that there was not a significant impact and Council's assets as presented in the financial statements, are at fair value.

Monies and other assets received by Council

The Consolidated Fund

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

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

- General Purpose Operations
- Water Services
- Sewerage Services

Goods and Services Tax (GST)

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

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

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

Volunteer services

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

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2022 reporting period.

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

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective for the first time at 30 June 2022.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

A1-1 Basis of preparation (continued)

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B Financial Performance

B1 Functions or activities

B1-1 Council Services - financial information

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021 ¹	2022	2021 ¹	2022	2021 ¹	2022	2021 ¹	2022	2021 ¹
	\$ '000	Restated \$ '000	\$ '000	Restated \$ '000	\$ '000	Restated \$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000
Services (by Directorate)										
Strategic Management										
Strategic Management	24	37	628	606	(604)	(569)	–	–	691	636
Planning, Strategy and People										
Development	2,211	2,002	1,276	1,223	935	779	125	187	8,884	8,569
Economic Development	101	26	472	494	(371)	(468)	–	–	4,731	2,215
Governance and Risk	52	–	692	966	(640)	(966)	–	–	97	69
Human Resources Management	114	90	1,675	859	(1,561)	(769)	–	–	716	1,016
Strategic Planning	129	304	538	593	(409)	(289)	106	167	–	296
Corporate and Community Services										
Airport	252	405	539	659	(287)	(254)	148	286	14,365	14,205
Community and Customer Relations	6	29	929	959	(923)	(930)	–	–	–	–
Cultural Facilities	1,011	736	2,550	2,427	(1,539)	(1,691)	119	94	10,696	8,872
Financial Services	806	88	1,016	1,230	(210)	(1,142)	–	–	8,932	8,855
Information Services	14	5	1,143	1,134	(1,129)	(1,129)	–	–	769	572
Property Services	531	471	1,425	1,987	(894)	(1,516)	148	9	29,929	31,746
Tourism and Community Development	700	794	1,511	1,499	(811)	(705)	530	596	1,489	2,018
Infrastructure Delivery										
Cemeteries	215	228	398	443	(183)	(215)	1	7	1,544	1,393
Design and Investigation Services	5	5	442	380	(437)	(375)	–	–	5,855	5,948
Emergency Support	176	363	655	829	(479)	(466)	176	318	2,558	366
Parks and Open Spaces	458	1,078	3,120	3,265	(2,662)	(2,187)	438	1,053	19,385	16,188
Projects and Assets	194	215	151	778	43	(563)	–	–	11,055	12,452
Roads and Ancillary Services	12,227	11,289	15,581	15,036	(3,354)	(3,747)	9,093	9,041	377,988	345,518
Sewerage Services	3,692	8,147	3,439	3,542	253	4,605	–	4,896	55,404	50,296
Swimming Pools	235	267	1,598	1,586	(1,363)	(1,319)	–	–	13,089	12,491

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Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B1-1 Council Services - financial information (continued)

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021 ¹ Restated	2022	2021 ¹ Restated	2022	2021 ¹ Restated	2022	2021 ¹	2022	2021 ¹ Restated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Waste Management	4,398	4,632	3,314	3,483	1,084	1,149	38	80	6,452	5,852
Water Services	4,056	3,471	4,082	4,199	(26)	(728)	–	–	55,444	51,122
General Purpose Revenue										
General Purpose Revenue	23,971	21,059	(118)	(115)	24,089	21,174	10,146	7,549	6,148	3,904
Other	–	–	–	–	–	–	214	–	2,852	–
Total Services	55,578	55,741	47,056	48,062	8,522	7,679	21,282	24,283	639,073	584,599

(1) Restated refer to Note G4-1

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B1-2 Council Services - component descriptions

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

Strategic Management

Organisational management and implementation of Council's strategic agenda.

Planning, Strategy and People

Development

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

Economic Development

Economic promotion and marketing of Narrabri Shire, investment attraction and lobbying. Major focus on development of the Northern NSW Inland Port (N2IP) and supporting the Narrabri Special Activation Precinct (SAP) program.

Governance and Risk

Elected members leadership, elections, integrated planning and reporting (IP&R) support and oversight, Audit Risk and Improvement Committee (ARIC), corporate risk management and work health and safety compliance.

Human Resources Management

Payroll services, staff recruitment, training and development.

Strategic Planning

Strategic land use planning.

Corporate and Community Services

Airport

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

Community and Customer Relations

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

Cultural Facilities

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

Financial Services

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

Information Services

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

Property Services

Management of land, buildings and property assets (incl. caravan parks, works depots and saleyards), management of Council's property insurance portfolio and overseeing asset management across the organisation.

Tourism and Community Development

Information services to visitors, tourism and business operators, the tourism industry and the shire community. This includes tourism marketing and promotion of the shire, supporting local event organisers and products and tourism infrastructure coordination and development. It also includes assisting existing businesses, community development and grant seeking opportunities for Council and the community.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B1-2 Council Services - component descriptions (continued)

Infrastructure Delivery

Cemeteries

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

Design and Investigation Services

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

Emergency Support

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

Parks and Open Spaces

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

Projects and Assets

Co-ordination of directorate activities, budget maintenance and supervision, financial analysis, monitoring and reporting, long-term asset management planning, contracts administration, tender management services and fleet management including acquisition, maintenance and disposal of Council's plant and vehicle fleet.

Roads and Ancillary Services

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

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

Sewerage Services

Sewerage services provided to Boggabri, Narrabri and Wee Waa.

Swimming Pools

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

Waste Management

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

Water Services

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

General Purpose Revenue

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B2 Sources of income

B2-1 Rates and annual charges

	2022 \$ '000	2021 \$ '000
Ordinary rates		
Residential	4,694	4,526
Farmland	6,664	6,505
Mining	1,027	998
Business	1,351	1,312
Less: pensioner rebates (mandatory)	(145)	(151)
Rates levied to ratepayers	13,591	13,190
Pensioner rate subsidies received	82	87
Total ordinary rates	13,673	13,277
Special rates		
Tourism	68	66
Total special rates	68	66
Annual charges		
Domestic waste management services	1,529	1,421
Waste management services (non-domestic)	1,411	1,315
Water supply services	1,821	1,714
Sewerage services	3,340	3,174
On-site sewerage management	74	70
Less: pensioner rebates (mandatory)	(155)	(160)
Annual charges levied	8,020	7,534
Pensioner subsidies received:		
– Water	30	32
– Sewerage	26	28
– Domestic waste management	27	24
Total annual charges	8,103	7,618
Total rates and annual charges	21,844	20,961

Accounting policy

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

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

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

Valuation Year Information

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B2-2 User charges and fees

	Timing	2022 \$ '000	2021 \$ '000
Specific user charges			
Water supply services	2	1,522	1,593
Sewerage services	2	26	24
Total specific user charges		1,548	1,617
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions			
Planning and building regulation	2	200	227
Regulatory / statutory fees	2	120	106
Total fees and charges – statutory/regulatory		320	333
(ii) Fees and charges – other (incl. general user charges)			
Airport	2	88	83
Caravan parks	2	74	70
Cemeteries	2	214	221
Contribution to works	2	223	44
Lease rentals	2	123	147
Leaseback fees – Council vehicles	2	135	136
Park / Oval fees	2	6	10
Saleyards	2	89	94
Swimming centres	2	160	193
Tonnage charges - gravel	2	276	203
Tonnage charges - mining	2	1,335	1,264
Transport for NSW charges (state roads not controlled by Council)	2	2,698	2,229
Waste disposal tipping fees	2	1,075	857
Water / Sewer connection fees	2	45	63
Other	2	47	46
Total fees and charges – other		6,588	5,660
Total other user charges and fees		6,908	5,993
Total user charges and fees		8,456	7,610
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		8,456	7,610
Total user charges and fees		8,456	7,610

Accounting policy

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B2-3 Other revenues

	Timing	2022 \$ '000	2021 \$ '000
Diesel rebate	2	171	98
Energy Saving Certificates	2	122	–
Fines	2	23	–
Hire income - other council properties	2	–	10
Insurance claims recoveries	2	4	101
Insurance premium rebates	2	50	54
Legal fees recovery – rates and charges (extra charges)	2	25	73
Recoverable expenses	2	191	107
Sales – general	2	526	388
The Crossing Theatre (sales & other income)	2	889	582
Other	2	49	59
Total other revenue		2,050	1,472

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		2,050	1,472
Total other revenue		2,050	1,472

Accounting policy for other revenue

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B2-4 Grants and contributions

	Timing	Operating 2022 \$ '000	Operating 2021 ¹ Restated \$ '000	Capital 2022 \$ '000	Capital 2021 ¹ Restated \$ '000
General purpose grants and non-developer contributions (untied)					
Current year allocation					
Financial assistance	2	3,998	3,645	–	–
Payment in advance - future year allocation					
Financial assistance	2	6,148	3,904	–	–
Amount recognised as income during current year		10,146	7,549	–	–
Special purpose grants and non-developer contributions (tied)					
Bushfire and emergency services	2	176	318	–	–
Community care	2	90	38	–	–
Environmental programs	1	124	166	–	–
Library	2	95	94	–	–
Noxious weeds	2	124	331	–	–
Sewerage services	1	–	–	–	4,897
Recreation and culture	1	357	1,157	–	–
Traffic route lighting subsidy	2	59	59	–	–
Transport (flood damage) ¹	1	453	874	2,219	869
Transport (roads to recovery)	2	1,247	2,296	–	–
Transport (other roads and bridges funding)	1	1,492	1,844	1,231	1,535
Waste management	1	–	–	–	80
Other specific grants	2	421	55	1,509	292
Previously contributions:					
Other councils – joint works/services	2	6	5	–	–
TfNSW contributions (regional roads block grant)	2	1,207	1,564	–	–
Other contributions	2	–	–	201	–
Total special purpose grants and non-developer contributions (tied)		5,851	8,801	5,160	7,673
Total grants and non-developer contributions		15,997	16,350	5,160	7,673
Comprising:					
– Commonwealth funding		11,871	9,845	–	–
– State funding		4,120	6,500	4,959	7,593
– Other funding		6	5	201	80
		15,997	16,350	5,160	7,673

(1) Restated refer to Note G4-1

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B2-4 Grants and contributions (continued)

Developer contributions

	Notes	Timing	Operating 2022 \$ '000	Operating 2021 ¹ Restated \$ '000	Capital 2022 \$ '000	Capital 2021 ¹ Restated \$ '000
Developer contributions: (s7.4 & s7.12 - EP&A Act, s64 of the LGA):	G5					
Cash contributions						
S 7.4 – contributions using planning agreements		2	–	–	–	123
S 7.12 – fixed development consent levies		2	–	–	125	137
Total developer contributions			–	–	125	260
Total contributions			–	–	125	260
Total grants and contributions			15,997	16,350	5,285	7,933
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			2,426	4,041	4,738	7,381
Grants and contributions recognised at a point in time (2)			13,571	11,436	547	552
Total grants and contributions			15,997	15,477	5,285	7,933

(1) Restated refer to Note G4-1

Unspent grants and contributions

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

	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	1,842	1,430	4,256	184
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	43	76	–	–
Add: Funds received and not recognised as revenue in the current year	2,871	1,640	6,435	4,247
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(485)	(190)	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(1,616)	(1,114)	(4,405)	(175)
Unspent funds at 30 June	2,655	1,842	6,286	4,256

continued on next page ...

