



Narromine Shire Council

Annual Report

2013/2014

Annexure One

Financial Statements

Narromine Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

*To enhance our Shire's image, lifestyle and environment through
effective leadership, community involvement and commitment to service.*



Narromine Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Narromine Shire Council.

(ii) Narromine Shire Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 20 October 2014. Council has the power to amend and reissue these financial statements.

Narrromine Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

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

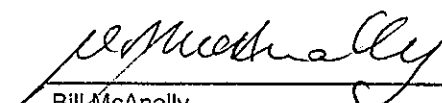
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these Financial Statements:

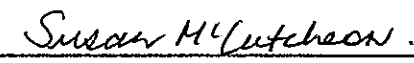
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 08 October 2014.



Bill McAnally
MAYOR



Susan McCutcheon
COUNCILLOR



Greg Lamont
GENERAL MANAGER



Yvonne Clarke
RESPONSIBLE ACCOUNTING OFFICER

Narromine Shire Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
7,180	Rates & Annual Charges	3a	6,975	6,636
2,588	User Charges & Fees	3b	2,679	2,498
843	Interest & Investment Revenue	3c	809	905
390	Other Revenues	3d	608	479
5,893	Grants & Contributions provided for Operating Purposes	3e,f	4,813 ²	6,506
1,185	Grants & Contributions provided for Capital Purposes	3e,f	1,575	566
Other Income:				
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	20
18,079	Total Income from Continuing Operations		17,459	17,610
Expenses from Continuing Operations				
6,774	Employee Benefits & On-Costs	4a	6,618	6,178
67	Borrowing Costs	4b	61	72
3,559	Materials & Contracts	4c	3,462	3,290
5,137	Depreciation & Amortisation	4d	5,369	5,911
2,190	Other Expenses	4e	2,314	2,170
2	Net Losses from the Disposal of Assets	5	170	22
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	4	-
17,729	Total Expenses from Continuing Operations		17,998	17,643
350	Operating Result from Continuing Operations		(539)	(33)
350	Net Operating Result for the Year		(539)	(33)
350	Net Operating Result attributable to Council		(539)	(33)
-	Net Operating Result attributable to Non-controlling Interests		-	-
(835)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(2,114)	(599)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

Narromine Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		(539)	(33)
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	621	(386)
Total Items which will not be reclassified subsequently to the Operating Result		621	(386)
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		621	(386)
Total Comprehensive Income for the Year		82	(419)
Total Comprehensive Income attributable to Council		82	(419)
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Narromine Shire Council

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	4,900	4,300
Investments	6b	15,500	16,200
Receivables	7	1,720	1,880
Inventories	8	713	894
Other	8	28	5
Non-current assets classified as "held for sale"	22	16	16
Total Current Assets		22,877	23,295
Non-Current Assets			
Receivables	7	147	169
Infrastructure, Property, Plant & Equipment	9	134,341	133,480
Investments accounted for using the equity method	19	209	213
Total Non-Current Assets		134,697	133,862
TOTAL ASSETS		157,574	157,157
LIABILITIES			
Current Liabilities			
Payables	10	1,424	1,032
Borrowings	10	84	80
Provisions	10	1,862	1,810
Total Current Liabilities		3,370	2,922
Non-Current Liabilities			
Borrowings	10	837	920
Provisions	10	91	121
Total Non-Current Liabilities		928	1,041
TOTAL LIABILITIES		4,298	3,963
Net Assets		153,276	153,194
EQUITY			
Retained Earnings	20	118,133	118,672
Revaluation Reserves	20	35,143	34,522
Council Equity Interest		153,276	153,194
Non-controlling Interests		-	-
Total Equity		153,276	153,194

Narromine Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		118,672	34,522	153,194	-	153,194
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		118,672	34,522	153,194	-	153,194
c. Net Operating Result for the Year		(539)	-	(539)	-	(539)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	621	621	-	621
Other Comprehensive Income		-	621	621	-	621
Total Comprehensive Income (c&d)		(539)	621	82	-	82
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		118,133	35,143	153,276	-	153,276

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		119,300	34,908	154,208	-	154,208
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	(595)	-	(595)	-	(595)
Revised Opening Balance (as at 1/7/12)		118,705	34,908	153,613	-	153,613
c. Net Operating Result for the Year		(33)	-	(33)	-	(33)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	(386)	(386)	-	(386)
Other Comprehensive Income		-	(386)	(386)	-	(386)
Total Comprehensive Income (c&d)		(33)	(386)	(419)	-	(419)
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		118,672	34,522	153,194	-	153,194

Narromine Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
7,105	Rates & Annual Charges		7,089	6,529
2,603	User Charges & Fees		2,851	2,368
864	Investment & Interest Revenue Received		809	975
6,749	Grants & Contributions		6,808	8,155
-	Bonds, Deposits & Retention amounts received		44	23
558	Other		1,067	1,226
Payments:				
(6,294)	Employee Benefits & On-Costs		(6,617)	(6,109)
(5,074)	Materials & Contracts		(3,213)	(4,646)
(69)	Borrowing Costs		(62)	(73)
-	Bonds, Deposits & Retention amounts refunded		(41)	(42)
(2,276)	Other		(3,036)	(2,058)
4,166	Net Cash provided (or used in) Operating Activities	11b	5,699	6,348
Cash Flows from Investing Activities				
Receipts:				
37,622	Sale of Investment Securities		38,200	33,400
-	Sale of Infrastructure, Property, Plant & Equipment		262	543
Payments:				
(37,500)	Purchase of Investment Securities		(37,500)	(35,400)
(5,282)	Purchase of Infrastructure, Property, Plant & Equipment		(5,923)	(4,985)
-	Purchase of Real Estate Assets		(59)	-
(5,160)	Net Cash provided (or used in) Investing Activities		(5,020)	(6,442)
Cash Flows from Financing Activities				
Receipts:				
-	Proceeds from Borrowings & Advances		-	25
Payments:				
(76)	Repayment of Borrowings & Advances		(79)	(92)
(76)	Net Cash Flow provided (used in) Financing Activities		(79)	(67)
(1,070)	Net Increase/(Decrease) in Cash & Cash Equivalents		600	(161)
2,908	plus: Cash & Cash Equivalents - beginning of year	11a	4,300	4,461
1,838	Cash & Cash Equivalents - end of the year	11a	4,900	4,300
Additional Information:				
	plus: Investments on hand - end of year	6b	15,500	16,200
Total Cash, Cash Equivalents & Investments			20,400	20,500

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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n/a - not applicable

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

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

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment) that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

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

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates 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 are set out below:

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated remediation provisions.

Critical judgements in applying Council's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

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

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

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

rateable property or, where earlier, upon receipt of the rates.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

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

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

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

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

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

A detailed Note relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

User charges, fees and other income (including parking 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 first occurs.

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend Income

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

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

- General Purpose Operations
- Water Supply
- Sewerage Service
- Macquarie Valley Family Day Care

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

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

(iii) Joint Ventures

Jointly Controlled Assets & Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been

incorporated throughout the financial statements under the appropriate headings.

Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and is carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

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

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

property and the present value of the minimum lease payments.

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are

incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

(iii) Held-to-maturity investments

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

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**"

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

category are included in the income statement in the period in which they arise.

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

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

Impairment

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

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

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

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

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained

under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

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

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated

costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

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

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

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Water and Sewerage Networks**
(Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

- **Roads Assets incl. roads, bridges & footpaths**
(External Valuation)

- **Drainage Assets** (Internal Valuation)

- **Bulk Earthworks** (Internal Valuation)

- **Community Land** (Internal Valuation)

- **Land Improvements**
(as approximated by depreciated historical cost)

- **Other Structures**
(as approximated by depreciated historical cost)

- **Other Assets**
(Internal Valuation)

Initial Recognition

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

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

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

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

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

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

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

Capitalisation Thresholds

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

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

Plant & Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Other Plant & Equipment	> \$1,000	- Buildings : Other	20 to 40 years
Buildings & Land Improvements		Stormwater Drainage	
Park Furniture & Equipment	> \$2,000	- Drains	80 to 100 years
Building		- Culverts	50 to 80 years
- construction/extensions	100% Capitalised	Transportation Assets	
- renovations	> \$10,000	- Sealed Roads : Surface	15 to 25 years
Other Structures	> \$2,000	- Sealed Roads : Structure	20 to 50 years
Water & Sewer Assets		- Unsealed roads	10 to 25 years
Reticulation extensions	> \$3,000	- Bridge : Concrete	80 to 100 years
Other	> \$3,000	Water & Sewer Assets	
Stormwater Assets		- Dams and reservoirs	80 to 100 years
Drains & Culverts	> \$5,000	- Bores	20 to 40 years
Other	> \$5,000	- Reticulation pipes : PVC	80 years
Transport Assets		- Reticulation pipes : Other	25 to 75 years
Road construction & reconstruction	> \$10,000	- Pumps and telemetry	15 to 20 years
Reseal/Re-sheet & major repairs:	> \$10,000	Other Infrastructure Assets	
Bridge construction & reconstruction	> \$10,000	- Bulk earthworks	Infinite

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant & Equipment	
- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other Equipment	
- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years

Buildings	
- Buildings : Masonry	50 to 100 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

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

Disposal and De-recognition

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

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

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Government Act (1993) classified as either Operational or Community.

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

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, "all fire fighting equipment purchased or constructed

wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed".

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will exclude the assets, their values and depreciation charges from these financial statements.

(p) Investment property

Council has not classified any Land or Buildings as Investment Property.

(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the 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.

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.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration

Narromine Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for Close down, Restoration and Remediation 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.

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 balance sheet 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 balance sheet 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 unwind 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, for example in response to changes in quarry reserves or production rates.

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.

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

(s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

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

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed, / except to the extent that they are incurred during the construction of qualifying assets.

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

(w) Provisions

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

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

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

(x) Employee benefits

(i) Short Term Obligations

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

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

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

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

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the

reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the “Local Government Superannuation Scheme – Pool B”

This Scheme has been deemed to be a “multi employer fund” for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the Scheme was performed by Mr Richard Boyfield of Mercer Consulting (Australia) Pty Ltd and covers the period ended 30/06/2014.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$180,797.

The amount of additional contributions included in the total employer contribution advised above is \$ 83,897.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$335,588 as at 30 June 2014.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual

arrangement where assets and liabilities are pooled together for all member councils.

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/14.

(y) Self insurance

Council does not self insure.

(z) Allocation between current and non-current assets & liabilities

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

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

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

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

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(ab) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

Applicable to Local Government but no implications for Council;

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

Applicable to Local Government but not relevant to Council at this stage;

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities)

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

Not applicable to Local Government per se;

None

There are no other standards that are "not yet effective" and expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	-	-	-	679	631	699	(679)	(631)	(699)	-	-	-	-
Organisational Services	191	428	271	2,304	1,902	2,343	(2,113)	(1,474)	(2,072)	-	12	14,412	15,002
Public Order & Safety	157	165	202	347	376	552	(190)	(211)	(350)	68	70	903	920
Environment & Health	162	137	134	560	509	474	(398)	(372)	(340)	68	81	389	296
Community & Cultural Services	165	352	188	687	699	687	(522)	(347)	(499)	117	40	4,450	4,899
Planning & Development	148	129	84	339	301	319	(191)	(172)	(235)	12	(36)	-	-
Waste Management	1,511	1,349	1,254	1,206	1,125	1,134	305	224	120	28	27	609	598
Infrastructure	3,031	3,517	2,781	6,710	7,315	7,138	(3,679)	(3,798)	(4,357)	683	758	85,780	86,791
Recreational Facilities	120	165	171	1,271	1,584	1,415	(1,151)	(1,419)	(1,244)	-	29	12,561	11,482
Economic Development	182	335	241	337	429	189	(155)	(94)	52	-	-	2,023	2,606
Family Day Care	775	830	821	763	841	881	12	(11)	(60)	686	684	1,203	1,199
Water Supplies	1,400	1,608	1,571	1,274	1,186	1,012	126	422	559	21	20	11,997	11,206
Sewerage Services	1,276	1,287	1,244	1,252	1,096	800	24	191	444	20	19	23,038	21,945
Total Functions & Activities	9,118	10,302	8,962	17,729	17,994	17,643	(8,611)	(7,692)	(8,681)	1,703	1,704	157,365	156,944
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	20	-	4	-	-	(4)	20	-	-	209	213
General Purpose Income ¹	8,961	7,157	8,628	-	-	-	8,961	7,157	8,628	1,970	3,639	-	-
Operating Result from Continuing Operations	18,079	17,459	17,610	17,729	17,998	17,643	350	(539)	(33)	3,673	5,343	157,574	157,157

