



# **ATTACHMENTS**

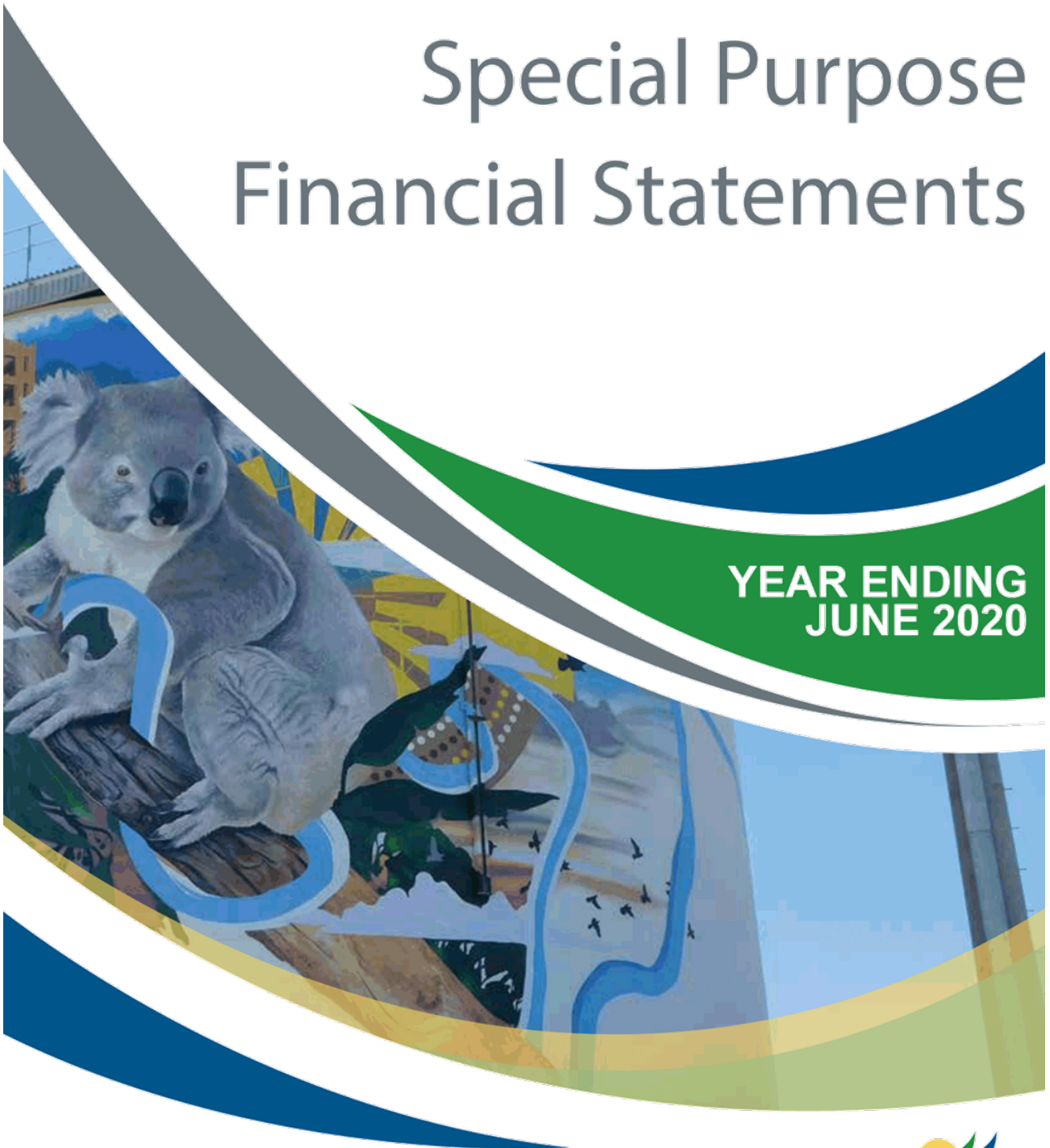
**UNDER SEPARATE COVER**

**Ordinary Council Meeting**

**15 September 2020**

# Narrandera Shire Council Special Purpose Financial Statements

**YEAR ENDING  
JUNE 2020**



## Narrandera Shire Council

Special Purpose Financial Statements 2020

## Special Purpose Financial Statements

for the year ended 30 June 2020

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### Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

**Narrandera Shire Council**

**Special Purpose Financial Statements**  
for the year ended 30 June 2020

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

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

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


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


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


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

Signed in accordance with a resolution of Council made on 18 August 2020.