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B2-4 Grants and contributions (continued)

	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Contributions				
Unspent funds at 1 July	–	–	8,296	9,724
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	166	176
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(1,155)	(1,604)
Unspent contributions at 30 June	–	–	7,307	8,296

Most of the operational and capital grants that remain unspent at 30 June 2022 relate to monies that were received late in the year and in advance of commencement including: LRCI Phase 3 (\$1,045k), TfNSW Fixing Millie Rd Upgrade (\$2,160k), TfNSW Yarrie Lake Rd to Pilliga Rd Freight Route Sealing (\$1,998k) and Doreen Lane Rehabilitation (\$1,149k).

The unspent contributions include section 7.12 monies (\$1,241k) and voluntary planning agreements (\$6,066k).

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B2-4 Grants and contributions (continued)

Other grants and contributions

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

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

B2-5 Interest and investment income

	2022 \$ '000	2021 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	135	77
– Cash and investments	197	313
Total Interest and Investment Income	332	390
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	77	37
General Council cash and investments	86	203
Restricted investments/funds – external:		
Development contributions		
– Sections 7.11 & 7.12	41	39
Water fund operations	67	48
Sewerage fund operations	45	50
Domestic waste management operations	13	10
Other externally restricted assets	3	3
Total interest and investment income	332	390

Accounting policy

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B2-6 Other income

	Notes	2022 \$ '000	2021 \$ '000
Reversal of impairment losses on receivables			
Net GST receivable		1,478	–
Total reversal of impairment losses on receivables	C1-4	1,478	–
Rental income			
Other lease income			
Staff housing		75	93
Other		66	92
Total other lease income		141	185
Total rental income	C2-1	141	185
Net share of interests in joint ventures and associates using the equity method			
Associates		(5)	5
Total net share of interests in joint ventures and associates using the equity method	D2-1	(5)	5
Other			
Re-measurement of rehabilitation costs of landfills & transfer stations		–	835
Total other		–	835
Total other income		1,614	1,025

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2022 \$ '000	2021 \$ '000
Salaries and wages	13,314	13,074
Employee leave entitlements (ELE)	2,268	2,323
Superannuation	1,497	1,141
Workers' compensation insurance	756	1,088
Fringe benefit tax (FBT)	118	122
Payroll tax	26	21
Other	12	142
Total employee costs	17,991	17,911
Less: capitalised costs	(921)	(703)
Total Employee Costs	17,070	17,208

Accounting policy

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

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B3-2 Materials and services

	Notes	2022 \$ '000	2021 ¹ Restated \$ '000
Raw materials and consumables		14,532	10,471
Contractor and consultancy costs		13,884	29,073
Contractor waste collection		1,283	1,117
Audit Fees	F2-1	68	64
Advertising		169	259
Agency collection fees		81	105
Bank charges		21	20
Catering		41	40
Councillor and Mayoral fees and associated expenses	F1-2	152	141
Election expenses		121	–
Fees & permits		14	52
Insurance		699	639
Office expenses (including computer expenses)		535	614
Postage		39	44
Property - electricity and heating		874	787
Property - other expenses		202	212
Printing and stationery		77	100
Street lighting		278	257
Subscriptions and memberships		273	129
Telephone and communications		206	156
Training costs (other than salaries and wages)		121	162
Travel expenses		31	33
Valuation fees – assets		43	33
Valuation fees – rating		55	57
Other expenses		80	143
Legal expenses:			
– Legal expenses: planning and development		8	16
– Legal expenses: debt recovery		8	45
– Legal expenses: other		135	118
Total materials and services		34,030	44,887
Less: capitalised costs ¹		(16,426)	(26,908)
Total materials and services		17,604	17,979

Accounting policy

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

(1) Restated refer to Note G4-1

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B3-3 Borrowing costs

	2022 \$ '000	2021 \$ '000
(i) Interest bearing liability costs		
Interest on loans	128	150
Other debts	3	–
Total interest bearing liability costs	131	150
Total interest bearing liability costs expensed	131	150
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)	(5)	66
Total other borrowing costs	(5)	66
Total Borrowing Costs	126	216

Accounting policy

All borrowing costs are expensed as incurred.

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

	2022 \$ '000	2021 ¹ Restated \$ '000
	Notes	
Plant and equipment	1,274	1,181
Office equipment	134	196
Furniture and fittings	82	83
Land improvements (depreciable)	449	75
Infrastructure:	C1-7	
– Buildings	880	809
– Swimming pools	263	185
– Other open space / recreational assets	147	81
– Other structures	492	567
– Roads	4,083	3,974
– Bridges	481	440
– Footpaths	133	133
– Stormwater drainage	117	119
– Water supply network	1,100	933
– Sewerage network	1,244	1,138
Reinstatement, rehabilitation and restoration assets:		
– Landfill and transfer station assets	C3-5,C1-7	78
Total depreciation costs	10,957	10,225
Total depreciation, amortisation and impairment for non-financial assets	10,957	10,225

Depreciation

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

(1) Restated refer to Note G4-1

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B3-5 Other expenses

	Notes	2022 \$ '000	2021 \$ '000
Impairment of receivables			
Rates and annual charges		–	44
Interest and investment income		–	17
Other		19	–
Total impairment of receivables	C1-4	19	61
Other			
Contributions / levies to other levels of government			
– Emergency services levies (includes FRNSW, SES, and RFS)		459	601
Donations / contributions to other organisations (incl. section 356)			
– Community assistance scheme		114	266
– Contribution to Central Northern Libraries		222	222
Write-down of inventories held for sale or distribution	C1-5	–	60
Total other		795	1,149
Total other expenses		814	1,210

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

B4-1 Net losses from the disposal of assets

	Notes	2022 \$ '000	2021 \$ '000
Gain (or loss) on disposal of property (excl. investment property)			
Less: carrying amount of property assets sold/written off		–	(28)
Gain (or loss) on disposal		–	(28)
Gain (or loss) on disposal of plant and equipment			
Proceeds from disposal – plant and equipment	C1-7	1,109	643
Less: carrying amount of plant and equipment assets sold/written off		(889)	(1,265)
Gain (or loss) on disposal		220	(622)
Gain (or loss) on disposal of infrastructure			
Less: carrying amount of infrastructure assets sold/written off	C1-7	(1,573)	(574)
Gain (or loss) on disposal		(1,573)	(574)
Gain (or loss) on disposal of real estate assets held for sale			
Proceeds from disposal – real estate assets	C1-5	1,288	110
Less: carrying amount of real estate assets sold/written off		(420)	(110)
Gain (or loss) on disposal		868	–

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

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

	Notes	2022 \$ '000	2021 \$ '000
Gain (or loss) on disposal of term deposits	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		15,000	32,400
Less: carrying amount of term deposits sold/redeemed/matured		(15,000)	(32,400)
Gain (or loss) on disposal		<u>-</u>	<u>-</u>
Net gain (or loss) from disposal of assets		<u>(485)</u>	<u>(1,224)</u>

Accounting policy

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 28/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----		
Revenues					
Rates and annual charges	21,865	21,844	(21)	0%	U
User charges and fees	8,744	8,456	(288)	(3)%	U
Other revenues	1,971	2,050	79	4%	F
Operating grants and contributions	11,891	15,997	4,106	35%	F
Council received a large number of economic stimulus grant packages. Budget was allocated for expected grants, however, Council obtained operating grants in excess of what was budgeted. Unbudgeted grants and contributions included \$1.2M for Culgoora Road repairs.					
Capital grants and contributions	19,853	5,285	(14,568)	(73)%	U
Council's road capital works program attracted less grant revenue than expected because of projects being delayed due to weather. These projects include Millie Road (\$3.2m), West Precinct Freight Link (\$2.8m), Feb 2020 Flood damage claims (\$3.2m) and Boston Street Bridge (\$1.9m).					
Interest and investment revenue	333	332	(1)	0%	U
Other income	156	1,614	1,458	935%	F
The unused Impairment provision for GST receivable amounting to \$1.4M was reversed as all issues are now resolved.					
Expenses					
Employee benefits and on-costs	18,103	17,070	1,033	6%	F
Materials and services	14,306	17,604	(3,298)	(23)%	U
Council's road maintenance cost has increased as a result of the weather conditions. There was also an increase in quarry expenses due to higher demand for flood damage repairs.					
Borrowing costs	253	126	127	50%	F
A review of Council's future tip rehabilitation program resulted in reduced discounting adjustment costs relating to the movement in the provision.					
Depreciation, amortisation and impairment of non-financial assets	11,252	10,957	295	3%	F

continued on next page ...

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Other expenses	772	814	(42)	(5)% U
Net losses from disposal of assets	–	485	(485)	∞ U

Statement of cash flows

Cash flows from operating activities	31,379	23,269	(8,110)	(26)%	U
This was affected by Council's capital works program attracting less grant revenue than expected as projects were delayed due to weather.					
Cash flows from investing activities	(32,871)	(23,662)	9,209	(28)%	F
This was affected by Council's lower than budgeted IPPE payments.					
Cash flows from financing activities	1,763	(576)	(2,339)	(133)%	U
This was affected by Council's decision not to take an external loan.					