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 2(b). Council Functions / Activities - Component Descriptions

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

Organisational Services

- Executive services - provision of effective and efficient support to councillors, Council and the community
- Legal advice and services for Council, its delegates and officers, procure adequate and appropriate insurance coverage at a minimum cost; manage claims made against Council and manage litigation by and against Council
- Provision of management accounting, financial reporting, rates, payroll, creditors, accounts receivable, cashiering, debt recovery and investments
- Computing and support services to Council
- Management and improvement of the quality, performance, opportunities & safety conditions of Council's staff
- Civic administration building

Public Order & Safety

- Co-operation and liaison with the Rural Fire Service and other Emergency Service organisations

Environment & Health

- Protection of the environment, its enhancement and the promotion of environmental sustainability
- Maintenance of the health standards and safety of premises that are accessible to and impact upon the community
- Development of an innovative best practice policy to control the incidence of noxious plants
- Companion animal management and issues in relation to straying livestock

Community & Cultural Services

- Provision of community, cultural and educational services and facilities to enhance the community's way of life
- Provision of programs and services for young people between 12-24 years of age
- Active participation in and co-operation with community organisations in the delivery of Aged & Disability Services
- Provision for the development and management of a range of community facilities
- Provision of effective public library lending, information and referral services
- Provision of quality cemetery services and memorial facilities
- Advocate for a strong cultural role in community revitalisation and identity by the encouragement & promotion of local historical, cultural and art organisations and activities

Planning & Development

- Creation of a quality environment for the community in which land use and development is planned and assessed and the social, environmental, economic, agricultural, heritage and physical wellbeing of the community is enhanced and protected
- Planning the Shire's future whilst embracing the principles of Ecologically Sustainable Development
- Assessment and determination of development applications
- Regulatory inspections

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 2(b). Council Functions / Activities - Component Descriptions (continued)

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

Waste Management

- Effective management of waste collection, minimise waste whilst encouraging commercial and residential recycling
- Collection & recycling
- Disposal

Infrastructure

- Provision of well constructed, maintained and functional roads, drains, public buildings and associated engineering structures; including operational support, construction and maintenance, design, stormwater management and aerodromes

Recreational Facilities

- Provision of equitable access to social, cultural, sporting and recreational services and facilities
- Parks, playing fields and reserves
- Recreational buildings and infrastructure
- Swimming Pools

Economic Development

- Development and assistance in the implementation of strategies, programs and policies that will provide employment and a positive environment for the local economy
- Tourism & area promotion
- Real estate development
- Saleyards and markets
- External partnerships
- Camping areas

Family Day Care

- Licensee of Macquarie Valley Family Day Care Centre

Water Supplies

- Provision of a cost effective, environmentally sensitive and ecologically sustainable water supply service. Including business plan, service delivery, customer service, demand management, infrastructure management.

Sewerage Services

- Provision of a cost effective, environmentally sensitive & ecologically sustainable sewerage service. Including business plan, service delivery, customer service, demand management, infrastructure management.

Narromine Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		1,148	1,116
Farmland		2,735	2,647
Mining		228	85
Business		462	451
Total Ordinary Rates		4,573	4,299
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		806	814
Water Supply Services		411	381
Sewerage Services		931	881
Waste Management Services (non-domestic)		254	261
Total Annual Charges		2,402	2,337
TOTAL RATES & ANNUAL CHARGES		6,975	6,636

Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		1,062	1,049
Sewerage Services		257	256
Waste Management Services (non-domestic)		17	15
Total User Charges		1,336	1,320
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Impounding Fees		21	18
Lifetime Animal Registrations		26	19
Planning & Building Regulation		88	48
Private Works - Section 67		267	140
Section 149 Certificates (EPA Act)		21	19
Section 603 Certificates		10	9
Total Fees & Charges - Statutory/Regulatory		433	253
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Building & Planning		20	23
Cemeteries		49	54
Macquarie Family Day Care		131	128
Plant Income - Private Works		8	3
Plant Income - RTA		239	359
Recycling Income (Non Domestic)		108	-
Saleyards		106	137
Sport & Fitness Centre		27	29
Swimming Centres		74	74
Waste Disposal Tipping Fees		100	92
Water Connection Fees		7	5
Other		41	21
Total Fees & Charges - Other		910	925
TOTAL USER CHARGES & FEES		2,679	2,498

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		49	58
- Interest earned on Investments (interest & coupon payment income)		757	843
- Interest & Dividend Income (Other)		3	4
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>809</u>	<u>905</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		27	58
General Council Cash & Investments		587	632
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		1	1
- Section 64		7	7
Water Fund Operations		98	108
Sewerage Fund Operations		79	86
Domestic Waste Management operations		7	9
Other Externally Restricted Assets		3	4
<u>Total Interest & Investment Revenue Recognised</u>		<u>809</u>	<u>905</u>
(d) Other Revenues			
Rental Income - Other Council Properties		237	227
Commissions & Agency Fees		3	-
Diesel Rebate		48	79
Family Day Care		9	8
Insurance Rebates		31	24
Recycling Income (non domestic)		-	25
Refunds of Contributions		57	92
Sales - General		210	12
Other		13	12
<u>TOTAL OTHER REVENUE</u>		<u>608</u>	<u>479</u>

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,277	2,363	-	-
Financial Assistance - Local Roads Component	654	1,240	-	-
Pensioners' Rates Subsidies - General Component	39	36	-	-
Total General Purpose	1,970	3,639	-	-
¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.				
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	21	20	-	-
- Sewerage	20	19	-	-
- Domestic Waste Management	28	27	-	-
Bushfire & Emergency Services	68	70	-	-
Community Infrastructure Grant	-	-	82	36
Environmental Protection	-	12	-	-
Family Day Care - Child Assistance	540	554	-	-
Family Day Care - Operational	146	130	-	-
Flood Mitigation	-	(40)	124	-
Heritage & Cultural	-	4	-	-
Library	31	30	-	-
Noxious Weeds	68	81	-	-
Planning Reform	12	-	-	-
Street Lighting	29	29	-	-
Transport (Roads to Recovery)	524	625	-	-
Transport (Other Roads & Bridges Funding)	-	-	-	105
War Memorials	-	-	4	-
Other	6	2	-	-
Total Specific Purpose	1,493	1,563	210	141
Total Grants	3,463	5,202	210	141
Grant Revenue is attributable to:				
- Commonwealth Funding	2,609	4,911	82	-
- State Funding	854	291	128	141
	3,463	5,202	210	141

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
Nil				
Other Contributions:				
Community Buildings	-	-	95	5
Dedications (other than by S94)	121	109	-	-
Employment & Training	11	6	-	-
Motor Vehicle Leaseback	34	28	-	-
Other Councils - Joint Works/Services	135	129	-	-
Recreation & Culture	-	-	20	-
Roads & Bridges	-	-	850	20
RMS Contributions (Regional Roads, Block Grant)	1,049	1,032	400	400
Total Other Contributions	1,350	1,304	1,365	425
Total Contributions	1,350	1,304	1,365	425
<u>TOTAL GRANTS & CONTRIBUTIONS</u>	<u>4,813</u>	<u>6,506</u>	<u>1,575</u>	<u>566</u>

\$ '000	Actual 2014	Actual 2013
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(g) Restrictions relating to Grants and Contributions

Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:

Unexpended at the Close of the Previous Reporting Period	1,153	1,598
add: Grants & contributions recognised in the current period but not yet spent:	725	297
less: Grants & contributions recognised in a previous reporting period now spent:	(217)	(742)
Net Increase (Decrease) in Restricted Assets during the Period	508	(445)
Unexpended and held as Restricted Assets	<u>1,661</u>	<u>1,153</u>
Comprising:		
- Specific Purpose Unexpended Grants	1,437	937
- Other Contributions	224	216
	<u>1,661</u>	<u>1,153</u>

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		4,833	4,400
Employee Termination Costs		-	28
Travelling		142	113
Employee Leave Entitlements (ELE)		977	1,008
Superannuation		617	560
Workers' Compensation Insurance		135	157
Fringe Benefit Tax (FBT)		41	35
Training Costs (other than Salaries & Wages)		189	138
Other		54	80
Total Employee Costs		6,988	6,519
less: Capitalised Costs		(370)	(341)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>6,618</u>	<u>6,178</u>
Number of "Equivalent Full Time" Employees at year end		87	92
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		61	72
Total Interest Bearing Liability Costs Expensed		61	72
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>61</u>	<u>72</u>
(c) Materials & Contracts			
Raw Materials & Consumables		2,342	1,750
Contractor & Consultancy Costs		2,492	1,657
Auditors Remuneration ⁽¹⁾		58	34
Legal Expenses:			
- Legal Expenses: Other		22	32
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		37	33
Total Materials & Contracts		4,951	3,506
less: Capitalised Costs		(1,489)	(216)
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>3,462</u>	<u>3,290</u>

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts (continued)			
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		32	21
- Other audit & assurance services (Internal Audit)		26	13
Remuneration for audit and other assurance services		58	34
Total Auditor Remuneration		58	34
2. Operating Lease Payments are attributable to:			
Computers & Information Technology Equipment		37	25
Other		-	8
		37	33

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	568	804
Office Equipment		-	-	4	39
Furniture & Fittings		-	-	18	18
Buildings - Non Specialised		-	-	173	146
Buildings - Specialised		-	-	609	649
Other Structures		-	-	60	62
Infrastructure:					
- Roads		-	-	2,678	2,797
- Bridges		-	-	105	109
- Footpaths		-	-	104	62
- Stormwater Drainage		-	-	156	156
- Water Supply Network		-	-	92	198
- Sewerage Network		-	-	340	391
- Swimming Pools		-	-	41	43
- Other Open Space/Recreational Assets		-	-	107	112
- Other Infrastructure		-	-	17	18
Other Assets					
- Aerodrome		-	-	297	307
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	5,369	5,911

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		43	44
Bad & Doubtful Debts		(5)	3
Child Care - Carers Payments		546	536
Contributions to Macquarie Regional Library		319	308
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		15	19
- NSW Fire Brigade Levy		29	29
- NSW Rural Fire Service Levy		190	179
Councillor Expenses - Mayoral Fee		17	17
Councillor Expenses - Councillors' Fees		89	99
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		27	5
Donations, Contributions & Assistance to other organisations (Section 356)		116	16
Election Expenses		-	38
Electricity & Heating		405	375
Insurance Premiums		272	272
Office Expenses (including computer expenses)		54	25
Street Lighting		144	148
Telephone & Communications		46	57
Other		7	-
<u>TOTAL OTHER EXPENSES</u>		<u>2,314</u>	<u>2,170</u>

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
Property (excl. Investment Property)			
Proceeds from Disposal - Property		12	250
less: Carrying Amount of Property Assets Sold / Written Off		-	(70)
Net Gain/(Loss) on Disposal		12	180
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		250	293
less: Carrying Amount of P&E Assets Sold / Written Off		(224)	(495)
Net Gain/(Loss) on Disposal		26	(202)
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(208)	-
Net Gain/(Loss) on Disposal		(208)	-
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		38,200	33,400
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(38,200)	(33,400)
Net Gain/(Loss) on Disposal		-	-
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(170)</u>	<u>(22)</u>

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		713	-	295	-
Cash-Equivalent Assets ¹					
- Deposits at Call		1,187	-	3,005	-
- Short Term Deposits		3,000	-	1,000	-
Total Cash & Cash Equivalents		4,900	-	4,300	-
Investments (Note 6b)					
- Long Term Deposits		15,500	-	16,200	-
Total Investments		15,500	-	16,200	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		20,400	-	20,500	-

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

Cash, Cash Equivalents & Investments were classified at year end in accordance with AASB 139 as follows:

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	4,900	-	4,300	-
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Investments

b. "Held to Maturity"	15,500	-	16,200	-
Investments	15,500	-	16,200	-

Note 6(b-i)**Reconciliation of Investments classified as "Held to Maturity"**

Balance at the Beginning of the Year	16,200	-	16,200	-
Additions	37,500	-	33,400	-
Disposals (sales & redemptions)	(38,200)	-	(33,400)	-
Balance at End of Year	15,500	-	16,200	-

Comprising:

- Other Long Term Financial Assets	15,500	-	16,200	-
Total	15,500	-	16,200	-

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	20,400	-	20,500	-
attributable to:				
External Restrictions (refer below)	12,388	-	10,611	-
Internal Restrictions (refer below)	5,488	-	7,608	-
Unrestricted	2,524	-	2,281	-
	20,400	-	20,500	-

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	5	-	-	5
External Restrictions - Included in Liabilities	5	-	-	5

External Restrictions - Other

Developer Contributions - General (D)	25	1	-	26
Developer Contributions - Water Fund (D)	125	4	-	129
Developer Contributions - Sewer Fund (D)	66	3	-	69
Specific Purpose Unexpended Grants (F)	526	717	(217)	1,026
Specific Purpose Unexpended Grants-Water (F)	411	-	-	411
Water Supplies (G)	3,684	539	-	4,223
Sewerage Services (G)	5,109	491	-	5,600
Domestic Waste Management (G)	516	212	-	728
Board of Control	35	5	-	40
OROC	109	22	-	131
External Restrictions - Other	10,606	1,994	(217)	12,383
Total External Restrictions	10,611	1,994	(217)	12,388

A Loan moneys which must be applied for the purposes for which the loans were raised.