  
Cr Neville Kschenka  
Mayor  
18 August 2020

  
Cr David Fahey  
Councillor  
18 August 2020

  
Mr George Cowan  
General Manager  
18 August 2020

  
Mr Martin Hiscox  
Responsible Accounting Officer  
18 August 2020

  
Mr Shane Wilson  
Deputy General Manager Infrastructure  
18 August 2020

Narrandera Shire Council

Special Purpose Financial Statements 2020

**Income Statement – Water Supply Business Activity**  
for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	758	712
User charges	1,448	1,409
Fees	23	34
Interest	166	215
<b>Total income from continuing operations</b>	<b>2,395</b>	<b>2,370</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	354	330
Materials and contracts	902	745
Depreciation, amortisation and impairment	499	487
Loss on sale of assets	67	2
Other expenses	208	252
<b>Total expenses from continuing operations</b>	<b>2,030</b>	<b>1,816</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>365</b>	<b>554</b>
Grants and contributions provided for capital purposes	9	14
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>374</b>	<b>568</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>374</b>	<b>568</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(100)	(152)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>274</b>	<b>416</b>
<b>Plus accumulated surplus</b>	<b>18,181</b>	<b>17,613</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	100	152
<b>Closing accumulated surplus</b>	<b>18,555</b>	<b>18,181</b>
<b>Return on capital %</b>	<b>1.9%</b>	<b>3.0%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	274	416
Less: capital grants and contributions (excluding developer contributions)	(9)	–
<b>Surplus for dividend calculation purposes</b>	<b>265</b>	<b>416</b>
<b>Potential dividend calculated from surplus</b>	<b>132</b>	<b>208</b>

Narrandera Shire Council

Special Purpose Financial Statements 2020

**Income Statement – Sewerage Business Activity**  
for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	1,257	1,160
User charges	157	183
Interest	29	19
<b>Total income from continuing operations</b>	<b>1,443</b>	<b>1,362</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	261	248
Materials and contracts	470	414
Depreciation, amortisation and impairment	305	302
Other expenses	216	147
<b>Total expenses from continuing operations</b>	<b>1,252</b>	<b>1,111</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>191</b>	<b>251</b>
Grants and contributions provided for capital purposes	63	5
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>254</b>	<b>256</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>254</b>	<b>256</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(53)	(69)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>201</b>	<b>187</b>
<b>Plus accumulated surplus</b>	<b>11,511</b>	<b>11,255</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	53	69
<b>Closing accumulated surplus</b>	<b>11,765</b>	<b>11,511</b>
<b>Return on capital %</b>	<b>1.0%</b>	<b>1.3%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	201	187
Less: capital grants and contributions (excluding developer contributions)	(63)	–
<b>Surplus for dividend calculation purposes</b>	<b>138</b>	<b>187</b>
<b>Potential dividend calculated from surplus</b>	<b>69</b>	<b>93</b>

**Narrandera Shire Council**

Special Purpose Financial Statements 2020

**Statement of Financial Position – Water Supply Business Activity**

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	722	166
Investments	7,200	7,500
Receivables	373	412
<b>Total current assets</b>	<b>8,295</b>	<b>8,078</b>
<b>Non-current assets</b>		
Receivables	237	271
Infrastructure, property, plant and equipment	19,102	18,738
<b>Total non-current assets</b>	<b>19,339</b>	<b>19,009</b>
<b>TOTAL ASSETS</b>	<b>27,634</b>	<b>27,087</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	61	53
<b>Total current liabilities</b>	<b>61</b>	<b>53</b>
<b>TOTAL LIABILITIES</b>	<b>61</b>	<b>53</b>
<b>NET ASSETS</b>	<b>27,573</b>	<b>27,034</b>
<b>EQUITY</b>		
Accumulated surplus	18,555	18,181
Revaluation reserves	9,018	8,853
<b>TOTAL EQUITY</b>	<b>27,573</b>	<b>27,034</b>