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2022 \$ '000	2021 \$ '000
Cash assets		
Cash on hand and at bank	1,361	1,330
Cash equivalent assets		
– Deposits at call	1,000	2,000
Total cash and cash equivalents	2,361	3,330

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	2,361	3,330
Balance as per the Statement of Cash Flows	2,361	3,330

Accounting policy

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

C1-2 Financial investments

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Debt securities at amortised cost				
Term deposits	36,000	–	27,000	–
Total	36,000	–	27,000	–
Total financial investments	36,000	–	27,000	–
Total cash assets, cash equivalents and investments	38,361	–	30,330	–

Accounting policy

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

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

Financial assets

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

C1-3 Restricted and allocated cash, cash equivalents and investments

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
(a) Externally restricted cash, cash equivalents and investments				
Total cash, cash equivalents and investments	38,361	–	30,330	–
Less: Externally restricted cash, cash equivalents and investments	<u>(30,210)</u>	<u>–</u>	<u>(23,840)</u>	<u>–</u>
Cash, cash equivalents and investments not subject to external restrictions	8,151	–	6,490	–
			2022 \$ '000	2021 \$ '000

External restrictions

External restrictions – included in liabilities

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

Specific Purpose Unexpended Grants - general fund	8,898	6,022
Kamilaroi Highway Group Funds	67	84
Leards Forest Environmental Trust	189	199
External restrictions – included in liabilities	9,154	6,305

External restrictions – other

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

Developer Contributions - general	7,307	8,296
Specific Purpose Unexpended Grants (recognised as revenue) - general fund	43	76
Water fund	8,337	6,780
Sewer fund	4,788	1,870
Domestic waste management	581	513
External restrictions – other	21,056	17,535
Total external restrictions	30,210	23,840

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
(b) Internal allocations				
Cash, cash equivalents and investments not subject to external restrictions	8,151	–	6,490	–

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Less: Internally restricted cash, cash equivalents and investments	(7,250)	-	(6,263)	-
Unrestricted and unallocated cash, cash equivalents and investments	901	-	227	-

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022 \$ '000	2021 \$ '000
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	–	455
Employees Leave Entitlements	716	874
Deposits, retentions and bonds	351	351
Airport Reserve	406	323
Buildings Infrastructure	446	226
Crown Reserves Management	47	63
Election Costs	39	160
Financial Assistance Grant payments received in advance	6,148	3,904
Friends of the Crossing Theatre	59	59
Narrabri CBD Masterplan	92	92
Parks & Gardens (Bulk Water Sale Reserve)	53	53
Quarries Restoration and Improvements	216	188
Risk Management	58	69
Roads Infrastructure (Stormwater) Reserve	268	286
Roads Infrastructure Reserve	290	–
Roads: Narrabri West (Old Turrawan Rd) Masterplan	150	150
Swimming Pools	489	460
Tonnage Payments – Gravel (upgrade)	370	294
Waste Management	452	356
Less: Land Acquisition for N2IP (borrowed from internal restrictions) ^{1,2}	<u>(3,400)</u>	<u>(2,100)</u>
Total internal allocations	<u>7,250</u>	<u>6,263</u>

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

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

(2) Rather than borrow externally, Council has borrowed from IPPE internal restrictions to fund land purchases for its Northern NSW Inland Port (N2IP) project. The loan is over 10 years at 4.45%. This option provides the flexibility to repay the internal loan off sooner as land is sold.

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
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(c) Unrestricted and unallocated

Unrestricted and unallocated cash, cash equivalents and investments

<u>901</u>	<u>–</u>	<u>227</u>	<u>–</u>
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Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

C1-4 Receivables

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Rates and annual charges	2,571	–	2,598	–
Interest and extra charges	399	–	384	–
User charges and fees	1,066	–	2,608	–
Accrued revenue				
– Interest on investments	106	–	65	–
– Other income accruals	675	–	761	–
Government grants and subsidies	1,060	–	187	–
Net GST receivable	203	–	2,373	–
Other debtors	115	–	127	–
Total	6,195	–	9,103	–
Less: provision for impairment				
Rates and annual charges	(78)	–	(65)	–
Interest and extra charges	(38)	–	(33)	–
User charges and fees	(34)	–	(33)	–
Net GST receivable	–	–	(1,540)	–
Other debtors	(34)	–	(34)	–
Total provision for impairment – receivables	(184)	–	(1,705)	–
Total net receivables	6,011	–	7,398	–

	2022 \$ '000	2021 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	1,705	1,644
+ new provisions recognised during the year	19	61
– amounts already provided for and written off this year	(62)	–
– previous impairment losses reversed	(1,478)	–
Balance at the end of the year	184	1,705

Accounting policy

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

Impairment

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

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

C1-4 Receivables (continued)

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

C1-5 Inventories

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
(i) Inventories at cost				
Real estate for resale	5,595	-	4,315	-
Stores and materials	746	-	746	-
Trading stock	753	-	1,270	-
Total inventories	7,094	-	6,331	-

(i) Other disclosures

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
(a) Details for real estate development				
Residential (Shannon Estate)	1,085	-	1,505	-
Industrial / commercial (N2IP Land)	4,510	-	2,810	-
Total real estate for resale	5,595	-	4,315	-

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

Represented by:

Acquisition costs	5,595	-	4,315	-
Total costs	5,595	-	4,315	-
Total real estate for resale	5,595	-	4,315	-

Movements:

Real estate assets at beginning of the year	4,315	-	4,485	-
- Purchases and other costs	1,700	-	-	-
- WDV of sales (expense)	(420)	-	(110)	-
- Write-down of inventory valuation	-	-	(60)	-
Total real estate for resale	5,595	-	4,315	-

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

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

	2022 \$ '000	2021 \$ '000
Real estate for resale	4,510	4,030
	4,510	4,030

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

C1-5 Inventories (continued)

course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for resale

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

C1-6 Contract assets and Contract cost assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Contract assets	7,976	–	6,997	–
Total contract assets and contract cost assets	7,976	–	6,997	–

Contract assets

Government grants	7,976	–	5,469	–
Other	–	–	1,528	–
Total contract assets	7,976	–	6,997	–

Accounting policy

Contract assets

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021 ^{2, 2, 2}			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount Restated \$ '000	Accumulated depreciation and impairment Restated \$ '000	Net carrying amount ² Restated \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	54,524	–	54,524	12,632	1,405	–	–	(22,325)	–	–	46,236	–	46,236
Plant and equipment	16,753	(6,589)	10,164	–	–	(889)	(1,274)	2,637	–	–	17,159	(6,521)	10,638
Office equipment	2,345	(1,534)	811	–	–	–	(134)	–	–	–	2,346	(1,669)	677
Furniture and fittings	1,705	(1,172)	533	–	–	–	(82)	–	–	–	1,705	(1,254)	451
Land:													
– Operational land	9,606	–	9,606	–	–	–	–	–	–	108	9,714	–	9,714
– Community land	1,398	–	1,398	–	–	–	–	–	–	23	1,421	–	1,421
– Crown land	4,537	–	4,537	–	–	–	–	–	–	–	4,537	–	4,537
– Land improvements (depreciable)	27,807	(4,307)	23,500	–	–	–	(449)	–	–	2,075	30,310	(5,184)	25,126
Infrastructure:													
– Buildings	47,334	(18,651)	28,683	–	–	(287)	(880)	–	–	4,395	54,402	(22,491)	31,911
– Swimming pools	8,671	(2,227)	6,444	–	–	–	(263)	–	–	557	9,452	(2,714)	6,738
– Other open space / recreational assets	3,696	(861)	2,835	–	–	–	(147)	–	–	242	4,029	(1,099)	2,930
– Other structures	15,036	(3,467)	11,569	–	–	–	(492)	–	–	997	16,389	(4,315)	12,074
– Roads	211,597	(32,296)	179,301	731	–	(299)	(4,083)	858	–	17,908	233,979	(39,563)	194,416
– Bridges	38,100	(12,508)	25,592	24	–	(988)	(481)	5,455	–	2,998	46,106	(13,506)	32,600
– Footpaths	7,859	(3,199)	4,660	–	–	–	(133)	–	–	452	8,645	(3,666)	4,979
– Bulk earthworks (non-depreciable)	91,785	–	91,785	–	–	–	–	–	–	9,179	100,964	–	100,964
– Stormwater drainage	9,681	(5,074)	4,607	–	–	–	(117)	–	–	582	10,940	(5,868)	5,072
– Water supply network	78,538	(39,497)	39,041	–	–	–	(1,100)	–	–	2,173	83,036	(42,922)	40,114
– Sewerage network	102,276	(70,709)	31,567	–	–	–	(1,244)	13,375	–	2,504	122,277	(76,075)	46,202
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Landfill and transfer station assets	2,077	(311)	1,766	–	–	–	(78)	–	50	–	2,126	(388)	1,738
Total infrastructure, property, plant and equipment	735,325	(202,402)	532,923	13,387	1,405	(2,463)	(10,957)	–	50	44,193	805,773	(227,235)	578,538

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

(2) Restated refer to Note G4-1

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

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

By aggregated asset class	At 1 July 2020 ^{2, 2, 2}			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount ²	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	Restated \$ '000	Restated \$ '000	Restated \$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000
Capital work in progress	45,417	–	45,417	24,296	1,686	–	–	(16,001)	(874)	–	–	54,524	–	54,524
Plant and equipment	17,552	(7,451)	10,101	2,490	–	(1,246)	(1,181)	–	–	–	–	16,753	(6,589)	10,164
Office equipment	2,297	(1,358)	939	–	–	(6)	(196)	74	–	–	–	2,345	(1,534)	811
Furniture and fittings	1,603	(1,097)	506	–	–	(13)	(83)	123	–	–	–	1,705	(1,172)	533
Land:														
– Operational land	9,606	–	9,606	–	–	–	–	–	–	–	–	9,606	–	9,606
– Community land	1,398	–	1,398	–	–	–	–	–	–	–	–	1,398	–	1,398
– Crown land	4,537	–	4,537	–	–	–	–	–	–	–	–	4,537	–	4,537
– Land improvements (depreciable)	5,477	(2,062)	3,415	–	–	(28)	(75)	591	9,883	–	9,714	27,807	(4,307)	23,500
Infrastructure:														
– Buildings	41,404	(16,572)	24,832	–	–	(28)	(809)	764	3,924	–	–	47,334	(18,651)	28,683
– Swimming pools	10,936	(3,602)	7,334	–	–	–	(185)	–	(3,935)	–	3,230	8,671	(2,227)	6,444
– Other open space / recreational assets	2,790	(1,295)	1,495	11	–	–	(81)	–	(21)	–	1,431	3,696	(861)	2,835
– Other structures	26,382	(5,387)	20,995	–	–	(24)	(567)	95	(9,851)	–	921	15,036	(3,467)	11,569
– Roads	210,123	(27,287)	182,836	–	–	–	(3,974)	1,474	–	(1,035)	–	211,597	(32,296)	179,301
– Bridges	38,100	(12,068)	26,032	–	–	–	(440)	–	–	–	–	38,100	(12,508)	25,592
– Footpaths	7,859	(3,066)	4,793	–	–	–	(133)	–	–	–	–	7,859	(3,199)	4,660
– Bulk earthworks (non-depreciable)	91,785	–	91,785	–	–	–	–	–	–	–	–	91,785	–	91,785
– Stormwater drainage	9,678	(4,956)	4,722	4	–	–	(119)	–	–	–	–	9,681	(5,074)	4,607
– Water supply network	66,918	(39,567)	27,351	–	–	(522)	(933)	12,797	(7)	–	355	78,538	(39,497)	39,041
– Sewerage network	101,258	(68,926)	32,332	–	–	–	(1,138)	83	7	–	283	102,276	(70,709)	31,567
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Landfill and transfer station assets	3,292	(730)	2,562	–	–	–	(311)	–	(485)	–	–	2,077	(311)	1,766
Total infrastructure, property, plant and equipment	698,412	(195,424)	502,988	26,801	1,686	(1,867)	(10,225)	–	(1,359)	(1,035)	15,934	735,325	(202,402)	532,923

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

(2) Restated refer to Note G4-1

Notes to the Financial Statements

for the year ended 30 June 2022

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

Accounting policy

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

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

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

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

Useful lives of IPPE

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

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

Revaluation model

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

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

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Crown reserves

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

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

Rural Fire Service assets

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".