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)

G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details (continued)

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	722	647	(569)	800
Infrastructure Replacement	-	81	-	81
Employees Leave Entitlement	579	7	(26)	560
Carry Over Works	463	444	(463)	444
Recouped Investment Monies	-	191	-	191
Financial Assistance Grant (received in advance)	1,888	-	(1,888)	-
Aerodrome Development	217	50	(13)	253
Allied Health Equipment	18	-	(18)	-
Bridge Replacement	50	-	-	50
Cemetery Improvements	30	20	(14)	36
Council Buildings	10	-	(10)	-
Administration Building	11	20	(16)	15
Depot Improvements	6	40	-	46
Drainage Construction	83	10	-	93
Economic Development Reserve	50	-	(17)	33
Election Expenses	-	10	-	10
Family Day Care	348	-	(87)	261
Footpaths	61	40	(40)	61
Fowler Engine Restoration	10	-	-	10
Industrial Land Planning	38	-	-	38
IT Strategy	349	50	(173)	226
Kerb & Gutter	151	45	(103)	93
Land Development	270	-	(167)	103
Library Improvements	52	20	(16)	56
Medical Centre	243	37	(5)	275
Natfly	4	-	-	4
OHS	33	18	-	51
Other Waste Management	32	-	-	32
Waste Management Facility Upgrades	13	-	-	13
Pigeon Program	-	5	-	5
Playground Equipment/Fencing	109	71	(69)	111
Pound Improvements	7	35	(5)	37
Public Amenities Upgrade	58	15	(12)	62
Quarries	724	-	(234)	490
RFS - Tanker Replacement	73	17	(70)	20
Roads Contingency	300	-	-	300
Saleyards	54	13	-	67
SIMC Warranty	52	-	-	52
Skate Park Improvements	5	-	-	5
Sprinkler/Softfall Replacement/Sporting Facilities	102	55	(82)	75
Sports Centre Upgrades	9	10	(14)	5
Showground Improvements	5	20	-	25
Stormwater - Levy Bank	2	-	-	2

(continued on the next page...)

Narromine Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details (continued)

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions (continued)				
Strategic Planning	128	-	-	128
Street Tree Planting/Irrigation	23	5	-	28
Street Lighting	40	-	-	40
Swimming Facilities Upgrades	26	30	(42)	14
Tourism Promotions	50	-	-	50
Youth Education Activities	9	-	-	9
Youth Centre	5	-	-	5
Wetlands Development	46	-	-	46
Office equipment	3	5	(1)	7
Alkane Roads Contribution	-	46	-	46
Alkane Community Contributions	38	56	(92)	2
Alkane Environmental Monitoring	9	20	(7)	22
Total Internal Restrictions	7,608	2,133	(4,253)	5,488
TOTAL RESTRICTIONS	18,219	4,127	(4,470)	17,876

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		402	147	498	169
Interest & Extra Charges		102	-	107	-
User Charges & Fees		418	-	480	-
Private Works		36	-	85	-
Contributions to Works		-	-	5	-
Accrued Revenues					
- Interest on Investments		181	-	177	-
Government Grants & Subsidies		300	-	492	-
Net GST Receivable		92	-	43	-
Other Debtors - Contributions		140	-	-	-
Other Debtors		71	-	20	-
Total		1,742	147	1,907	169
less: Provision for Impairment					
Rates & Annual Charges		(13)	-	(17)	-
Interest & Extra Charges		(9)	-	(10)	-
Total Provision for Impairment - Receivables		(22)	-	(27)	-
TOTAL NET RECEIVABLES		1,720	147	1,880	169
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		219	-	219	-
- Rates & Availability Charges		30	11	31	11
- Other		342	-	635	-
Sewerage Services					
- Rates & Availability Charges		82	30	81	28
- Other		132	-	343	-
Domestic Waste Management		101	-	104	-
Total External Restrictions		906	41	1,413	39
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		814	106	467	130
TOTAL NET RECEIVABLES		1,720	147	1,880	169

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		361	-	302	-
Stores & Materials		352	-	592	-
Total Inventories		713	-	894	-
Other Assets					
Prepayments		28	-	5	-
Total Other Assets		28	-	5	-
TOTAL INVENTORIES/OTHER ASSETS		741	-	899	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Other Disclosures**(a) Details for Real Estate Development**

Residential	162	-	118	-
Industrial/Commercial	187	-	184	-
Other Properties	12	-	-	-
Total Real Estate for Resale	361	-	302	-

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

Represented by:

Acquisition Costs	100	-	100	-
Development Costs	164	-	164	-
Borrowing Costs	36	-	36	-
Other Holding Costs	61	-	2	-
Total Costs	361	-	302	-
Total Real Estate for Resale	361	-	302	-

Movements:

Real Estate assets at beginning of the year	302	-	302	-
- Purchases and other costs	59	-	-	-
Total Real Estate for Resale	361	-	302	-

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

The following Inventories & Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

Real Estate for Resale	2014	2013
	329	302
	329	302

(c) Inventories recognised as an expense for the year included:

- Stores & Materials	477	517
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(d) Inventory Write Downs

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

Narromine Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013				Asset Movements during the Reporting Period					as at 30/6/2014			
	At	At	Accumulated	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Revaluation Increments to Equity (ARR)	At	At	Accumulated	Carrying
	Cost	Fair Value	Dep'n	Value						Cost	Fair Value	Dep'n	Value
Capital Work in Progress	731	-	-	731	1,086	-	-	(731)	-	1,086	-	-	1,086
Plant & Equipment	-	6,722	3,203	3,519	806	(224)	(568)	5	-	-	6,910	3,372	3,538
Office Equipment	-	407	300	107	13	-	(4)	-	-	-	421	305	116
Furniture & Fittings	-	288	165	123	-	-	(18)	-	-	-	288	183	105
Land:													
- Operational Land	-	4,389	-	4,389	-	-	-	-	-	-	4,389	-	4,389
- Community Land	-	976	-	976	105	-	-	-	-	-	1,081	-	1,081
- Land under Roads (post 30/6/08)	-	-	-	-	63	-	-	-	-	-	63	-	63
Buildings - Non Specialised	-	5,101	2,021	3,080	43	-	(173)	-	-	-	5,144	2,194	2,950
Buildings - Specialised	-	28,281	10,784	17,497	300	-	(609)	18	-	-	28,599	11,393	17,206
Other Structures	-	2,123	689	1,434	42	-	(60)	-	-	-	2,166	750	1,416
Infrastructure:													
- Roads	-	126,590	68,283	58,307	2,715	(156)	(2,678)	350	-	-	129,149	70,611	58,538
- Bridges	-	8,708	2,442	6,266	-	-	(105)	-	-	-	8,708	2,547	6,161
- Footpaths	-	2,643	737	1,906	51	-	(104)	-	-	-	2,693	840	1,853
- Stormwater Drainage	-	7,877	3,256	4,621	120	-	(156)	90	-	-	8,088	3,413	4,675
- Water Supply Network	-	15,165	9,524	5,641	130	(52)	(92)	268	165	-	15,834	9,774	6,060
- Sewerage Network	-	26,010	9,758	16,252	379	-	(340)	-	456	-	27,127	10,380	16,747
- Swimming Pools	-	2,561	860	1,701	28	-	(41)	-	-	-	2,589	901	1,688
- Other Open Space/Recreational Assets	-	3,346	1,348	1,998	137	-	(107)	-	-	-	3,483	1,455	2,028
- Other Infrastructure	-	595	174	421	23	-	(17)	-	-	-	618	191	427
Other Assets:													
- Aerodrome	-	15,532	11,021	4,511	-	-	(297)	-	-	-	15,532	11,318	4,214
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	731	257,314	124,565	133,480	6,041	(432)	(5,369)	-	621	1,086	262,882	129,627	134,341

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$3,874) and New Assets (\$1,115). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

\$ '000 Class of Asset	Actual 2014				Actual 2013			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	61	-	-	61	273	-	-	273
Plant & Equipment	-	55	29	26	-	48	22	26
Land								
- Operational Land	-	442	-	442	-	442	-	442
Other Structures	-	111	31	80	-	117	30	87
Infrastructure	-	15,834	9,774	6,060	-	15,165	9,524	5,641
Total Water Supply	61	16,442	9,834	6,669	273	15,772	9,576	6,469
Sewerage Services								
Plant & Equipment	-	44	37	7	-	47	30	17
Land								
- Operational Land	-	226	-	226	-	226	-	226
Buildings	-	125	43	82	-	125	43	82
Other Structures	-	47	11	36	-	59	18	41
Infrastructure	-	27,127	10,380	16,747	-	26,010	9,758	16,252
Total Sewerage Services	-	27,569	10,471	17,098	-	26,467	9,849	16,618
Domestic Waste Management								
Plant & Equipment	-	373	338	35	-	373	328	45
Land								
- Community Land	-	98	-	98	-	98	-	98
Buildings	-	214	32	182	-	214	27	187
Other Assets	-	240	92	148	-	230	86	144
Total DWM	-	925	462	463	-	915	441	474
TOTAL RESTRICTED I,PP&E	61	44,936	20,767	24,230	273	43,154	19,866	23,561

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

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

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		845	-	385	-
Goods & Services - capital expenditure		266	-	148	-
Payments Received In Advance		121	-	124	-
Accrued Expenses:					
- Borrowings		8	-	9	-
- Salaries & Wages		173	-	161	-
Security Bonds, Deposits & Retentions		11	-	8	-
Other		-	-	197	-
Total Payables		1,424	-	1,032	-
Borrowings					
Loans - Secured ¹		84	837	80	920
Total Borrowings		84	837	80	920
Provisions					
Employee Benefits;					
Annual Leave		623	-	625	-
Long Service Leave		1,195	91	1,137	121
Other Leave		44	-	48	-
Total Provisions		1,862	91	1,810	121
Total Payables, Borrowings & Provisions		3,370	928	2,922	1,041
(i) Liabilities relating to Restricted Assets					
		2014		2013	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		54	-	13	-
Sewer		287	-	3	-
Domestic Waste Management		11	-	-	-
Liabilities relating to externally restricted assets		352	-	16	-
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		352	-	16	-
Total Liabilities relating to Unrestricted Assets		3,018	928	2,906	1,041
TOTAL PAYABLES, BORROWINGS & PROVISIONS		3,370	928	2,922	1,041

¹. Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Narromine Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 10a. Payables, Borrowings & Provisions (continued)

\$ '000	Actual 2014	Actual 2013
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	1,137	1,093
	<u>1,137</u>	<u>1,093</u>

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	4,900	4,300
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		4,900	4,300
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(539)	(33)
Adjust for non cash items:			
Depreciation & Amortisation		5,369	5,911
Net Losses/(Gains) on Disposal of Assets		170	22
Share of Net (Profits) or Losses of Associates/Joint Ventures		4	(20)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		187	706
Increase/(Decrease) in Provision for Doubtful Debts		(5)	3
Decrease/(Increase) in Inventories		240	(309)
Decrease/(Increase) in Other Assets		(23)	(1)
Increase/(Decrease) in Payables		460	(223)
Increase/(Decrease) in accrued Interest Payable		(1)	(1)
Increase/(Decrease) in other accrued Expenses Payable		12	20
Increase/(Decrease) in Other Liabilities		(197)	208
Increase/(Decrease) in Employee Leave Entitlements		22	65
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		5,699	6,348
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit Cards / Purchase Cards		61	40
Total Financing Arrangements		61	40
(ii) Secured Loan Liabilities			
Loans are secured by a mortgage over future years Rate Revenue only.			