**Narrandera Shire Council**

Special Purpose Financial Statements 2020

**Statement of Financial Position – Sewerage Business Activity**  
as at 30 June 2020

<b>\$ '000</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	95	54
Investments	800	500
Receivables	138	126
Contract assets	54	–
<b>Total current assets</b>	<b>1,087</b>	<b>680</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	18,896	18,873
<b>Total non-current assets</b>	<b>18,896</b>	<b>18,873</b>
<b>TOTAL ASSETS</b>	<b>19,983</b>	<b>19,553</b>
<b>NET ASSETS</b>	<b>19,983</b>	<b>19,553</b>
<b>EQUITY</b>		
Accumulated surplus	11,765	11,511
Revaluation reserves	8,218	8,042
<b>TOTAL EQUITY</b>	<b>19,983</b>	<b>19,553</b>



## Narrandera Shire Council

Special Purpose Financial Statements 2020

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

#### Note 1. Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

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

##### Category 1

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

##### a. Narrandera Council Water Supply

Council's water supply activities servicing the town of Narrandera, and which is established as a Special Rate Fund of Council.

##### Category 2

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

##### a. Narrandera Sewerage Service

Council's sewerage reticulation & treatment activities servicing the town of Narrandera, and which is established as a Special Rate Fund of Council.

#### Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

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## Narrandera Shire Council

Special Purpose Financial Statements 2020

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2020

## Note 1. Significant Accounting Policies (continued)

**(i) Taxation equivalent charges**

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

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

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

**Notional rate applied (%)**

Corporate income tax rate – 27.5%

Land tax – the first \$734,000 of combined land values attracts 0%. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$900,000.

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

**Income tax**

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

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

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

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

**Local government rates and charges**

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

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## Narrandera Shire Council

Special Purpose Financial Statements 2020

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2020

## Note 1. Significant Accounting Policies (continued)

**Loan and debt guarantee fees**

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

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

**(ii) Subsidies**

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

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

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

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

**(iii) Return on investments (rate of return)**

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

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

**Written down value of 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 0.88% at 30/6/20.

**(iv) Dividends**

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

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

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of the Narrandera Shire Council

**Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Narrandera Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

**Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

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

### **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:


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

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

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

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

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



Michael Kharzoo  
Delegate of the Auditor-General for New South Wales

4 September 2020  
SYDNEY

# Narrandera Shire Council Special Schedules

**YEAR ENDING  
JUNE 2020**



**Narrandera Shire Council**

Special Schedules 2020

**Special Schedules**  
for the year ended 30 June 2020

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Narrandera Shire Council

Special Schedules 2020

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	4,950	4,856
Plus or minus adjustments <sup>2</sup>	b	<u>1</u>	<u>3</u>
<b>Notional general income</b>	c = a + b	<b>4,951</b>	<b>4,859</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>3</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.60%	2.70%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	-	-
Plus special variation amount	h = d x (c + g)	-	-
Or plus rate peg amount	i = e x (c + g)	129	131
Or plus Crown land adjustment and rate peg amount	j = f x (c + g)	-	-
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>5,080</b>	<b>4,990</b>
Plus (or minus) last year's carry forward total	l	22	(18)
Less valuation objections claimed in the previous year	m	-	-
<b>Sub-total</b>	n = (l + m)	<b>22</b>	<b>(18)</b>
<b>Total permissible income</b>	o = k + n	<b>5,102</b>	<b>4,972</b>
Less notional general income yield	p	5,104	4,950
<b>Catch-up or (excess) result</b>	q = o - p	<b>(2)</b>	<b>22</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	-	-
Less unused catch-up <sup>5</sup>	s	-	-
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>(2)</b>	<b>22</b>