However, Council are firmly of the view that it does not have control over these assets and they are therefore not recognised as assets of Council in these financial statements. Council has also taken the view it does not control the RFS buildings and derecognised the assets that were on Council books.

C1-8 Intangible assets

Intangible assets are as follows:

	2022 \$ '000	2021 \$ '000
Water licenses		
Movements for the year		
Purchases	536	—
Closing values at 30 June		
Gross book value	536	—
Total Water licenses – net book value	536	—
Total intangible assets – net book value	536	—

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

C1-8 Intangible assets (continued)

Water licences

Council has purchased water licences to service its Northern NSW Inland Port (N2IP) project. The water licences are tradable on an open market.

The licences are initially recorded in Council's accounts at cost, and going forward they will be valued at fair value based on estimated market valuations at balance date. No amortisation costs are applicable, as the water licences have an indefinite life.

C1-9 Other

Other assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Prepayments	301	–	359	–
Total other assets	301	–	359	–

C2 Leasing activities

C2-1 Council as a lessor

Operating leases

	2022 \$ '000	2021 \$ '000
--	-----------------	-----------------

Assets held as property, plant and equipment

Council provides operating leases on Council buildings mainly for staff housing, but also other minor miscellaneous purposes.

Lease income (excluding variable lease payments not dependent on an index or rate)	141	185
Total income relating to operating leases for Council assets	141	185

Accounting policy

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

C3 Liabilities of Council

C3-1 Payables

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Goods and services – operating expenditure	423	–	316	–
Accrued expenses:				
– Borrowings	2	–	3	–
– Salaries and wages	458	–	425	–
– Other expenditure accruals	564	–	930	–
Government departments and agencies	33	–	36	–
Prepaid rates	898	–	848	–
Security bonds, deposits and retentions	160	191	160	191
Friends of The Crossing Theatre funds	59	–	59	–
Kamilaroi Highway Group funds	67	–	84	–
Leards Forest Environmental trust	189	–	199	–
Other	134	–	101	–
Total payables	2,987	191	3,161	191

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

	2022 \$ '000	2021 \$ '000
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	36	36
Other liabilities	258	567
Total payables	294	603

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

		2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
	Notes				
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	6,439	–	4,255	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	2,795	–	1,779	–

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

C3-2 Contract Liabilities (continued)

	Notes	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Unexpended capital contributions (to construct Council controlled assets)	(i)	43	–	–	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	42	–	29	–
Total grants received in advance		9,319	–	6,063	–
Total contract liabilities		9,319	–	6,063	–

Notes

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

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

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

	2022 \$ '000	2021 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	4,405	175
Operating grants (received prior to performance obligation being satisfied)	1,616	1,114
Total revenue recognised that was included in the contract liability balance at the beginning of the period	6,021	1,289

Significant changes in contract liabilities

The increase in contract liabilities is primarily due to a large value of grants being received by Council late in the reporting period. These include the LRCI Phase 3 (\$1,045k), TfNSW Fixing Millie Rd Upgrade (\$2,160k), TfNSW Yarrie Lake Rd to Pilliga Rd Freight Route Sealing (\$1,998k) and Doreen Lane Rehabilitation (\$1,149k).

Accounting policy

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

C3-3 Borrowings

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Loans – secured ¹	599	3,422	576	4,021
Total borrowings	599	3,422	576	4,021

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

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

(a) Changes in liabilities arising from financing activities

	2021		Non-cash movements				2022
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	4,597	(576)	–	–	–	–	4,021
Total liabilities from financing activities	4,597	(576)	–	–	–	–	4,021

	2020		Non-cash movements				2021
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	5,150	(553)	–	–	–	–	4,597
Total liabilities from financing activities	5,150	(553)	–	–	–	–	4,597

(b) Financing arrangements

	2022 \$ '000	2021 \$ '000
Total facilities		
Credit cards/purchase cards	300	300
Total financing arrangements	300	300
Drawn facilities		
– Credit cards/purchase cards	20	28
Total drawn financing arrangements	20	28
Undrawn facilities		
– Credit cards/purchase cards	280	272
Total undrawn financing arrangements	280	272

Additional financing arrangements information

Breaches and defaults

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

C3-3 Borrowings (continued)

Security over loans

Loans are secured over future cash flows.

Accounting policy

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

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

C3-4 Employee benefit provisions

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Annual leave	1,222	–	1,407	–
Sick leave	272	–	270	–
Long service leave	1,709	231	2,238	279
Other leave (TIL, RDO)	144	–	175	–
Total employee benefit provisions	3,347	231	4,090	279

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

	2022 \$ '000	2021 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	1,284	1,716
	1,284	1,716

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

Short-term obligations

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

Other long-term employee benefit obligations

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

continued on next page ...

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

C3-4 Employee benefit provisions (continued)

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

On-costs

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

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

C3-5 Provisions

	2022 Current \$ '000	2022 Non-Current \$ '000	2021 Current \$ '000	2021 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	78	2,109	–	2,143
Sub-total – asset remediation/restoration	78	2,109	–	2,143
Total provisions	78	2,109	–	2,143

Description of and movements in non-employee benefit provisions

	Asset remediation \$ '000	Total \$ '000
2022		
At beginning of year	2,143	2,143
Unwinding of discount	62	62
Remeasurement effects	(18)	(18)
Total provisions at end of year	2,187	2,187
2021		
At beginning of year	3,397	3,397
Unwinding of discount	66	66
Remeasurement effects	(1,320)	(1,320)
Total provisions at end of year	2,143	2,143

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

Provisions are measured at the present value of Council's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments

C3-5 Provisions (continued)

of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Asset remediation – tips and quarries

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

C4 Reserves

C4-1 Revaluation reserves

IPPE Revaluation reserve

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

	General 2022 \$ '000	Water 2022 \$ '000	Sewer 2022 \$ '000
Income from continuing operations			
Rates and annual charges	16,577	1,898	3,369
User charges and fees	5,925	2,440	91
Interest and investment revenue	220	67	45
Other revenues	2,030	20	–
Grants and contributions provided for operating purposes	15,997	–	–
Grants and contributions provided for capital purposes	5,285	–	–
Other income	871	504	239
Total income from continuing operations	46,905	4,929	3,744
Expenses from continuing operations			
Employee benefits and on-costs	15,567	1,024	479
Materials and services	13,148	2,718	1,738
Borrowing costs	126	–	–
Depreciation, amortisation and impairment of non-financial assets	8,599	1,106	1,252
Other expenses	778	14	22
Net losses from the disposal of assets	485	–	–
Total expenses from continuing operations	38,703	4,862	3,491
Operating result from continuing operations	8,202	67	253
Net operating result for the year	8,202	67	253
Net operating result attributable to each council fund	8,202	67	253
Net operating result for the year before grants and contributions provided for capital purposes	2,917	67	253

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

D1-2 Statement of Financial Position by fund

	General 2022 \$ '000	Water 2022 \$ '000	Sewer 2022 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	1,236	337	788
Investments	24,000	8,000	4,000
Receivables	4,520	1,000	491
Inventories	7,094	–	–
Contract assets and contract cost assets	6,058	1,231	687
Other	301	–	–
Total current assets	43,209	10,568	5,966
Non-current assets			
Infrastructure, property, plant and equipment	480,665	48,155	49,718
Intangible assets	536	–	–
Investments accounted for using the equity method	256	–	–
Total non-current assets	481,457	48,155	49,718
Total assets	524,666	58,723	55,684
LIABILITIES			
Current liabilities			
Payables	2,902	22	63
Contract liabilities	9,319	–	–
Borrowings	599	–	–
Employee benefit provision	3,347	–	–
Provisions	78	–	–
Total current liabilities	16,245	22	63
Non-current liabilities			
Payables	191	–	–
Borrowings	3,422	–	–
Employee benefit provision	231	–	–
Provisions	2,109	–	–
Total non-current liabilities	5,953	–	–
Total liabilities	22,198	22	63
Net assets	502,468	58,701	55,621
EQUITY			
Accumulated surplus	204,273	35,454	19,374
Revaluation reserves	298,195	23,247	36,247
Council equity interest	502,468	58,701	55,621
Total equity	502,468	58,701	55,621

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

D2 Interests in other entities

D2-1 Interests in associates

Net carrying amounts – Council's share

	Place of business	Nature of relationship	Interest in ownership		2022	2021
			2022	2021	\$ '000	\$ '000
Central Northern Regional Libraries	Tamworth	Associate	14%	14%	256	261
Total carrying amounts – material associates					256	261

Central Northern Regional Libraries

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

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

Details

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

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2022	2021	2022	2021
Central Northern Regional Libraries	14%	14%	14%	14%

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

D2-1 Interests in associates (continued)

Summarised financial information for associates

	Central Northern Regional Libraries	
	2022 \$ '000	2021 \$ '000
Statement of financial position		
Current assets		
Cash and cash equivalents	722	694
Non-current assets	1,069	1,133
Net assets	1,791	1,827
Statement of comprehensive income		
Income	1,640	1,627
Interest income	4	4
Depreciation and amortisation	(404)	(420)
Other expenses	(1,276)	(1,176)
Profit/(loss) from continuing operations	(36)	35
Total comprehensive income	(36)	35
Share of income – Council (%)	14%	14%
Profit/(loss) – Council (\$)	(5)	5
Total comprehensive income – Council (\$)	(5)	5
Reconciliation of the carrying amount		
Opening net assets (1 July)	1,828	1,793
Profit/(loss) for the period	(36)	35
Closing net assets	1,792	1,828
Council's share of net assets (%)	14%	14%
Council's share of net assets (\$)	256	261

Accounting policy

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

	Carrying value 2022 \$ '000	Carrying value 2021 \$ '000	Fair value 2022 \$ '000	Fair value 2021 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	2,361	3,330	2,361	3,330
Receivables	6,011	7,398	6,011	7,398
Investments				
– Term Deposits	36,000	27,000	36,000	27,000
Contract assets	7,976	6,997	7,976	6,997
Total financial assets	52,348	44,725	52,348	44,725
Financial liabilities				
Payables	3,178	3,352	3,178	3,352
Contract liabilities	9,319	6,063	9,319	6,063
Loans/advances	4,021	4,597	4,021	4,597
Total financial liabilities	16,518	14,012	16,518	14,012

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the 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.

continued on next page ...