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(a) Capital Commitments (exclusive of GST)			
Nil			
(b) Finance Lease Commitments			
Nil			
(c) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		18	23
Later than one year and not later than 5 years		17	15
Total Non Cancellable Operating Lease Commitments		35	38

b. Non Cancellable Operating Leases include the following assets:

Council utilises computer and copier equipment assets under operating lease.

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment Property Commitments

Nil

(e) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 13a. Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>(1,940)</u>	-12.21%	-3.51%	7.44%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	15,884			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(less ALL Grants & Contributions)</u>	<u>11,071</u>	63.41%	59.80%	49.19%
Total continuing operating revenue ⁽¹⁾	17,459			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>9,254</u>	4.92 : 1	6.05	5.18
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>1,881</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>3,490</u>	24.93	32.84	57.83
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>140</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
<u>Rates, Annual and Extra Charges Outstanding</u>	<u>629</u>	8.09%	10.19%	9.05%
Rates, Annual and Extra Charges Collectible	<u>7,771</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>20,400</u>	18.76	18.89	16.90
Payments from cash flow of operating and financing activities	<u>1,087</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

⁽³⁾ Refer to Note 10(a).

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

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2014	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	36.50%	39.24%	-23.34%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: 21.27%	10.93%	-7.51%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(less ALL Grants & Contributions)</u>	98.69%	98.45%	56.42%
Total continuing operating revenue ⁽¹⁾			
	prior period: 98.73%	98.47%	52.40%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions ⁽²⁾</u>	89.15 : 1	20.26 : 1	4.96 : 1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 351.46	1844.33	6.05
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	0.00	0.00	15.59
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	prior period: 0.00	0.00	26.29
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	9.81%	12.38%	7.39%
Rates, Annual and Extra Charges Collectible			
	prior period: 10.88%	12.62%	9.80%
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents including All Term Deposits			
<u>Payments from cash flow of operating and financing activities</u> x12	30.65	68.47	14.94
	prior period: Not Available	Not Available	14.18

Notes

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

(5) General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 14. Investment Properties

\$ '000

Council has not classified any Land or Buildings as "Investment Properties"

Note 15. Financial Risk Management

Risk Management

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

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

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

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	4,900	4,300	4,900	4,300
Investments				
- "Held to Maturity"	15,500	16,200	15,500	16,200
Receivables	1,867	2,049	1,867	2,049
Total Financial Assets	22,267	22,549	22,267	22,549
Financial Liabilities				
Payables	1,303	908	1,303	908
Loans / Advances	921	1,000	921	1,000
Total Financial Liabilities	2,224	1,908	2,224	1,908

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & loss"** or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and it's staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2014				
Possible impact of a 1% movement in Interest Rates	200	200	(200)	(200)
2013				
Possible impact of a 1% movement in Interest Rates	205	205	(205)	(205)

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & Fees.

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

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

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

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

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

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

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

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	73%	40%	75%	52%
Overdue	27%	60%	25%	48%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Ageing of Receivables - value				
Current (not yet overdue)	402	541	169	729
Past due by more than 90 days	147	799	498	680
	<u>549</u>	<u>1,340</u>	<u>667</u>	<u>1,409</u>
(iii) Movement in Provision for Impairment of Receivables			2014	2013
Balance at the beginning of the year			27	24
+ new provisions recognised during the year			-	3
- amounts provided for but recovered during the year			(5)	-
Balance at the end of the year			<u>22</u>	<u>27</u>

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Trade/Other Payables	11	1,292	-	-	-	-	-	1,303	1,303
Loans & Advances	-	140	130	103	100	100	532	1,105	921
Total Financial Liabilities	11	1,432	130	103	100	100	532	2,408	2,224
2013									
Trade/Other Payables	8	900	-	-	-	-	-	908	908
Loans & Advances	-	144	144	144	144	144	736	1,456	1,000
Total Financial Liabilities	8	1,044	144	144	144	144	736	2,364	1,908

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	1,303	0.0%	908	0.0%
Loans & Advances - Fixed Interest Rate	921	6.6%	1,000	6.8%
	<u>2,224</u>		<u>1,908</u>	

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 25 June 2013.

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

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual :

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

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	7,180	6,975	(205)	(3%)	U
User Charges & Fees	2,588	2,679	91	4%	F
Interest & Investment Revenue	843	809	(34)	(4%)	U
Other Revenues	390	608	218	56%	F
This additional income was due to partial recoupment of Council's failed investment money.					
Operating Grants & Contributions	5,893	4,813	(1,080)	(18%)	U
The Financial Assistance Grants were being paid in advance however this practice was ceased during the year.					
Capital Grants & Contributions	1,185	1,575	390	33%	F
\$850,000 in Capital Grant money was offered to Council during the financial year for the construction of a heavy vehicle by pass.					

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	6,774	6,618	156	2%	F
Borrowing Costs	67	61	6	9%	F
Materials & Contracts	3,559	3,462	97	3%	F
Depreciation & Amortisation	5,137	5,369	(232)	(5%)	U
Other Expenses	2,190	2,314	(124)	(6%)	U
Net Losses from Disposal of Assets	2	170	(168)	(8400%)	U
Water assets that were replaced during the year were written off. Road surfaces that were resealed were written off.					
Share of Net Losses - Joint Ventures & Associates	-	4	(4)	0%	U
Council's net share of the Macquarie Regional Library decreased and this was not budgeted for.					
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	4,166	5,699	1,533	36.8%	F
\$850,000 in Capital Grant money was received by Council during the financial year for the construction of a heavy vehicle by pass. This income was not budgeted for. Some maintenance work was not completed.					
Cash Flows from Investing Activities	(5,160)	(5,020)	140	(2.7%)	F
Cash Flows from Financing Activities	(76)	(79)	(3)	3.9%	U

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	5	-	-	-	-	-	5	-	-	5	-
Roads	5	-	-	1	-	-	5	-	-	5	-
Open Space	16	-	-	-	-	-	16	-	-	16	-
S94 Contributions - under a Plan	25	-	-	1	-	-	26	-	-	26	-
Total S94 Revenue Under Plans	25	-	-	1	-	-	26				-
S64 Contributions	191	-	-	7	-	-	198				
Total Contributions	216	-	-	8	-	-	224	-	-	26	-

S94 CONTRIBUTIONS - UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	5	-	-	-	-	-	5	-	-	5	-
Roads	5	-	-	1	-	-	5	-	-	5	-
Open Space	16	-	-	-	-	-	16	-	-	16	-
Total	25	-	-	1	-	-	26	-	-	26	-

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iv) Other Guarantees

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

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

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

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

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

(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

(ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

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

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

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

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

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

Associated Entities & Joint Venture Entities

Note 19(a)(i)&(ii)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself.

Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Accounting Recognition:

(i) Associated Entities and Joint Venture Entities as per Notes 19(a)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Associated Entities	-	-	-	-
Joint Venture Entities	(4)	20	209	213
Total	(4)	20	209	213

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

(a) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2014	2013
Macquarie Regional Library	Provision of Library Services	209	213
Total Carrying Amounts - Joint Venture Entities		209	213

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Macquarie Regional Library	14%	14%	14%	14%	14%	14%

(c) Movement in Carrying Amounts

	Macquarie Regional Library	
	2014	2013
Opening Balance	213	193
Share in Operating Result	(4)	20
Council's Equity Share in the Joint Venture Entity	209	213

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2014					
Macquarie Regional Library	188	114	89	4	209
Totals	188	114	89	4	209
2013					
Macquarie Regional Library	195	122	101	3	213
Totals	195	122	101	3	213

(e) Share of Joint Ventures Revenues, Expenses & Results

	2014			2013		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Macquarie Regional Library	347	351	(4)	349	329	20
Totals	347	351	(4)	349	329	20

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		118,672	119,300
a. Changes in Accounting Policies (prior period effects)	20 (d)	-	(595)
b. Net Operating Result for the Year		(539)	(33)
Balance at End of the Reporting Period		118,133	118,672
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		35,143	34,522
Total		35,143	34,522
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		34,522	34,908
- Revaluations for the year	9(a)	621	(386)
- Balance at End of Year		35,143	34,522
TOTAL VALUE OF RESERVES		35,143	34,522
(iii) Nature & Purpose of Reserves			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Correction of Error/s relating to a Previous Reporting Period			
Council made no correction of errors during the current reporting period.			
(d) Voluntary Changes in Accounting Policies			
- At present, accounting for fire fighting equipment is not treated in a consistent manner across all Councils. Until such time as discussions on this matter have concluded and the legislations changed, Council will exclude the assets, their values and depreciation charges from these financial statements as at the 30th June 2013. Refer to Note 1(o)			
- Property, Plant & Equipment - Bushfire Equipment		(2,720)	
- Accumulated Depreciation - Bushfire Equipment			2,124
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in Accounting Policy have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/12 (relating to adjustments for the 30/6/12 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30/6/13 (relating to adjustments for the 30/6/13 year end)		-	(595)
Total Prior Period Adjustments - Accounting Policy Changes		-	(595)

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
	Water	Sewer	General ¹
Continuing Operations			
Income from Continuing Operations			
Rates & Annual Charges	411	905	5,659
User Charges & Fees	1,069	276	1,334
Interest & Investment Revenue	103	81	625
Other Revenues	4	4	600
Grants & Contributions provided for Operating Purposes	21	20	4,772
Grants & Contributions provided for Capital Purposes	-	-	1,575
Total Income from Continuing Operations	1,608	1,286	14,565
Expenses from Continuing Operations			
Employee Benefits & on-costs			
Borrowing Costs	145	86	6,387
Materials & Contracts	-	-	61
Depreciation & Amortisation	514	275	2,673
Other Expenses	108	357	4,904
Net Losses from the Disposal of Assets	202	64	2,048
Share of interests in Joint Ventures & Associates using the Equity Method	52	-	118
	-	-	4
Total Expenses from Continuing Operations	1,021	782	16,195
Operating Result from Continuing Operations	587	504	(1,630)
 Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	 587	 504	 (3,205)

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

Narromine Shire Council

Notes to the Financial Statements

as at 30 June 2014

Note 21. Financial Result & Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	2,332	3,846	722
Investments	2,431	1,823	9,246
Receivables	591	214	915
Inventories	-	-	713
Other	-	-	28
Non-current assets classified as 'held for sale'	-	-	16
Total Current Assets	5,354	5,883	11,640
Non-Current Assets			
Receivables	11	30	106
Infrastructure, Property, Plant & Equipment	6,669	17,098	110,574
Investments Accounted for using the equity method	-	-	209
Total Non-Current Assets	6,680	17,128	110,889
TOTAL ASSETS	12,034	23,011	122,529
LIABILITIES			
Current Liabilities			
Payables	54	287	1,083
Borrowings	-	-	84
Provisions	-	-	1,862
Total Current Liabilities	54	287	3,029
Non-Current Liabilities			
Borrowings	-	-	837
Provisions	-	-	91
Total Non-Current Liabilities	-	-	928
TOTAL LIABILITIES	54	287	3,957
Net Assets	11,980	22,724	118,572
EQUITY			
Retained Earnings	7,674	8,696	101,763
Revaluation Reserves	4,306	14,028	16,809
Total Equity	11,980	22,724	118,572

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

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

\$ '000	2014	2014	2013	2013
	Current	Non Current	Current	Non Current
(i) Non Current Assets & Disposal Group Assets				
Non Current Assets "Held for Sale"				
Land	16	-	16	-
Total Non Current Assets "Held for Sale"	16	-	16	-
Disposal Group Assets "Held for Sale"				
None				
<u>TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</u>	<u>16</u>	<u>-</u>	<u>16</u>	<u>-</u>

(ii) Details of Assets & Disposal Groups

The asset is ready and available for sale. Local Real Estate Agents are aware that Council has this land available for sale.

(iii) Disposal Group Liabilities**Disposal Group Related Liabilities "Held for Sale"**

Nil

\$ '000	Assets "Held for Sale"	
	2014	2013
(iv) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations		
Opening Balance	16	16
Balance still unsold after 12 months:	16	16
Closing Balance of "Held for Sale" Non Current Assets & Operations	16	16

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 23. Events occurring after the Reporting Date

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2014) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 20/10/14.

Events that occur after the Reporting Period represent one of two types:

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

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

Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

Council has various Garbage Centres and Transfer Stations situated around the community. These all have useful lives, which on being reached will result in Council having to reinstate these areas through restoration and remediation works.

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

- the remaining useful lives of these assets being estimated at beyond 20 years and accordingly the effects of discounting the future cash outflows to present values deems the amounts immaterial,
- preliminary estimates of the individual amounts required to undertake the future restoration works do not materially affect either Council's Financial Results or Financial Position as at 30/6/14.

Accordingly, no Provision amounts have been brought to account in these Financial Statements for such future Reinstatement & Restoration Costs.

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment

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

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

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

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

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

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

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/14	-	-	3,538	3,538
Office Equipment	30/06/14	-	-	116	116
Furniture & Fittings	30/06/14	-	-	105	105
Operational Land	30/06/13	-	-	4,389	4,389
Community Land	30/06/13	-	-	1,081	1,081
Land under Roads	30/06/14	-	-	63	63
Buildings - Non Specialised	30/06/13	-	-	2,950	2,950
Buildings - Specialised	30/06/13	-	-	17,206	17,206
Other Structures	30/06/14	-	-	1,416	1,416
Roads	30/06/10	-	-	58,538	58,538
Bridges	30/06/10	-	-	6,161	6,161
Footpaths	30/06/10	-	-	1,853	1,853
Stormwater Drainage	30/06/14	-	-	4,675	4,675
Water Supply Network	30/06/12	-	-	6,060	6,060
Sewerage Network	30/06/12	-	-	16,747	16,747
Swimming Pools	30/06/14	-	-	1,688	1,688
Other Open Space/Recreational Assets	30/06/14	-	-	2,028	2,028
Other Infrastructure	30/06/14	-	-	427	427
Aerodrome	30/06/14	-	-	4,214	4,214
Total Infrastructure, Property, Plant & Equipment		-	-	133,255	133,255

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

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

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (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 2 and Level 3 inputs are as follows:

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

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

- Plant and Equipment - Graders, trucks, rollers, tractors, mowers and motor vehicles.
- Office Equipment - Computer Servers, surveillance equipment, Software, photocopiers, radio equipment etc.
- Furniture & Fittings - Desks, Cabinets, Ergonomic chairs

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

Operational & Community Land & Land under Roads

Operational & Community Land are based on the Land Value provided by an external Valuer in 2013. It is based on average unit rate based on the Land Value for similar properties, having regard to the highest and best use for the land. Operational Land is based on the Valuer land value of the actual market values in the Narromine Shire LGA. Land under Roads is the actual market purchase price of such land made by Council in 2014. As these rates were not considered to be observable market evidence they have been classified a Level 3.

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

Buildings - Non-Specialised & Specialised

Non-Specialised & Specialised Buildings values were provided by an external Valuer in 2013. 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 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.

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

Other Structures

Other Structures comprise of Telemetry Systems, and components related to Cemetery, sale yards, water facilities, and the family day care etc.

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

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

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Roads

Roads comprise road formation, Pavement and Seal, as well as kerb & gutter, and Road furniture. The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

This Class is to be externally revalued in early 2015.

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

Bridges

Bridges were valued in-house based on actual costs where known or estimates based on like structures. While all bridges were physically inspected and unit rates based on square metres were used there was no reliable market evidence (Level 2) as other inputs (such as estimates of residual value and pattern of consumption) require extensive professional judgement that impacts significantly on the final determination of fair value.

This Class is to be externally revalued in early 2015.

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

Footpaths

Assets in this class include Footpaths as well as Cycleways. Footpaths and cycleways were valued in-house based on actual costs where known or estimates based on material and cost per square metre of Footpath. Footpaths are inspected annually and condition assessed. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

This Class is to be externally revalued in early 2015.

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

Stormwater Network

Assets within this class comprise Culverts, pits and underground stormwater pipes.

These assets were valued in-house based on actual costs where known or estimates based on material, size, condition, and linear length and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally Council's registry was missing quite a few assets in this class and they have been included with a zero value on this occasion awaiting external valuation in 2015.

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

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Water Supply Network

Assets in this class comprise of pipes, valves, pumps, bores, and reservoirs. The Water Network values were provided by an external Valuer in 2012.

The unit rates are based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

This asset class are indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

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

Sewerage Network

Assets in this class comprise of Treatment Plants, Pumping stations, sewerage pipelines and Manholes. The Sewerage Network values were provided by an external Valuer in 2012.

The unit rates are based on linear metres of certain diameter pipes and prices per treatment item or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

This asset class are indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

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

Open Space Recreation

Assets within this class comprise playground equipment, softfall surfaces, shade structures, irrigation, fencing, lighting, furniture, sculptures and monuments etc.

All assets were valued in-house based on actual costs where known or estimates based on material, size, condition, and linear length and prices per item or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Swimming Pools

Assets within this class comprise the 50m 8 lane outdoor pool, and childrens pool at Narromine, and the 25m outdoor pool at Trangie with associated furniture, filtration systems etc.

All assets were valued in-house based on actual costs where known or estimates based on material, size, condition, and linear length and prices per item or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)**Aerodrome**

Assets within this class comprise the Aerodrome sealed runways at Narromine, and the unsealed airstrip at Trangie along with associated furniture, signage, lighting, fencing, and control structures.

All assets were valued in-house based on actual costs where known or estimates based on material, size, condition, and linear length and prices per item or if similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

(4). Fair value measurements using significant unobservable inputs (Level 3)**a. The following tables present the changes in Level 3 Fair Value Asset Classes.**

	Plant & Equipment	Office Equipment	Furniture & Fittings	Operational Land	Total
Closing Balance - 30/6/13	3,519	107	123	4,389	8,138
Purchases (GBV)	811	13	-	-	824
Disposals (WDV)	(224)	-	-	-	(224)
Depreciation & Impairment	(568)	(4)	(18)	-	(590)
Closing Balance - 30/6/14	3,538	116	105	4,389	8,148

	Community Land	Land Under Roads	Buildings - Non Specialised	Buildings - Specialised	Total
Closing Balance - 30/6/13	976	-	3,080	17,497	21,553
Purchases (GBV)	104	63	43	318	528
Depreciation & Impairment	-	-	(173)	(609)	(782)
Closing Balance - 30/6/14	1,081	63	2,950	17,206	21,299

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

	Other Structures	Roads	Bridges	Footpaths	Total
Closing Balance - 30/6/13	1,434	58,307	6,266	1,906	67,913
Purchases (GBV)	42	3,066	-	50	3,158
Disposals (WDV)	-	(156)	-	-	(156)
Depreciation & Impairment	(60)	(2,678)	(105)	(104)	(2,947)
Closing Balance - 30/6/14	1,416	58,538	6,161	1,853	67,968
	Stormwa-ter Drainage	Water Supply Network	Sewerage Network	Swimming Pools	Total
Closing Balance - 30/6/13	4,621	5,641	16,252	1,701	28,215
Purchases (GBV)	210	398	379	28	1,015
Disposals (WDV)	-	(52)	-	-	(52)
Depreciation & Impairment	(156)	(92)	(340)	(41)	(629)
Revaluation - Indexation	-	165	456	-	621
Closing Balance - 30/6/14	4,675	6,060	16,747	1,688	29,170
	Other Open Space/Re-creational	Other Infrastru-cture	Aerodrome	Total	
Closing Balance - 30/6/13	1,998	421	4,511	6,930	
Purchases (GBV)	138	23	-	161	
Disposals (WDV)	-	-	-	-	
Depreciation & Impairment	(107)	(17)	(297)	(421)	
Closing Balance - 30/6/14	2,028	427	4,214	6,670	

b. Information relating to the transfers into and out of the Level 3 Fair Valuation hierarchy (as disclosed in the Table above) includes:

No Transfers were made in or out of the Level 3 Fair Value Hierarchy

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. 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.

Class	Fair Value (30/6/14) \$'000	Valuation -on Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Plant & Equipment	3,538	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1 to 15 years • 0% to 40% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Office Equipment	116	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1 to 20 years • 0% to 50% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Furniture & Fittings	105	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1 to 20 years • 0% to 50% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Operational Land	4,389	Level 3	•Land Value	• \$1 - \$500 (per square metre)	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.
Community Land	1,081	Level 3	•Land Value	• \$1 - \$500 (per square metre)	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.
Land Under Roads	63	Level 3	•Land Value	• Purchase cost (per square metre)	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

Class	Fair Value (30/6/14) \$'000	Valuation -on Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Buildings Non-Specialised	2,950	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Asset Condition •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1(As new)- 5(Very Poor) • 5 to 50 years • 0% to 70% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Buildings Specialised	17,206	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Asset Condition •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1(As new)- 5(Very Poor) • 5 to 50 years • 0% to 70% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Other Structures	1,416	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Asset Condition •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1(As new)- 5(Very Poor) • 1 to 50 years • 0% to 60% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Roads	58,538	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Asset Condition •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1(As new)- 5(Very Poor) • 1 to 50 years • 0% to 95% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Footpaths	1,853	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Asset Condition •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1(As new)- 5(Very Poor) • 2 to 100 years • 0% to 5% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Bridges	6,161	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Asset Condition •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1(As new)- 5(Very Poor) • 1 to 50 years • 10% to 60% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Stormwater Network	4,675	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Asset Condition •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1(As new)- 5(Very Poor) • 1 to 50 years • 0% to 70% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement

Narromine Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Water Supply Network	6,060	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Asset Condition •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1(As new)- 5(Very Poor) • 1 to 80 years • 0% to 90% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Sewerage Network	16,747	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Asset Condition •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1(As new)- 5(Very Poor) • 1 to 80 years • 0% to 90% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Other Open Space/Recreational Assets	2,028	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Asset Condition •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1(As new)- 5(Very Poor) • 1 to 20 years • 0% to 5% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Swimming Pools	1,688	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Asset Condition •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1(As new)- 5(Very Poor) • 5 to 20 years • 0% to 70% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Other Assets	427	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Asset Condition •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1(As new)- 5(Very Poor) • 1 to 50 years • 0% to 70% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Aerodromes	4,214	Level 3	<ul style="list-style-type: none"> •Gross Replacement Costs •Asset Condition •Remaining useful life of asset •Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 1(As new)- 5(Very Poor) • 5 to 50 years • 0% to 70% 	Any changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement

Narromine Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

d. The Valuation Process for Level 3 Fair Value Measurements

Fair Value- Valuation techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

'Cost Approach': A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost)

Income Approach: Valuation technique that converts future amounts (cash flows inflows/outflows) to signal the current (i.e. discounted) amount.

The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

'Market Approach': A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

(1) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (I.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows: Level 2 valuation process for some asset classes where the basis was Cost Approach under level 2 input which were determined based on, whereby maximising observable inputs and minimising unobservable inputs as below:

- Quoted prices for similar asset in active markets
- Current replacement cost concept
- Purchase price
- Useful life

Level 3 valuation process for some asset classes where the basis was Cost Approach, The inputs used for this technique were:

- Pattern of consumption
- Residual Value
- Asset Condition
- Unit rates
- Useful life

(5). Highest and best use

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

NARROMINE SHIRE COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying general purpose financial statements of Narromine Shire Council, which comprises the Statement of Financial Position as at 30 June 2014, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

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

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

Independence

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

Auditor's Opinion

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial statements:
 - (i) have been presented in accordance with the requirements of this Division;
 - (ii) are consistent with the Council's accounting records;
 - (iii) present fairly the Council's financial position, the results of its operations and its cash flows; and
 - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

HILL ROGERS SPENCER STEER



BRETT HANGER

Partner

Dated at Sydney this 20th day of October 2014

20 October 2014

The Mayor
Narromine Shire Council
124 Dandaloo Street
NARROMINE NSW 2821

Mayor,

Audit Report - Year Ended 30 June 2014

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2014 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Statements of the Council. We have ensured that the financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

I. RESULTS FOR THE YEAR

I.1 Operating Result

The operating result for the year was a deficit of \$539,000 as compared with \$33,000 in the previous year.