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

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

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

(a) Market risk – interest rate and price risk

	2022 \$ '000	2021 \$ '000
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	360	270

(b) Credit risk

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	Overdue \$ '000	Total \$ '000
2022			
Overdue	–	2,571	2,571
2021			
Overdue	–	2,598	2,598

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

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

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days \$ '000	Overdue debts			Total \$ '000
			31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
2022						
Gross carrying amount	11,318	63	21	49	149	11,600
Expected loss rate (%)	0.00%	0.00%	13.00%	6.00%	67.00%	0.91%
ECL provision	–	–	3	3	100	106
2021						
Gross carrying amount	10,741	178	113	49	2,421	13,502
Expected loss rate (%)	0.00%	0.00%	13.00%	6.00%	67.00%	12.14%
ECL provision	–	–	15	3	1,622	1,640

(c) Liquidity risk

Payables, lease liabilities and borrowings are all subject to liquidity risk; that is, the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels, and by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	≤ 1 Year \$ '000	payable in:		Total cash outflows \$ '000	Actual carrying values \$ '000
				1 - 5 Years \$ '000	> 5 Years \$ '000		
2022							
Payables	0.00%	351	2,827	–	–	3,178	3,178
Borrowings	3.81%	–	599	2,500	922	4,021	4,021
2021							
Payables	0.00%	351	2,457	–	–	2,808	3,352
Borrowings	3.08%	–	704	2,907	1,500	5,111	4,597

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

\$ '000	Fair value measurement hierarchy							
	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
	2022	2021	2022	2021 Restated	2022	2021 Restated	2022	2021 Restated
Recurring fair value measurements (IPP&E)								
Plant & Equipment	30/06/17	30/06/17	–	–	10,638	10,164	10,638	10,164
Office Equipment	30/06/17	30/06/17	–	–	677	811	677	811
Furniture & Fittings	30/06/17	30/06/17	–	–	451	533	451	533
Operational Land	30/06/22	30/06/18	9,714	9,606	–	–	9,714	9,606
Community Land	30/06/18	30/06/18	–	–	1,421	1,398	1,421	1,398
Crown Land	30/06/19	30/06/19	–	–	4,537	4,537	4,537	4,537
Land Improvements	30/06/21	30/06/21	–	–	25,126	23,500	25,126	23,500
Buildings	30/06/18	30/06/18	–	–	31,911	28,683	31,911	28,683
Other Structures	30/06/21	30/06/21	–	–	12,074	11,569	12,074	11,569
Swimming Pools	30/06/21	30/06/21	–	–	6,738	6,444	6,738	6,444
Other Open Space / Recreational Assets	30/06/21	30/06/21	–	–	2,930	2,835	2,930	2,835
Roads	30/06/19	30/06/19	–	–	194,416	179,301	194,416	179,301
Bridges	30/06/19	30/06/19	–	–	32,600	25,592	32,600	25,592
Footpaths	30/06/19	30/06/19	–	–	4,979	4,660	4,979	4,660
Bulk Earthworks	30/06/19	30/06/19	–	–	100,964	91,785	100,964	91,785
Stormwater Drainage	30/06/14	30/06/14	–	–	5,072	4,607	5,072	4,607
Water Supply Network	30/06/17	30/06/17	–	–	40,114	39,041	40,114	39,041
Sewerage Network	30/06/17	30/06/17	–	–	46,202	31,567	46,202	31,567
Reinstatement, rehabilitation & restoration of tip assets	30/06/21	30/06/21	–	–	1,738	1,766	1,738	1,766
Total infrastructure, property, plant & equipment			9,714	9,606	522,588	468,793	532,302	478,399

Valuation techniques

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

E2-1 Fair value measurement (continued)

Infrastructure, property, plant and equipment (IPPE)

Plant & Equipment, Office Equipment and Furniture & Fittings

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

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

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

Crown, Operational & Community Land

Crown & 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. As these rates were not considered to be observable market evidence they have been classified a level 3. 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 considered to be observable market evidence they have been classified a level 2.

During 2021/2022 Council reflected an increase in value of Operational Land to market values.

Land Improvements

Land Improvements include the Wee Waa Levee, sporting ovals, cemeteries, etc. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors. No market based evidence (level 2) could be supported, therefore these assets were all classified as having been valued using level 3 valuation inputs.

During 2021/2022 Council applied an indexation of 9%, based on the ABS Producer price indexes change from the last revaluation date to 30 June 2022 - this reflected an increase in fair value of these assets.

Buildings

Buildings are valued using the Rawlinson's Construction Guide in June 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the building into significant parts. While all buildings were physically inspected and the unit rates based on square metres from Rawlinson's Construction Guide, no market based evidence (level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs.

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

During 2021/2022 Council applied an indexation of 16%, based on the ABS Producer price indexes change from the last revaluation date to 30 June 2022 - this reflected an increase in fair value of these assets..

Other Structures

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

During 2021/2022 Council applied an indexation of 9% based on the ABS Producer price indexes change from the last revaluation date to 30 June 2022 - this reflected an increase in fair value of these assets.

Roads, Bridges, Footpaths and Bulk Earthworks

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

Notes to the Financial Statements

for the year ended 30 June 2022

E2-1 Fair value measurement (continued)

All roads, bridges, footpaths and bulk earthwork assets were valued using level 3 valuation inputs using the cost approach. This approach estimates the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors.

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

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

During 2021/2022 Council applied an indexation of 10% based on the ABS Producer price indexes change from the last revaluation date to 30 June 2022 - this reflected an increase in fair value of these assets.

Stormwater Drainage

Assets within this class comprise pits and pipes.

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

During 2021/2022 Council applied an indexation of 13% based on the ABS Producer price indexes change from the last revaluation date to 30 June 2022 - this reflected an increase in fair value of these assets.

Water Supply Network

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

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

These assets were due to be revalued this financial year, however due to issues outside of Council's control we have been unable to receive a completed dataset.

During 2021/2022 Council applied an indexation of 5.73% as stipulated by the NSW Department of Primary Industries in the NSW reference rates manual 2022 to reflect an increase in fair value of these assets.

Sewerage Network

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

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

These assets were due to be revalued in this financial year, however due to issues outside of Council's control we have been unable to receive a completed dataset.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

E2-1 Fair value measurement (continued)

During 2021/2022 Council applied an indexation of 5.73% as stipulated by the NSW Department of Primary Industries in the NSW reference rates manual 2022 to reflect an increase in fair value of these assets.

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.

During 2021/2022 Council applied an indexation of 9% based on the ABS Producer price indexes change from the last revaluation date to 30 June 2022 - this reflected an increase in fair value of these assets.

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.

During 2021/2022 Council applied an indexation of 9% based on the ABS Producer price indexes change from the last revaluation date to 30 June 2022 - this reflected an increase in fair value of these assets.

Reinstatement, Rehabilitation and Restoration of Tip Assets

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

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

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

Fair value measurements using significant unobservable inputs (level 3)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant & Equipment, Office Equipment and Furniture & Fittings	Cost used to approximate fair value	<ul style="list-style-type: none">• Depreciated Historical Cost• Remaining Useful Life• Residual Value
Community Land and Crown Land	Land values obtained from NSW Valuer-General	<ul style="list-style-type: none">• Land Value (price per m²)
Land Improvements, Buildings, Other Structures, Swimming Pools and Other Open Space / Recreational Assets	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 2022

E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Roads, Bridges and Footpaths	Unit rates per m ² or length	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value
Bulk Earthworks	Cost used to approximate fair value	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value
Stormwater Drainage, Water Supply and Sewerage Networks	Cost used to approximate fair value	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life
Reinstatement, Rehabilitation and Restoration of Tip Assets	Cost used to approximate fair value	<ul style="list-style-type: none"> Asset Condition Remaining Useful Life

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

	Total ¹	
	2022	2021
	\$ '000	Restated \$ '000
Opening balance	468,793	447,965
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	44,085	14,900
Other movements		
Purchases (GBV)	755	2,505
Disposals (WDV)	(2,463)	(1,867)
Depreciation and impairment	(10,957)	(10,225)
Transfers from works in progress	22,325	16,001
Adjustments and transfers	50	(486)
Closing balance	522,588	468,793

(1) Restated refer to Note G4-1

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

Notes to the Financial Statements

for the year ended 30 June 2022

E3-1 Contingencies (continued)

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

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Funding arrangements:

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

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

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

* For 180 Point Members, employers were required to contribute 7.5% of salaries for the year ending 30 June 2022 (increasing to 8.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits (2.5%).

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 31 December 2021 and \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials. It is estimated that there are \$23,786.16 in past service contributions remaining.

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$59,641.40. The last valuation of the Scheme was performed by Mr Richard Boyfield (FIAA) as at 30 June 2021.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

E3-1 Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$50,950.29. Council's expected contribution to the plan for the next annual reporting period is \$31,113.48.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

Defined Benefit reserves only *	\$millions	Asset Coverage
Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

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

Based on a Past Service Liabilities methodology, the share of this deficit that is broadly attributed to Council is 0.12%.

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

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

Investment return	5.50% per annum
Salary inflation *	3.50% per annum
Increase in CPI	2.50% per annum

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

continued on next page ...

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

E3-1 Contingencies (continued)

(i) Third party claims

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

Council believes that it is appropriately covered for such claims through its insurance coverage.

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2022 \$ '000	2021 \$ '000
Compensation:		
Short-term benefits	1,553	946
Post-employment benefits	518	57
Other long-term benefits	–	243
Total	2,071	1,246

Other transactions with KMP and their related parties

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

There are no other material disclosures made by KMP.

F1-2 Councillor and Mayoral fees and associated expenses

	2022 \$ '000	2021 \$ '000
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	25	27
Councillors' fees	97	96
Other Councillors' expenses (including Mayor)	30	18
Total	152	141

F2 Other relationships

F2-1 Audit fees

	2022 \$ '000	2021 \$ '000
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
NSW Auditor General: Audit and review of financial statements	68	64
Total audit fees	68	64

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

	2022 \$ '000	2021 \$ '000
Net operating result from Income Statement	8,522	7,679
Add / (less) non-cash items:		
Depreciation and amortisation	10,957	10,225
(Gain) / loss on disposal of assets	485	1,224
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Re-measurement of rehabilitation costs of landfills & transfer stations	(18)	(835)
– Write-down of inventories held for sale	–	60
Unwinding of discount rates on reinstatement provisions	62	66
Share of net (profits)/losses of associates/joint ventures using the equity method	5	(5)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	2,908	2,499
Increase / (decrease) in provision for impairment of receivables	(1,521)	61
(Increase) / decrease of inventories	517	(663)
(Increase) / decrease of other current assets	58	(1)
(Increase) / decrease of contract asset	(979)	(1,969)
Increase / (decrease) in payables	107	88
Increase / (decrease) in accrued interest payable	(1)	–
Increase / (decrease) in other accrued expenses payable	(333)	(2,035)
Increase / (decrease) in other liabilities	53	213
Increase / (decrease) in contract liabilities	3,256	4,434
Increase / (decrease) in employee benefit provision	(791)	184
Increase / (decrease) in other provisions	(18)	(1,215)
Net cash flows from operating activities	23,269	20,010

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

G2-1 Commitments

Capital commitments (exclusive of GST)

	2022 \$ '000	2021 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	–	430
Other structures	1,363	2,300
Roads	328	153
Bridges	1,854	9
Sewerage network	–	562
Total commitments	3,545	3,454
These expenditures are payable as follows:		
Within the next year	3,545	3,454
Total payable	3,545	3,454
Sources for funding of capital commitments:		
Future grants and contributions	1,822	239
Externally restricted reserves	1,104	1,689
Internally restricted reserves	619	1,526
Total sources of funding	3,545	3,454

Details of capital commitments

Council has contractual commitments for the following projects: Shared Pathway along Cooma Road Narrabri, Boston Street Bridge replacement (Boggabri) and construction of a Piggyback Cell at the Narrabri Waste Facility. All projects are expected to be completed in the 2022/23 financial year.

G3-1 Events occurring after the reporting date

Severe flooding in September/ October 2022 significantly impacted the infrastructure assets (Roads) after the reporting period. Council continues to refine its estimates and work with the reconstruction authority to complete necessary assessments to finalise cost estimates for this event. Council estimates that costs relating to this event will be \$10m - \$15m, and anticipates that all costs associated will be met by appropriate disaster recovery funding once works and claims have been submitted and completed.

G4 Changes from prior year statements

G4-1 Correction of errors

Nature of prior period error

Comparative information for the year ended 30 June 2021 has been restated to reflect disclosure and accounting treatment errors for decisions on four (4) distinct accounting issues in prior years:

- accounting for configuration and customization costs in a 'Software as a Service' (SaaS) arrangement;
- recognition of Found Assets (Land); and
- recognition of impairment of Transport Assets (Roads) relating to Flood events in February 2020 and March 2021.
- reclassification of operational flood damages expenses and associated revenue recognition for the flood events of February 2020 and March 2021.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

G4-1 Correction of errors (continued)

Customisation and configuration costs of \$1.735m were reported in Note C1-7 Infrastructure Property and Equipment balance at 30 June 2021. As a result of the IFRS Interpretations committee decision in April 2021, such costs have since been determined to be non-capital in nature and accordingly, these costs have been taken to Retained Earnings as a prior period adjustment at 1 July 2020.

A review of Land Assets determined that Council owned or controlled an additional \$1.299m of Land assets, broken up as Operational (\$0.962m), Community (\$0.187m) and Crown Land (\$0.150m), which were not recognised within the asset register. Recognition of these asset as 'Found' Assets will occur at 1 July 2020.

Flood events in February 2020 and March 2021 impacted Council's Transport (Roads) network. Due to timings of recognition and assessment, Council has booked an impairment value of \$2.721m that has been recognised against Transport (Roads) Assets. Of this amount \$1.686m relating to the 2020 event has been recognised at 1 July 2020 and \$1.035m relating to the 2021 event has been recognised at 30 June 2021.

A detailed assessment of the expenditure incurred for all flood damage determined that \$0.874m previously recognised as Works In Progress (WIP) was operational in nature. For the 2020/21 year, this amount has now been reclassified as operational and expensed through Materials and Services, with the same amount (\$0.874m) being restated as operational revenue to reflect the correct recognition criteria of grant revenue.

Changes to the opening Statement of Financial Position at 1 July 2020

Statement of Financial Position

	Original Balance 1 July, 2020 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July, 2020 \$ '000
Infrastructure Property Plant and Equipment (IPPE)	505,110	(2,122)	502,988
Total non-current assets	505,366	(2,122)	503,244
Total assets	563,065	(2,122)	560,943
Net assets	543,618	(2,122)	541,496
Accumulated Surplus	243,336	(436)	242,900
IPPE Revaluation Reserve	300,282	(1,686)	298,596
Total equity	543,618	(2,122)	541,496

Adjustments to the comparative figures for the year ended 30 June 2021

Statement of Financial Position

	Original Balance 30 June, 2021 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2021 \$ '000
Infrastructure Property Plant and Equipment (IPPE)	536,836	(3,914)	532,922
Total non-current assets	537,097	(3,914)	533,183
Total assets	588,512	(3,914)	584,598
Net assets	567,988	(3,914)	564,074
Accumulated Surplus	251,772	(1,193)	250,579
IPPE Revaluation Reserve	316,216	(2,721)	313,495

continued on next page ...

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

G4-1 Correction of errors (continued)

	Original Balance 30 June, 2021 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2021 \$ '000
Total equity	567,988	(3,914)	564,074
Grants and contributions provided for operating purposes	15,476	874	16,350
Grants and contributions provided for capital purposes	8,807	(874)	7,933
Total income from continuing operations	55,741	–	55,741
Depreciation, amortisation and impairment for non-financial assets	10,342	(117)	10,225
Materials and services	17,105	874	17,979
Total expenses from continuing operations	47,305	757	48,062
Net operating result for the year	8,436	(757)	7,679
Net operating result for the year	8,436	(757)	7,679
Impairment (loss) reversal relating to IPP&E	–	(1,035)	(1,035)
Other comprehensive income	15,935	(1,035)	14,900
Total comprehensive income for the year	24,371	(1,792)	22,579

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

G5 Statement of developer contributions as at 30 June 2022

G5-1 Summary of developer contributions

	Opening balance at 1 July 2021 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2022 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Roads	7	-	-	-	-	-	7	-
Parking	20	-	-	-	-	-	20	-
Open spaces	33	-	-	-	-	-	33	-
Community facilities	24	-	-	-	-	-	24	-
Other	43	-	-	-	-	-	43	-
Bushfire	19	-	-	-	-	-	19	-
S7.11 contributions – under a plan	146	-	-	-	-	-	146	-
S7.12 levies – under a plan	1,061	125	-	6	(97)	-	1,095	-
Total S7.11 and S7.12 revenue under plans	1,207	125	-	6	(97)	-	1,241	-
S7.4 planning agreements	7,089	-	-	35	(1,058)	-	6,066	-
Total contributions	8,296	125	-	41	(1,155)	-	7,307	-

Under the Environmental Planning and Assessment Act 1979, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

	Amounts	Indicator	Indicators		Benchmark	
	\$ '000	2022	Restated 2021 ³	2020		2019
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2,268	4.65%	2.15%	(1.03)%	1.05%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	48,820					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	32,823	60.67%	56.43%	56.28%	59.46%	> 60.00%
Total continuing operating revenue	54,105					
3. Unrestricted current ratio						
Current assets less all external restrictions	21,777	3.92x	3.30x	3.32x	4.25x	> 1.50x
Current liabilities less specific purpose liabilities	5,551					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	13,351	19.02x	14.91x	9.97x	8.95x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	702					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	2,854	11.47%	11.85%	13.87%	9.92%	< 10.00%
Rates and annual charges collectable	24,888					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	38,361	11.57 months	8.02 months	9.63 months	16.16 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	3,315					

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

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

(3) Restated refer to Note G4-1

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

G6-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	Restated 2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4.85%	3.75%	1.36%	(4.30)%	6.76%	(8.85)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	53.16%	55.12%	100.00%	100.00%	100.00%	40.26%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.92x	3.30x	859.32x	191.06x	170.70x	45.41x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15.20x	12.80x	∞	∞	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	14.16%	11.04%	1.90%	18.58%	1.16%	12.88%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.61 months	5.73 months	∞	∞	∞	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

G6-2 Statement of performance measures by fund (continued)

END OF AUDITED FINANCIAL STATEMENTS

End of the audited financial statements

Narrabri Shire Council

Notes to the Financial Statements

for the year ended 30 June 2022

H Additional Council disclosures (unaudited)

H1-1 Council information and contact details

Principal place of business:

46-48 Maitland Street
Narrabri NSW 2390

Contact details**Mailing Address:**

PO Box 261
Narrabri NSW 2390

Telephone: 02 6799 6866

Facsimile: 02 6799 6888

Opening hours:

9.00am - 4:00pm
Monday to Friday

Internet: www.narrabri.nsw.gov.au

Email: council@narrabri.nsw.gov.au

Officers**General Manager**

Mr Robert Williams

Responsible Accounting Officer

Mr Ted Harrington

Public Officer

Mr Jason Townsend

Auditors

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

Elected members**Mayor**

Cr Ron Campbell

Councillors

Cr Catherine Redding

Cr Rohan Boehm

Cr Robert Browning

Cr John Clements

Cr Brett Dickinson

Cr Greg Lamont

Cr Lisa Richardson

Cr Darrell Tiemens

Other information

ABN: 95 717 801 656



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Narrabri Shire Council

To the Councillors of Narrabri Shire Council

Disclaimer of Opinion

I am required to audit the accompanying financial statements of Narrabri Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

I do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

Councillors and Management declared, in the Statement required by Councillors and Management under section 413(2)(c) of the *Local Government Act 1993* (the LG Act), they were unable to certify as to the completeness and reliability of the financial statements taken as a whole for the year ended 30 June 2022. As a result, I have disclaimed my opinion on the financial statements.