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The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	2014	% of	2013	% of	Increase
	\$000	Total	\$000	Total	(Decrease)
					\$000
Revenues before capital items					
Rates & annual charges	6,975	44%	6,636	39%	339
User charges, fees & other revenues	3,287	21%	2,997	18%	290
Grants & contributions provided for operating purposes	4,813	30%	6,506	38%	(1,693)
Interest & investment revenue	809	5%	905	5%	(96)
	15,884	100%	17,044	100%	(1,160)
Expenses					
Employee benefits & costs	6,618	37%	6,178	35%	440
Materials, contracts & other expenses	5,950	33%	5,482	31%	468
Depreciation, amortisation & impairment	5,369	30%	5,911	34%	(542)
Borrowing costs	61	0%	72	0%	(11)
	17,998	100%	17,643	100%	355
Surplus (Deficit) before capital items	(2,114)		(599)		(1,515)
Grants & contributions provided for capital purposes	1,575		566		1,009
Net Surplus (Deficit) for the year	(539)		(33)		(506)
Performance Measures	2014		2013		
Operating Performance	-12.21%		-3.51%		
Own Source Operating Revenue	63.41%		59.80%		

The table above shows an overall decrease from the previous year of \$506,000 and can be primarily attributed to decreased revenue from grants and contributions compared to the previous year. As part of the financial assistance grant was prepaid in previous years, the amount received in 2013/14 was \$1.931 million compared to \$3.603 million in the previous year.

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2014, this indicator was -12.21% and was below the benchmark of 0%.

Own Source Operating Revenue measures the degree of reliance on external funding sources such as grants and contributions. For 2014, this indicator was 63.41% and exceeded the benchmark of 60%.

1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the year which is illustrated in the table below.

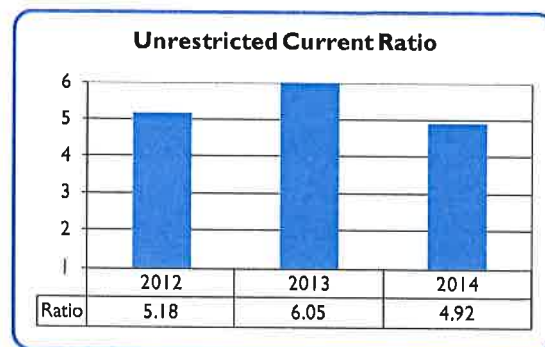
	2014	2013
	\$000	\$000
Funds were provided by:-		
Operating Result (as above)	(539)	(33)
Add back non funding items:-		
- Depreciation, amortisation & impairment	5,369	5,911
- Book value of non-current assets sold	432	565
- (Surplus)/Deficit in joint ventures	4	(20)
	<u>5,266</u>	<u>6,423</u>
New loan borrowings	0	25
Transfers from internal reserves (net)	2,120	115
Net Changes in current/non-current assets & liabilities	20	49
	<u>7,406</u>	<u>6,612</u>
Funds were applied to:-		
Purchase and construction of assets	(6,041)	(4,689)
Principal repaid on loans	(79)	(92)
Transfers to externally restricted assets (net)	(934)	(1,467)
	<u>(7,054)</u>	<u>(6,248)</u>
Increase/(Decrease) in Available Working Capital	352	364

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$7.373 million representing a factor of 4.92 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$2.705 million as detailed below;

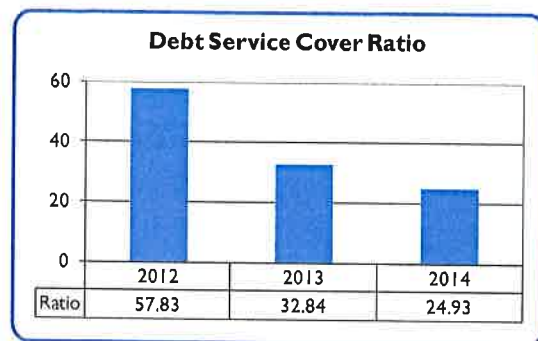
	2014	2013	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	19,507	20,373	(866)
Add: Payables & provisions not expected to be realised in the next 12 months included above	808	791	17
Adjusted Net Current Assets	20,315	21,164	(849)
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	84	80	4
- Employees leave entitlements	725	717	8
- Deposits & retention moneys	11	8	3
Less: Externally restricted assets	(12,942)	(12,008)	(934)
Less: Internally restricted assets	(5,488)	(7,608)	2,120
Available Working Capital as at 30 June	2,705	2,353	352

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was sound.

2.3 Debt

After repaying principal and interest of \$140,000, total debt as at 30 June 2014 stood at \$921,000 (2013 - \$1 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2014, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 24.93 to 1.



2.4 Summary

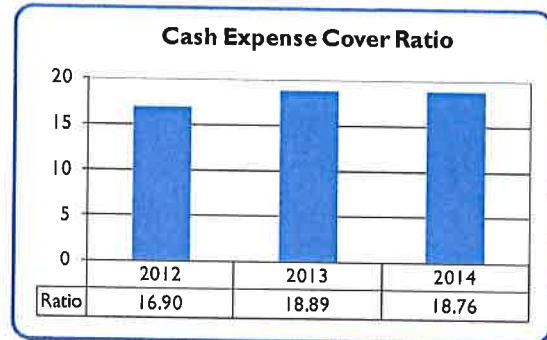
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

3. CASH ASSETS

3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

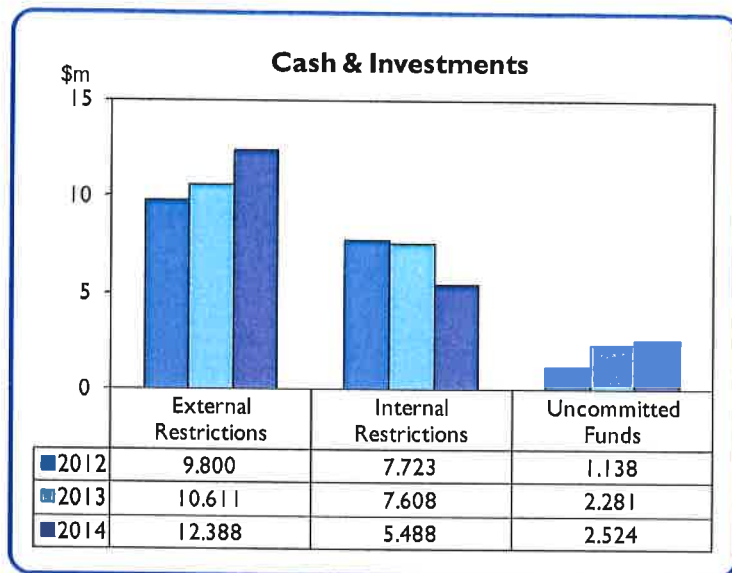
For 2014, this ratio stood at 18.76 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$20.4 million at 30 June 2014 as compared with \$20.5 million in 2013 and \$18.661 million in 2012.

The chart alongside summarises the purposes for which cash and investments securities were held.



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consist of unexpended loans, grants and contributions (\$1.837 million), domestic waste funds (\$728,000) and water and sewerage funds (\$9.823 million).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$5.488 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$2.524 million.

3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash increased by \$600,000 to \$4.9 million at the close of the year.

In addition to operating activities which contributed net cash of \$5.699 million were the proceeds from the sale of investment securities (\$38.2 million) and sale of assets (\$262,000). Cash outflows other than operating activities were used to purchase investment securities (\$37.5 million), repay borrowings (\$79,000) and to purchase and construct assets (\$5.982 million).

4. RECEIVABLES

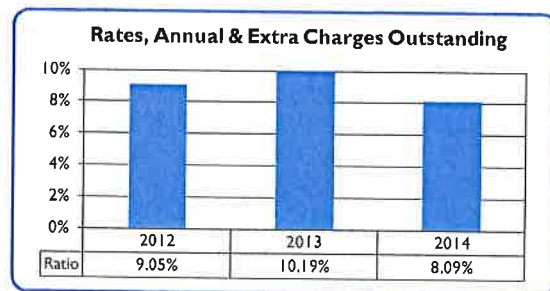
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$6.975 million and represented 40% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$7.625 million of which \$7.089 million (93%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$629,000 at the end of the year and represented 8.09% of those receivables.



4.3 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$1.238 million and included amounts due from other levels of government of \$392,000 and user charges amounting to \$454,000.

5. PAYABLES

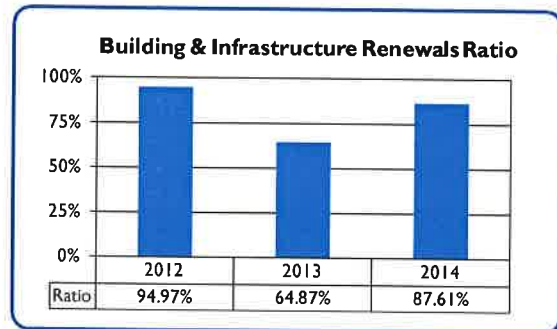
Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$1.953 million. Internally restricted cash and investments of \$560,000 was held representing 29% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

6. BUILDING AND INFRASTRUCTURE RENEWALS

The Building and Infrastructure Renewals ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

Special Schedule No. 7 discloses that asset renewals for 2014 represented 88% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 4 June 2014. This included our recommendations on possible ways to strengthen and/or improve procedures and management's comments and proposed actions.

8. CONCLUSION

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,

HILL ROGERS SPENCER STEER

BRETT HANGER

Partner

Narromine Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

*To enhance our Shire's image, lifestyle and environment through
effective leadership, community involvement and commitment to service.*



Narromine Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

Contents	Page
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2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	3
Income Statement - Sewerage Business Activity	4
Income Statement - Other Business Activities	n/a
Statement of Financial Position - Water Supply Business Activity	5
Statement of Financial Position - Sewerage Business Activity	6
Statement of Financial Position - Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
4. Auditor's Report	16

Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division 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 & 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 over \$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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

Narromine Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

Statement by Councillors and Management

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

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


- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".


To the best of our knowledge and belief, these Financial Statements:


- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 08 October 2014.