Council was impacted by multiple flood events in February/March 2020, March/April 2021, November 2021 and September to November 2022. During the 2021-22 financial year, Council identified that roads and bridges assets had been damaged during these events, but was unable to provide sufficient evidence to support its adjustments to record the impact of each of the events or to support the related significant balances and disclosures in its financial statements at 30 June 2022. I was unable to obtain sufficient appropriate audit evidence to support the:

- carrying value of the capital work in progress balance of \$46.2 million recorded by Council at 30 June 2022
- carrying value of the roads assets of \$194.4 million and bridges assets of \$32.6 million recorded by Council at 30 June 2022
- validity of the prior period errors recorded by Council in Note G4-1 relating to the:
 - impairment adjustment of \$2.7 million to the previously reported carrying value of roads and bridges assets. Council attributed \$1.7 million to the flood event in 2019-20 and \$1.0 million to flood events in 2020
 - adjustment of \$874,000 to operational expenditure, which was previously reported as capital work in progress at 30 June 2021
 - adjustment of \$874,000 to operational revenue to recognise grant revenue relating to the restatement of capital work in progress at 30 June 2021 (see above).

Deficiencies in Council's books and records mean I have been unable to obtain sufficient appropriate audit evidence or perform alternative testing procedures to enable me to conclude on the completeness and accuracy of the following significant balances and related disclosures in the Council's financial statements:

Income Statement for the year ended 30 June 2022

- Expenses from continuing operations comprising:
 - Note B3-1 Employee benefits and on-costs
 - Note B3-2 Materials and services
 - Note B3-4 Depreciation, amortisation and impairment of non-financial assets.

Statement of Comprehensive Income for the year ended 30 June 2022

- Note C1-7 Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment.

Statement of Financial Position as at 30 June 2022

- Assets comprising:
 - Note C1-7 Infrastructure, property, plant and equipment, including unrecognised rural fire-fighting equipment and buildings located on land that is controlled by the Council.
- Equity comprising:
 - Note C4-1 Revaluation reserves.

Statement of Changes in Equity for the year ended 30 June 2022

- Movements in: Impairment (loss) reversal relating to infrastructure, property, plant and equipment.

Notes to the Financial Statements

- B1 Functions or activities
 - Note B1-1 Council Services – financial information (income, expenses and assets)
- D1 Results by fund
 - Note D1-1 Income Statement by fund
 - Note D1-2 Statement of Financial Position by fund
- E Risks and accounting uncertainties
 - Note E2-1 Fair value measurement
- G6 Statement of performance measures
 - Note G6-1 Operating performance ratio (consolidated results)
 - Note G6-2 Operating performance ratio (by fund).

Accordingly, I have been unable to determine whether adjustments might have been necessary in respect of these balances and disclosures. The pervasiveness of these issues means I cannot express an opinion on the accompanying financial statements for the year ended 30 June 2022.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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

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

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



Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

22 August 2023
SYDNEY



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

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: R008-16585809-39733

22 August 2023

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2022 Narrabri Shire Council

I have audited the general purpose financial statements (GPFS) and special purpose financial statements (SPFS) of Narrabri Shire Council (the Council) for the year ended 30 June 2022 as required by section 415 of the *Local Government Act 1993* (the Act).

I issued a Disclaimer of Opinion on the Council's GPFS and SPFS. This means I do not express an opinion on either the Council's GPFS or SPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2022 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS and SPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

The following significant audit issues and observations came to my attention during the audit.

Infrastructure, property, plant and equipment - roads, bridges and capital works in progress

Council was impacted by multiple flood events in February/March 2020, March/April 2021, November 2021 and September to November 2022. During the 2021-22 financial year, Council identified that roads and bridges assets had been damaged during these events, but was unable to provide sufficient evidence to support its adjustments to record the impact of each of the events. Council has been impacted by ongoing staffing and resourcing issues arising from COVID-19 and flood events.

Council's underlying books and records are not sufficient to appropriately support the following significant balances and disclosures impacted by these events in its financial statements at 30 June 2022:

- carrying value of the capital work in progress balance of \$46.2 million
- carrying value of the roads assets of \$194.4 million and bridges assets of \$32.6 million
- validity of the prior period errors recorded by Council in Note G4-1 relating to the:
 - impairment adjustment of \$2.7 million to the previously reported carrying value of roads and bridges assets. Council attributed \$1.7 million to the flood event in 2019-20 and \$1.0 million to flood events in 2020

- adjustment of \$874,000 to operational expenditure, which was previously reported as capital work in progress at 30 June 2021
- adjustment of \$874,000 to operational revenue to recognise grant revenue relating to the restatement of capital work in progress at 30 June 2021 (see above).

Whilst Council has prepared the financial report based upon its underlying books and records, due to the pervasive nature of the issues identified below, the Councillors and Management declared, in the Statement required by Councillors and Management (the Statement) under section 413(2)(c) of the Act, they were unable to warrant completeness and reliability of the financial statements taken as a whole.

Non-recognition of rural fire-fighting equipment

The Council has not recognised rural fire-fighting equipment and buildings located on land that is controlled by the Council as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refers to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting buildings are controlled by the Council where buildings are located on land that is controlled by Council. This gives the Council the ability to allow or prevent other entities from directing the use of, and obtaining the benefits from these assets.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 21 December 2011
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

Consequently, we were unable to obtain sufficient appropriate audit evidence to support the carrying values of rural fire-fighting equipment and buildings located on land that is controlled by the Council that should be recorded in the Statement of Financial Position and related notes as at 30 June 2022.

Disclaimer of Opinion

These deficiencies in Council's books and records, which have been acknowledged by Councillors and Management in their Statement, mean I have been unable to obtain sufficient appropriate audit evidence or perform alternative testing procedures to enable me to conclude on the completeness and accuracy of the following significant balances and related disclosures in the Council's financial statements:

Income Statement for the year ended 30 June 2022

- Expenses from continuing operations comprising:
 - Note B3-1 Employee benefits and on-costs
 - Note B3-2 Materials and services
 - Note B3-4 Depreciation, amortisation and impairment of non-financial assets.
- Statement of Comprehensive Income for the year ended 30 June 2022
- Note C1-7 Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment.

Statement of Financial Position as at 30 June 2022

- Assets comprising:
 - Note C1-7 Infrastructure, property, plant and equipment, including unrecognised rural fire-fighting equipment and buildings located on land that is controlled by the Council.
- Equity comprising:
 - Note C4-1 Revaluation reserves.

Statement of Changes in Equity for the year ended 30 June 2022

- Movements in: Impairment (loss) reversal relating to infrastructure, property, plant and equipment.

Notes to the Financial Statements

- B1 Functions or activities
 - Note B1-1 Council Services – financial information (income, expenses and assets)
- D1 Results by fund
 - Note D1-1 Income Statement by fund
 - Note D1-2 Statement of Financial Position by fund

E Risks and accounting uncertainties

- Note E2-1 Fair value measurement

G6 Statement of performance measures

- Note G6-1 Operating performance ratio (consolidated results)
- Note G6-2 Operating performance ratio (by fund).

Accordingly, I have been unable to determine whether adjustments might have been necessary in respect of these balances and disclosures.

As a result of the significant issues identified, I was unable to obtain sufficient appropriate audit evidence to issue an opinion on the financial statements. As I consider the absence of audit evidence could be both material and pervasive, I have issued a Disclaimer of Opinion.

FINANCIAL INFORMATION AND PERFORMANCE RATIOS

In the circumstances described above, I do not believe it is meaningful to provide commentary on Financial Information or Performance Ratios in this report.

OTHER MATTERS

Legislative compliance

My audit procedures identified non-compliance with legislative requirements.

The Council did not maintain adequate accounting records as required by Section 412 of the Act. The Council staff were unable to provide all accounting records and information relevant to the audit.



Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Rob Williams, General Manager
Mr Grahame Marchant, Chair, Audit, Risk and Improvement Committee
Mr Ted Harrington, Chief Financial Officer

Narrabri Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

*Narrabri Shire will be a strong and vibrant regional growth
centre providing a quality living environment for the entire
Shire community*



Narrabri Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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Income Statement of sewerage business activity	5
Statement of Financial Position of water supply business activity	6
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(1) Restated refer to Note G4-1

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 2022

Statement by Councillors and Management

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

Council's underlying books and records are not sufficient to appropriately support the following significant capital work in progress balance (included within infrastructure, property, plant and equipment) and related disclosures in the financial statements at 30 June 2022 of the following Declared Business Activities:

- Water Supply: \$7.5 million
- Sewerage: \$1.2 million.

This is because of ongoing staffing and resourcing issues arising from COVID-19 and flood events in February/March 2020, March/April 2021, November 2021 and September to November 2022.

Whilst Council has prepared the financial report based upon its underlying books and records, due to the pervasive nature of the issues identified above, Management and Councillors are unable to warrant completeness and reliability of the financial statements taken as a whole.

Council is undertaking a comprehensive project to rectify the issues and continues to work on strengthening the governance, capability, financial reporting, internal control systems and processes of the organisation.

Because of the issues raised above we are unable to certify that 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*.

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

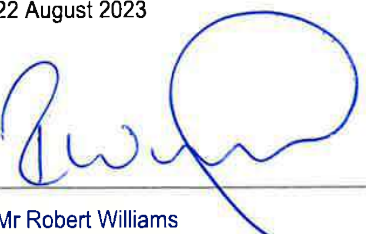
Signed in accordance with a resolution of Council made on 22 August 2023.




Cr Ron Campbell
Mayor
22 August 2023



Cr Darrell Tiemens
Deputy Mayor
22 August 2023



Mr Robert Williams
General Manager
22 August 2023



Mr Ted Harrington
Responsible Accounting Officer
22 August 2023

Narrabri Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2022

	2022 \$ '000	2021 \$ '000
Income from continuing operations		
Access charges	1,898	1,800
User charges	2,386	2,392
Fees	54	61
Interest and investment income	67	48
Other income	524	44
Total income from continuing operations	4,929	4,345
Expenses from continuing operations		
Employee benefits and on-costs	1,024	1,017
Materials and services	2,718	2,566
Depreciation, amortisation and impairment	1,106	938
Net loss from the disposal of assets	–	522
Other expenses	14	11
Total expenses from continuing operations	4,862	5,054
Surplus (deficit) from continuing operations before capital amounts	67	(709)
Surplus (deficit) from continuing operations after capital amounts	67	(709)
Surplus (deficit) from all operations before tax	67	(709)
Less: corporate taxation equivalent (25%) [based on result before capital]	(17)	–
Surplus (deficit) after tax	50	(709)
Plus accumulated surplus	35,387	36,096
– Corporate taxation equivalent	17	–
Closing accumulated surplus	35,454	35,387
Return on capital %	0.1%	(1.5)%
Subsidy from Council	1,695	1,405
Calculation of dividend payable:		
Surplus (deficit) after tax	50	(709)
Surplus for dividend calculation purposes	50	–
Potential dividend calculated from surplus	25	–