 Bill McAnally
 MAYOR


 Susan McCutcheon
 COUNCILLOR


 Greg Lamont
 GENERAL MANAGER


 Yvonne Clarke
 RESPONSIBLE ACCOUNTING OFFICER

Narromine Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	411	381
User charges	1,062	1,049
Fees	7	5
Interest	103	113
Interest - Internal Loan to General Fund	11	
Grants and contributions provided for non capital purposes	21	20
Profit from the sale of assets	-	-
Other income	18	2
Total income from continuing operations	1,633	1,570
Expenses from continuing operations		
Employee benefits and on-costs	144	111
Borrowing costs	-	-
Materials and contracts	746	717
Depreciation and impairment	108	207
Water purchase charges	-	-
Loss on sale of assets	52	-
Other expenses	202	201
Total expenses from continuing operations	1,252	1,236
Surplus (deficit) from Continuing Operations before capital amounts	381	334
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	381	334
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	381	334
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(114)	(100)
SURPLUS (DEFICIT) AFTER TAX	267	234
plus Opening Retained Profits	7,431	7,101
plus/less: Prior Period Adjustments	(38)	(4)
plus Adjustments for amounts unpaid:		
- Corporate taxation equivalent	114	100
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	7,774	7,431
Return on Capital %	5.7%	5.2%
Subsidy from Council	-	-
Calculation of dividend payable:		
Surplus (deficit) after tax	267	234
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	267	234
Potential Dividend calculated from surplus	133	117

Narromine Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	905	854
User charges	257	256
Liquid Trade Waste charges	17	15
Fees	2	2
Interest	81	89
Interest - Internal Loan to General Fund	15	
Grants and contributions provided for non capital purposes	20	19
Other income	4	9
Total income from continuing operations	1,301	1,244
Expenses from continuing operations		
Employee benefits and on-costs	86	84
Borrowing costs	-	-
Materials and contracts	588	563
Depreciation and impairment	357	397
Other expenses	64	64
Total expenses from continuing operations	1,095	1,108
Surplus (deficit) from Continuing Operations before capital amounts	206	136
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	206	136
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	206	136
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(62)	(41)
SURPLUS (DEFICIT) AFTER TAX	144	95
plus Opening Retained Profits	8,670	8,725
plus/less: Prior Period Adjustments	(22)	(191)
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	62	41
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	8,855	8,670
Return on Capital %	1.2%	0.8%
Subsidy from Council	403	499
Calculation of dividend payable:		
Surplus (deficit) after tax	144	95
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	144	95
Potential Dividend calculated from surplus	72	48

Narromine Shire Council

Statement of Financial Position - Council's Water Supply Business Activity
as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	2,332	1,789
Investments	2,431	2,431
Receivables	691	885
Inventories	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	5,454	5,105
Non-Current Assets		
Receivables	11	11
Infrastructure, property, plant and equipment	6,669	6,469
Total non-Current Assets	6,680	6,480
TOTAL ASSETS	12,134	11,585
LIABILITIES		
Current Liabilities		
Payables	54	13
Total Current Liabilities	54	13
Non-Current Liabilities		
Payables	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	54	13
NET ASSETS	12,080	11,572
EQUITY		
Retained earnings	7,774	7,431
Revaluation reserves	4,306	4,141
Council equity interest	12,080	11,572
Non-controlling equity interest	-	-
TOTAL EQUITY	12,080	11,572

Narromine Shire Council

Statement of Financial Position - Council's Sewerage Business Activity
as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	3,846	3,352
Investments	1,823	1,823
Receivables	373	424
Total Current Assets	6,042	5,599
Non-Current Assets		
Receivables	30	28
Infrastructure, property, plant and equipment	17,098	16,618
Total non-Current Assets	17,128	16,646
TOTAL ASSETS	23,170	22,245
LIABILITIES		
Current Liabilities		
Payables	287	3
Total Current Liabilities	287	3
Non-Current Liabilities		
Payables	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	287	3
NET ASSETS	22,883	22,242
EQUITY		
Retained earnings	8,855	8,670
Revaluation reserves	14,028	13,572
Council equity interest	22,883	22,242
Non-controlling equity interest	-	-
TOTAL EQUITY	22,883	22,242

Narromine Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	8
2	Water Supply Business Best Practice Management disclosure requirements	11
3	Sewerage Business Best Practice Management disclosure requirements	13

Narromine Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

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

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

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

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

Declared Business Activities

In accordance with *Pricing & 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)

Nil

Category 2

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

a. Narromine Shire Council Water Supply

Comprising the whole of the operations and net assets of the water supply activities of Council servicing the towns of Narromine, Trangie, and Tomingley.

b. Narromine Shire Council Sewerage Service

Comprising the whole of the operations and net assets of the sewerage reticulation and treatment activities of Council servicing the towns of Narromine and Trangie.

Monetary Amounts

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

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

Narromine Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – **30%**

Land Tax – The first **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

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

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

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

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

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

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

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

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

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

Local Government Rates & Charges

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

Loan & 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 the council's borrowing rate for its business activities.

Narromine Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

(ii) 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.

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

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.56% at 30/6/14.

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

(iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2014 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Narromine Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014Note 2. Water Supply Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i) Calculated Tax Equivalents	-
(ii) No of assessments multiplied by \$3/assessment	6,687
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv) Amounts actually paid for Tax Equivalents	-

2. Dividend from Surplus

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	133,350
(ii) No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	66,870
(iii) Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	606,200

2014 Surplus	266,700	2013 Surplus	233,800	2012 Surplus	105,700
		2013 Dividend	-	2012 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	66,870
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 6 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i) Completion of Strategic Business Plan (including Financial Plan)	YES
(ii) Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
- Complying charges [Item 2(b) in Table 1]	YES
- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	
(iii) Sound Water Conservation and Demand Management implemented	YES
(iv) Sound Drought Management implemented	YES
(v) Complete Performance Reporting Form (by 15 September each year)	YES
(vi) a. Integrated Water Cycle Management Evaluation	YES
b. Complete and implement Integrated Water Cycle Management Strategy	YES

Narromine Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014Note 2. Water Supply Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	1,520
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	74.27%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	6,643
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,092
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	406
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	4.80%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Narromine Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i) Calculated Tax Equivalents	-
(ii) No of assessments multiplied by \$3/assessment	6,174
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv) Amounts actually paid for Tax Equivalents	-

2. Dividend from Surplus

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	72,100
(ii) No. of assessments x (\$30 less tax equivalent charges per assessment)	61,740
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	299,600

2014 Surplus	144,200	2013 Surplus	95,200	2012 Surplus	60,200
		2013 Dividend	-	2012 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	61,740
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	

3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i) Completion of Strategic Business Plan (including Financial Plan)	YES
(ii) Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
Complying charges	
(a) Residential [Item 2(c) in Table 1]	YES
(b) Non Residential [Item 2(c) in Table 1]	YES
(c) Trade Waste [Item 2(d) in Table 1]	YES
DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii) Complete Performance Reporting Form (by 15 September each year)	YES
(iv) a. Integrated Water Cycle Management Evaluation	NO
b. Complete and implement Integrated Water Cycle Management Strategy	NO

Narromine Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	1,205
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	17,091
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	976
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	379
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	0.71%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

**National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)**

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	2,725
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.50%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	785
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	1.86%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Narromine Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-29.84%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 441 Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: - 210 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		> 100
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	587
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	41

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

NARROMINE SHIRE COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying special purpose financial statements of Narromine Shire Council, which comprises the Statement of Financial Position as at 30 June 2014, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Division of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and, accordingly, no opinion is expressed on these disclosures.

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

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Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

Independence

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

Auditor's Opinion

In our opinion, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

HILL ROGERS SPENCER STEER



BRETT HANGER

Partner

Dated at Sydney this 20th day of October 2014

Narromine Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2014

To enhance our Shire's image, lifestyle and environment through effective leadership, community involvement and commitment to service.



Narromine Shire Council

Special Schedules

for the financial year ended 30 June 2014

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¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

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

Narromine Shire Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	631	-	-	(631)
Administration	2,793	432	-	(2,361)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	370	165	-	(205)
Animal Control	166	51	-	(115)
Total Public Order & Safety	536	216	-	(320)
Health	185	122	-	(63)
Environment				
Noxious Plants and Insect/Vermin Control	183	71	-	(112)
Solid Waste Management	1,116	1,349	-	233
Street Cleaning	182	-	-	(182)
Stormwater Management	210	-	-	(210)
Total Environment	1,691	1,420	-	(271)
Community Services and Education				
Administration & Education	1	-	-	(1)
Social Protection (Welfare)	1	-	-	(1)
Aged Persons and Disabled	4	-	-	(4)
Children's Services	841	830	-	(11)
Total Community Services & Education	847	830	-	(17)
Housing and Community Amenities				
Public Cemeteries	99	48	-	(51)
Public Conveniences	68	-	20	(48)
Street Lighting	144	-	-	(144)
Town Planning	301	129	-	(172)
Other Community Amenities	-	-	4	4
Total Housing and Community Amenities	612	177	24	(411)
Water Supplies	1,021	1,608	-	587
Sewerage Services	782	1,286	-	504

Narromine Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	427	31	-	(396)
Museums	4	-	142	138
Community Centres and Halls	37	-	-	(37)
Other Performing Arts	7	-	-	(7)
Sporting Grounds and Venues	179	-	35	(144)
Swimming Pools	335	74	-	(261)
Parks & Gardens (Lakes)	654	-	-	(654)
Other Sport and Recreation	401	55	-	(346)
Total Recreation and Culture	2,044	160	177	(1,707)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Other Mining, Manufacturing & Construction	334	121	-	(213)
Total Mining, Manufacturing and Const.	334	121	-	(213)
Transport and Communication				
Urban Roads (UR) - Local	763	-	850	87
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	1,546	525	-	(1,021)
Sealed Rural Roads (SRR) - Regional	914	1,049	400	535
Unsealed Rural Roads (URR) - Local	1,082	-	-	(1,082)
Bridges on Regional Roads	106	-	-	(106)
Parking Areas	14	-	-	(14)
Footpaths	117	-	-	(117)
Aerodromes	567	97	-	(470)
Other Transport & Communication	975	349	124	(502)
Total Transport and Communication	6,084	2,020	1,374	(2,690)
Economic Affairs				
Other Economic Affairs	434	335	-	(99)
Total Economic Affairs	434	335	-	(99)
Totals – Functions	17,994	8,727	1,575	(7,692)
General Purpose Revenues ⁽²⁾		7,157		7,157
Share of interests - joint ventures & associates using the equity method	4	-		(4)
NET OPERATING RESULT ⁽¹⁾	17,998	15,884	1,575	(539)

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Narromine Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Other State Government	2	21	23	-	3	-	-	2	2	18	20
Financial Institutions	78	899	977	-	76	-	-	59	82	819	901
Total Loans	80	920	1,000	-	79	-	-	61	84	837	921
Total Debt	80	920	1,000	-	79	-	-	61	84	837	921

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

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

Narromine Shire Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2014

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	1,270	196	260
Totals	1,270	196	260

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
General Fund	Water Fund	17/08/04	30/06/06	10	30/06/16	6.50%	750	122	101
General Fund	Sewer Fund	05/01/11	30/06/12	10	30/06/15	7.00%	520	74	159
Totals							1,270	196	260

Narromine Shire Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	363	181
b. Engineering and Supervision	101	198
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	90
d. Maintenance expenses	190	191
- Reservoirs		
e. Operation expenses	-	10
f. Maintenance expenses	29	12
- Pumping Stations		
g. Operation expenses (excluding energy costs)	13	98
h. Energy costs	183	132
i. Maintenance expenses	130	32
- Treatment		
j. Operation expenses (excluding chemical costs)	22	49
l. Maintenance expenses	34	-
- Other		
m. Operation expenses	18	23
n. Maintenance expenses	9	-
3. Depreciation expenses		
a. System assets	101	203
b. Plant and equipment	7	4
4. Miscellaneous expenses		
c. Other expenses	52	13
5. Total expenses	1,252	1,236

Narromine Shire Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges		
a. Access (including rates)	368	316
b. Usage charges	1,062	667
7. Non-residential charges		
a. Access (including rates)	43	65
b. Usage charges	-	382
8. Extra charges	7	5
9. Interest income	113	108
10. Other income	19	7
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	21	20
12. Contributions		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	<u>1,633</u>	<u>1,570</u>
14. Gain (or loss) on disposal of assets	-	-
15. Operating Result	<u>381</u>	<u>334</u>
15a. Operating Result (less grants for acquisition of assets)	381	334

Narromine Shire Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	13	138
b. New Assets for Growth	146	-
c. Renewals	239	171
d. Plant and equipment	8	-
17. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	406	309
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	-	-
22. Transfer from sinking fund	-	-
23. Totals	-	-
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	1,933	1,930
b. Residential (unoccupied, ie. vacant lot)	22	25
c. Non-residential (occupied)	260	260
d. Non-residential (unoccupied, ie. vacant lot)	14	15
25. Number of ETs for which developer charges were received	- ET	- ET
26. Total amount of pensioner rebates (actual dollars)	\$ 18,771	\$ 19,701

Narromine Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> YES	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

Narromine Shire Council

Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	129	-	129
b. Special purpose grants	411	-	411
c. Other	4,223	-	4,223
31. Receivables			
a. Specific purpose grants	219	-	219
b. Rates and Availability Charges	30	11	41
c. User Charges	313	-	313
d. Other	129	-	129
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	6,643	6,643
b. Plant and equipment	-	26	26
34. Other assets	-	-	-
35. Total assets	<u>5,454</u>	<u>6,680</u>	<u>12,134</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	54	-	54
40. Total liabilities	<u>54</u>	<u>-</u>	<u>54</u>
41. NET ASSETS COMMITTED	<u>5,400</u>	<u>6,680</u>	<u>12,080</u>
EQUITY			
42. Accumulated surplus			7,774
43. Asset revaluation reserve			4,306
44. TOTAL EQUITY			<u>12,080</u>
Note to system assets:			
45. Current replacement cost of system assets			16,448
46. Accumulated current cost depreciation of system assets			(9,805)
47. Written down current cost of system assets			<u>6,643</u>

Narromine Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	523	204
b. Engineering and Supervision	125	201
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	5	24
b. Maintenance expenses	36	24
- Pumping Stations		
c. Operation expenses (excluding energy costs)	89	70
d. Energy costs	-	-
e. Maintenance expenses	1	-
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	112	126
g. Chemical costs	-	-
h. Energy costs	62	62
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	11	-
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	12	-
3. Depreciation expenses		
a. System assets	101	394
b. Plant and equipment	7	3
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	12	-
d. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	1,096	1,108

Narromine Shire Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges (including rates)	914	825
7. Non-residential charges		
a. Access (including rates)	(26)	26
b. Usage charges	270	256
8. Trade Waste Charges		
a. Annual Fees	5	5
b. Usage charges	16	15
9. Extra charges	-	10
10. Interest income	97	79
11. Other income	6	9
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	20	19
13. Contributions		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	<u>1,302</u>	<u>1,244</u>
15. Gain (or loss) on disposal of assets	-	-
16. Operating Result	<u>206</u>	<u>136</u>
16a. Operating Result (less grants for acquisition of assets)	206	136

Narromine Shire Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	32	-
b. New Assets for Growth	-	-
c. Renewals	347	107
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	379	107
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	1,755	1,752
b. Residential (unoccupied, ie. vacant lot)	29	32
c. Non-residential (occupied)	260	260
d. Non-residential (unoccupied, ie. vacant lot)	14	15
26. Number of ETs for which developer charges were received	- ET	- ET
27. Total amount of pensioner rebates (actual dollars)	\$ 17,994	\$ 18,939

Narromine Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> YES	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

Narromine Shire Council

Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	69	-	69
b. Other	5,600	-	5,600
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	82	30	112
c. User Charges	105	-	105
d. Other	186	-	186
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	17,091	17,091
b. Plant and equipment	-	7	7
35. Other assets	-	-	-
36. Total Assets	<u>6,042</u>	<u>17,128</u>	<u>23,170</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	287	-	287
39. Borrowings			
a. Loans	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
41. Total Liabilities	<u>287</u>	<u>-</u>	<u>287</u>
42. NET ASSETS COMMITTED	<u>5,755</u>	<u>17,128</u>	<u>22,883</u>
EQUITY			
42. Accumulated surplus			8,855
44. Asset revaluation reserve			14,028
45. TOTAL EQUITY			<u>22,883</u>
Note to system assets:			
46. Current replacement cost of system assets			27,525
47. Accumulated current cost depreciation of system assets			(10,434)
48. Written down current cost of system assets			<u>17,091</u>

Narromine Shire Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2014

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading.
- Bad and doubtful debts.
- Other administrative/corporate support services.

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment Losses (item 4d & 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b Usage Charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) incl. capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Narromine Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Specialised Buildings	150	50	45	2,950	10%	40%	35%	10%	5%
	Non Specialised Buildings	300	250	247	17,206	20%	45%	25%	10%	0%
	sub total	450	300	292	20,156	18.5%	44.3%	26.5%	10.0%	0.7%
Other Structures	Other Structures	50	100	116	1,416	5%	25%	55%	10%	5%
	sub total	50	100	116	1,416	5.0%	25.0%	55.0%	10.0%	5.0%
Roads	Sealed Roads	3,700	1,100	1,100	45,027	5%	20%	55%	15%	5%
	Unsealed Roads	1,200	550	580	8,393	0%	15%	60%	15%	10%
	Bridges	100	20	-	6,161	0%	60%	20%	15%	5%
	Footpaths and Cycleways	50	25	10	1,853	5%	50%	30%	10%	5%
	Kerb and Gutter	125	25	18	5,118	5%	50%	30%	10%	5%
	Other Road Assets	20	70	75	427	10%	15%	50%	15%	10%
	sub total	5,195	1,790	1,783	66,979	3.9%	26.1%	49.8%	14.5%	5.7%
Water Supply Network	Water Supply Network	425	400	407	6,060	5%	20%	60%	15%	0%
	sub total	425	400	407	6,060	5.0%	20.0%	60.0%	15.0%	0.0%
Sewerage Network	Sewerage Network	325	220	208	16,747	5%	20%	55%	15%	5%
	sub total	325	220	208	16,747	5.0%	20.0%	55.0%	15.0%	5.0%

Narromine Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater Drainage	Stormwater Network	125	50	36	4,675	5%	30%	50%	10%	5%
	sub total	125	50	36	4,675	5.0%	30.0%	50.0%	10.0%	5.0%
Open Space/ Recreational Assets	Swimming Pools	40	15	11	1,688	0%	20%	60%	20%	0%
	Open Space Recreational	20	250	265	2,028	5%	25%	45%	20%	5%
	sub total	60	265	276	3,716	2.7%	22.7%	51.8%	20.0%	2.7%
Aerodrome	Aerodrome	200	60	76	4,214	20%	30%	30%	10%	10%
	sub total	200	60	76	4,214	20.0%	30.0%	30.0%	10.0%	10.0%
TOTAL - ALL ASSETS		6,830	3,185	3,194	123,963	7.1%	28.1%	46.6%	13.6%	4.5%

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very Poor	Urgent renewal/upgrading required

Narromine Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	<u>3,874</u>	87.61%	64.87%	94.97%
Depreciation, Amortisation & Impairment	<u>4,422</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>6,830</u>	0.06	0.08	0.05
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>119,749</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>3,194</u>	1.00	0.93	0.88
Required Asset Maintenance	<u>3,185</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>5,609</u>	1.04	0.70	0.99
Annual Depreciation	<u>5,369</u>			

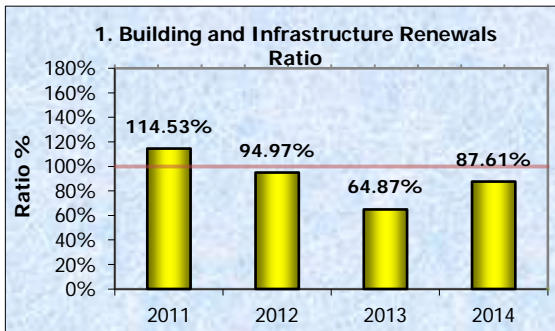
Notes

⁽¹⁾ Asset Renewals represent the replacement &/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. Asset Renewals include building and infrastructure assets only.

⁽²⁾ Written down value

Narromine Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014



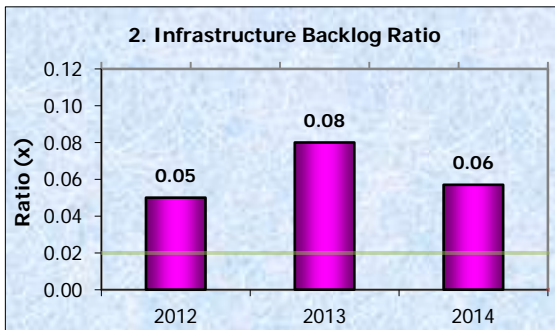
— Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of Asset Renewals Ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

2013/14 Ratio 87.61%



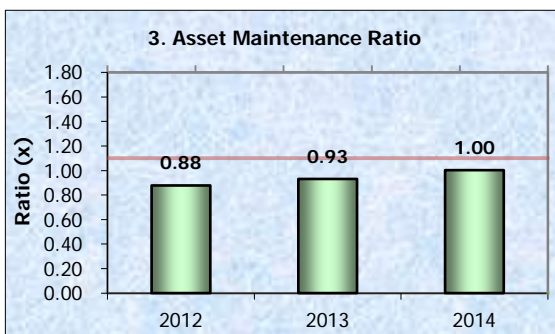
— Maximum .02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of Infrastructure Backlog Ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

2013/14 Ratio 0.06 x



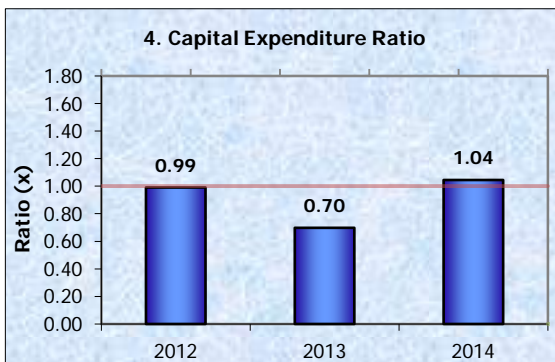
— Minimum 1.10

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of Asset Maintenance Ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

2013/14 Ratio 1.00 x



— Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

2013/14 Ratio 1.04 x

Narromine Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General ⁽¹⁾ 2014
Infrastructure Asset Performance Indicators By Fund			
1. Building and Infrastructure Renewals Ratio			
<u>Asset Renewals (Building and Infrastructure)⁽¹⁾</u>	183.70%	102.06%	84.16%
Depreciation, Amortisation & Impairment			
prior period:	69.70%	27.37%	65.72%
2. Infrastructure Backlog Ratio			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>			
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	0.07	0.02	0.06
prior period:	0.08	0.01	0.11
3. Asset Maintenance Ratio			
<u>Actual Asset Maintenance</u>			
Required Asset Maintenance	1.02	0.95	1.01
prior period:	0.97	0.72	0.89
4. Capital Expenditure Ratio			
<u>Annual Capital Expenditure</u>			
Annual Depreciation	3.76	3.51	0.94
prior period:	1.49	0.27	0.79

Notes

- (1) General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.
- (2) Asset Renewals represent the replacement &/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. Asset Renewals include building and infrastructure assets only.
- (3) Written down value

Narromine Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	17,459	19,583	20,116	19,909	20,372	21,027	21,771	22,120	22,574	23,194	23,708
Expenses from continuing operations	17,998	18,627	19,095	19,403	18,974	20,185	20,643	20,925	21,405	21,792	22,155
Operating Result from Continuing Operations	(539)	956	1,021	506	1,398	842	1,128	1,195	1,169	1,402	1,553
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	1,315	1,661	959	247	161	491	100	-	-	-	1,500
Replacement/Refurbishment of Existing Assets	4,726	9,710	8,544	6,127	5,816	6,064	5,528	5,850	5,608	6,093	6,169
Total Capital Budget	6,041	11,371	9,503	6,374	5,977	6,555	5,628	5,850	5,608	6,093	7,669
Funded by:											
– Loans	-	3,000	-	-	-	-	-	-	-	-	-
– Asset sales	262	1,140	750	280	370	370	190	90	90	90	-
– Reserves	2,585	3,631	3,067	1,713	1,189	1,649	850	1,115	881	1,302	2,805
– Grants/Contributions	2,099	3,545	3,629	2,410	2,430	3,040	3,097	3,081	3,122	3,169	3,212
– Recurrent revenue	1,095	-	2,002	1,916	1,933	1,441	1,436	1,509	1,460	1,477	1,597
– Other	-	55	55	55	55	55	55	55	55	55	55
	6,041	11,371	9,503	6,374	5,977	6,555	5,628	5,850	5,608	6,093	7,669

Notes:

(1) From 13/14 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

Narromine Shire Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	4,365	4,743
Plus or minus Adjustments ⁽²⁾	b	222	5
Notional General Income	c	4,587	4,748
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d		
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f		
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	156	109
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	4,743	4,857
plus (or minus) last year's Carry Forward Total	l	-	-
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	-	-
Total Permissible income	o = k + n	4,743	4,857
less Notional General Income Yield	p	4,743	4,857
Catch-up or (excess) result	q = o - p	-	-
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	-
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	-	-

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

NARROMINE SHIRE COUNCIL
SPECIAL SCHEDULE NO. 9
INDEPENDENT AUDITORS' REPORT

REPORT ON SPECIAL SCHEDULE NO. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Narromine Shire Council for the year ending 30 June 2015.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

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ABN 56 435 338 966

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Independence

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

Audit Opinion

In our opinion, Special Schedule No. 9 of Narromine Shire Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

HILL ROGERS SPENCER STEER



BRETT HANGER

Partner

Dated at Sydney this 20th day of October 2014