Narrabri Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

	2022 \$ '000	2021 \$ '000
Income from continuing operations		
Access charges	3,369	3,200
User charges	48	24
Liquid trade waste charges	26	24
Fees	17	2
Interest and investment income	45	50
Grants and contributions provided for operating purposes	–	–
Other income	239	–
Total income from continuing operations	3,744	3,300
Expenses from continuing operations		
Employee benefits and on-costs	479	574
Materials and services	1,738	1,848
Depreciation, amortisation and impairment	1,252	1,151
Calculated taxation equivalents	–	15
Other expenses	22	19
Total expenses from continuing operations	3,491	3,607
Surplus (deficit) from continuing operations before capital amounts	253	(307)
Grants and contributions provided for capital purposes	–	4,896
Surplus (deficit) from continuing operations after capital amounts	253	4,589
Surplus (deficit) from all operations before tax	253	4,589
Less: corporate taxation equivalent (25%) [based on result before capital]	(63)	–
Surplus (deficit) after tax	190	4,589
Plus accumulated surplus	19,121	14,517
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	15
– Corporate taxation equivalent	63	–
Closing accumulated surplus	19,374	19,121
Return on capital %	0.5%	(0.6)%
Subsidy from Council	1,567	1,025
Calculation of dividend payable:		
Surplus (deficit) after tax	190	4,589
Less: capital grants and contributions (excluding developer contributions)	–	(4,896)
Surplus for dividend calculation purposes	190	–
Potential dividend calculated from surplus	95	–

Narrabri Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

	2022 \$ '000	2021 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	337	780
Investments	8,000	6,000
Receivables	1,000	1,733
Contract assets and contract cost assets	1,231	1,231
Total current assets	10,568	9,744
Non-current assets		
Infrastructure, property, plant and equipment	48,155	46,691
Total non-current assets	48,155	46,691
Total assets	58,723	56,435
LIABILITIES		
Current liabilities		
Payables	22	51
Total current liabilities	22	51
Total liabilities	22	51
Net assets	58,701	56,384
EQUITY		
Accumulated surplus	35,454	35,387
Revaluation reserves	23,247	20,997
Total equity	58,701	56,384

Narrabri Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

	2022 \$ '000	2021 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	788	870
Investments	4,000	1,000
Receivables	491	1,651
Contract assets and contract cost assets	687	1,292
Total current assets	5,966	4,813
Non-current assets		
Infrastructure, property, plant and equipment	49,718	48,206
Total non-current assets	49,718	48,206
Total assets	55,684	53,019
LIABILITIES		
Current liabilities		
Payables	63	106
Total current liabilities	63	106
Total liabilities	63	106
Net assets	55,621	52,913
EQUITY		
Accumulated surplus	19,374	19,121
Revaluation reserves	36,247	33,792
Total equity	55,621	52,913

Narrabri Shire Council

Significant Accounting Policies

for the year ended 30 June 2022

Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2005* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

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

Declared business activities

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

Category 1

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

a. Narrabri Shire Council Water Supplies

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

b. Narrabri Shire Council Sewerage Service

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

Taxation equivalent charges

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

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

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

Narrabri Shire Council

Significant Accounting Policies

for the year ended 30 June 2022

Note – Significant Accounting Policies (continued)

Notional rate applied (%)

Corporate income tax rate - **25%** (20/21: 26%)

Land tax - the first \$822,000 of combined land values attracts **0%**. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,026,000 a premium marginal rate of **2.0%** applies.

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

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (20/21: 26%).

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

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

The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

(ii) Return on investments (rate of return)

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

Narrabri Shire Council

Significant Accounting Policies

for the year ended 30 June 2022

Note – Significant Accounting Policies (continued)

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.77% at 30/6/22.

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Planning, Industry and Environment (DPIE) - Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2022 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Narrabri Shire Council

To the Councillors of Narrabri Shire Council

Disclaimer of Opinion

I am required to audit the accompanying special purpose financial statements of Narrabri Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant Accounting Policies note.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

I do not express an opinion on the accompanying special purpose financial statements of the Council's Declared Business Activities. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the special purpose financial statements.

Basis for Disclaimer of Opinion

Councillors and Management declared, in the Statement required by Councillors and Management (the Statement) made pursuant to the Local Government Code of Accounting Practice and Financial Reporting (the LG Code), they were unable to certify as to the completeness and reliability of the special purpose financial statements taken as a whole for the year ended 30 June 2022. As a result, I have disclaimed my opinion on the special purpose financial statements.

Council was unable to provide sufficient evidence to support significant balances and disclosures in its financial statements. I was unable to obtain sufficient appropriate audit evidence to support the carrying value of the capital work in progress balance (included within infrastructure, property, plant and equipment) and related disclosures in the financial statements at 30 June 2022 of the following Declared Business Activities:

- Water Supply: \$7.5 million
- Sewerage: \$1.2 million.

This deficiency in Council's books and records means I have been unable to obtain sufficient appropriate audit evidence or perform alternative testing procedures to enable me to conclude on the completeness and accuracy of the following significant balances and disclosures in the special purpose financial statements of Council's Declared Business Activities:

Income Statement for the year ended 30 June 2022

- Expenses from continuing operations comprising:
 - Employee benefits and on-costs
 - Materials and services
 - Depreciation, amortisation and impairment.

Statement of Financial Position as at 30 June 2022

- Assets comprising:
 - Infrastructure, property, plant and equipment.

Accordingly, I have been unable to determine whether adjustments might have been necessary in respect of these balances and disclosures. The pervasiveness of these issues means I cannot express an opinion on the accompanying financial statements for the year ended 30 June 2022.

Emphasis of Matter - Basis of Accounting

I draw attention to the Significant Accounting Policies note to the special purpose financial statements which describes the basis of accounting. The special purpose financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, these special purpose financial statements may not be suitable for another purpose.

The Councillors' Responsibilities for the Special Purpose Financial Statements

The Councillors are responsible for the preparation and fair presentation of the special purpose financial statements and for determining that the accounting policies, described in the Significant Accounting Policies note to the special purpose 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 special purpose financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the special purpose 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.

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the special purpose financial statements.

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'C Harper', with a long horizontal flourish extending to the right.

Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

22 August 2023
SYDNEY

Narrabri Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

*Narrabri Shire will be a strong and vibrant regional growth
centre providing a quality living environment for the entire
Shire community*



Narrabri Shire Council

Special Schedules

for the year ended 30 June 2022

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Narrabri Shire Council

Permissible income for general rates

	Notes	Calculation 2021/22 \$ '000	Calculation 2022/23 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	13,545	13,967
Plus or minus adjustments ²	b	16	17
Notional general income	c = a + b	13,561	13,984
Permissible income calculation			
Or rate peg percentage	e	2.00%	0.70%
Or plus rate peg amount	i = e x (c + g)	271	98
Sub-total	k = (c + g + h + i + j)	13,832	14,082
Plus (or minus) last year's carry forward total	l	348	213
Sub-total	n = (l + m)	348	213
Total permissible income	o = k + n	14,180	14,295
Less notional general income yield	p	13,967	14,290
Catch-up or (excess) result	q = o - p	213	5
Carry forward to next year ⁶	t = q + r + s	213	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 (NSW)*.
- (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 Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



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

To the Councillors of Narrabri Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Narrabri Shire Council (the Council) for the year ending 30 June 2023.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2022'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

22 August 2023
SYDNEY

Narrabri Shire Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council ^a \$ '000	2021/22 Required maintenance \$ '000	2021/22 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Other	9,585	9,585	1,179	359	31,911	57,121	16.0%	31.0%	39.0%	13.0%	1.0%
	Sub-total	9,585	9,585	1,179	359	31,911	57,121	16.0%	31.0%	39.0%	13.0%	1.0%
Other structures	Other structures	93	93	241	161	12,074	15,036	61.0%	36.0%	3.0%	0.0%	0.0%
	Sub-total	93	93	241	161	12,074	15,036	61.0%	36.0%	3.0%	0.0%	0.0%
Open space / recreational assets	Swimming pools	225	225	230	301	9,668	8,671	44.0%	44.0%	12.0%	0.0%	0.0%
	Other	67	67	221	129	–	3,696	55.0%	36.0%	9.0%	0.0%	0.0%
	Sub-total	292	292	451	430	9,668	12,367	47.3%	41.6%	11.1%	0.0%	0.0%
Roads	Other	18,683	72,713	4,155	3,971	332,959	378,809	27.0%	32.0%	38.0%	3.0%	0.0%
	Sub-total	18,683	72,713	4,155	3,971	332,959	378,809	27.0%	32.0%	38.0%	3.0%	0.0%
Stormwater drainage	Other	1,077	1,077	15	–	5,072	10,747	21.0%	39.0%	38.0%	0.0%	2.0%
	Sub-total	1,077	1,077	15	–	5,072	10,747	21.0%	39.0%	38.0%	0.0%	2.0%
Water supply network	Other	13,286	13,286	806	1,828	40,114	83,036	21.0%	24.0%	45.0%	10.0%	0.0%
	Sub-total	13,286	13,286	806	1,828	40,114	83,036	21.0%	24.0%	45.0%	10.0%	0.0%

Narrabri Shire Council

Report on infrastructure assets as at 30 June 2022 (continued)

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council ^a \$ '000	2021/22 Required maintenance \$ '000	2021/22 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Sewerage network	Other	20,129	20,129	411	1,042	46,202	122,277	16.0%	22.0%	32.0%	30.0%	0.0%
	Sub-total	20,129	20,129	411	1,042	46,202	122,277	16.0%	22.0%	32.0%	30.0%	0.0%
	Total – all assets	63,145	117,175	7,258	7,791	478,000	679,393	24.4%	29.5%	36.6%	9.4%	0.1%

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

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Narrabri Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

	Amounts	Indicator	Restated 2021 ³	Indicators		Benchmark
	2022	2022		2020	2019	
\$ '000	2022	2022				
Buildings and infrastructure renewals ratio						
Asset renewals ¹	14,493					
Depreciation, amortisation and impairment	8,938	162.15%	290.13%	276.69%	0.00%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	63,145					
Net carrying amount of infrastructure assets	524,236	12.05%	7.29%	10.16%	12.92%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	7,791					
Required asset maintenance	7,258	107.34%	93.75%	138.84%	151.68%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	117,175	17.25%	12.90%	14.77%	16.23%	
Gross replacement cost	679,393					

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

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

(3) Restated refer to Note G4-1

Narrabri Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	219.79%	211.44%	0.00%	179.83%	0.00%	812.65%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	6.79%	3.83%	33.12%	14.49%	43.57%	43.31%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	81.46%	81.30%	226.80%	178.47%	253.53%	62.86%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	17.67%	13.82%	16.00%	7.20%	16.46%	13.37%	

(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.