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Narrandera Shire Council

Special Schedules 2020

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>(a) Report on Infrastructure Assets - Values</b>												
<b>Buildings</b>	Buildings – non-specialised	573	–	344	–	7,982	22,833	5.0%	12.0%	44.0%	35.0%	4.0%
	Buildings – specialised	46	–	109	–	6,995	12,754	31.0%	22.0%	23.0%	23.0%	1.0%
	<b>Sub-total</b>	<b>619</b>	<b>–</b>	<b>453</b>	<b>–</b>	<b>14,977</b>	<b>35,587</b>	<b>14.3%</b>	<b>15.6%</b>	<b>36.5%</b>	<b>30.7%</b>	<b>2.9%</b>
<b>Other structures</b>	Other structures	114	–	165	–	6,083	12,799	29.0%	17.0%	14.0%	38.0%	2.0%
	<b>Sub-total</b>	<b>114</b>	<b>–</b>	<b>165</b>	<b>–</b>	<b>6,083</b>	<b>12,799</b>	<b>29.0%</b>	<b>17.0%</b>	<b>14.0%</b>	<b>38.0%</b>	<b>2.0%</b>
<b>Water supply network</b>	Water supply network	189	–	315	–	18,209	31,524	16.0%	24.0%	34.0%	25.0%	1.0%
	<b>Sub-total</b>	<b>189</b>	<b>–</b>	<b>315</b>	<b>–</b>	<b>18,209</b>	<b>31,524</b>	<b>16.0%</b>	<b>24.0%</b>	<b>34.0%</b>	<b>25.0%</b>	<b>1.0%</b>
<b>Roads</b>	Sealed roads pavement	6,063	–	170	–	20,366	32,093	8.0%	1.0%	90.0%	0.0%	1.0%
	Sealed roads surface	5,452	–	391	–	6,482	15,755	7.0%	4.0%	18.0%	58.0%	13.0%
	Unsealed roads pavement	3,150	–	235	–	16,937	22,772	62.0%	7.0%	10.0%	4.0%	17.0%
	Bridges	1,462	–	43	–	9,830	15,203	7.0%	45.0%	48.0%	0.0%	0.0%
	Footpaths	177	–	7	–	764	1,240	6.0%	30.0%	56.0%	8.0%	0.0%
	Bulk earthworks	–	–	–	–	58,421	58,421	100.0%	0.0%	0.0%	0.0%	0.0%
	Flood-ways	–	–	–	–	769	769	100.0%	0.0%	0.0%	0.0%	0.0%
	Guardrail	44	–	2	–	197	341	3.0%	38.0%	56.0%	0.0%	3.0%
	Kerb and guttering	746	–	34	–	3,692	6,068	3.0%	46.0%	42.0%	7.0%	2.0%
	Traffic devices	35	–	1	–	662	769	77.0%	0.0%	23.0%	0.0%	0.0%
<b>Sub-total</b>	<b>17,129</b>	<b>–</b>	<b>883</b>	<b>–</b>	<b>118,120</b>	<b>153,431</b>	<b>51.4%</b>	<b>8.3%</b>	<b>29.3%</b>	<b>6.9%</b>	<b>4.2%</b>	
<b>Sewerage network</b>	Sewerage network	1,858	–	249	–	18,474	25,801	27.0%	25.0%	27.0%	9.0%	12.0%
	<b>Sub-total</b>	<b>1,858</b>	<b>–</b>	<b>249</b>	<b>–</b>	<b>18,474</b>	<b>25,801</b>	<b>27.0%</b>	<b>25.0%</b>	<b>27.0%</b>	<b>9.0%</b>	<b>12.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	–	–	9	–	6,901	10,612	0.0%	13.0%	87.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>9</b>	<b>–</b>	<b>6,901</b>	<b>10,612</b>	<b>0.0%</b>	<b>13.0%</b>	<b>87.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Open space / recreational assets</b>	Swimming pools	–	–	26	–	335	1,338	0.0%	0.0%	41.0%	59.0%	0.0%
	Open Space & Recreational	51	–	8	–	640	1,367	61.0%	29.0%	0.0%	5.0%	5.0%
	<b>Sub-total</b>	<b>51</b>	<b>–</b>	<b>34</b>	<b>–</b>	<b>975</b>	<b>2,705</b>	<b>30.8%</b>	<b>14.7%</b>	<b>20.3%</b>	<b>31.7%</b>	<b>2.5%</b>
<b>TOTAL - ALL ASSETS</b>		<b>19,960</b>	<b>–</b>	<b>2,108</b>	<b>–</b>	<b>183,739</b>	<b>272,459</b>	<b>36.9%</b>	<b>13.3%</b>	<b>32.0%</b>	<b>13.7%</b>	<b>4.1%</b>

(a) Required maintenance is the amount identified in Council's asset management plans.

continued on next page ...

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**Narrandera Shire Council**

Special Schedules 2020

**Report on Infrastructure Assets - Values (continued)**  
as at 30 June 2020

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**Infrastructure asset condition assessment 'key'**

1	<b>Excellent/very good</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Satisfactory</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required



**INDEPENDENT AUDITOR'S REPORT**  
**Special Schedule - Permissible income for general rates**  
**Narrandera Shire Council**

To the Councillors of Narrandera Shire Council

**Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Narrandera Shire Council (the Council) for the year ending 30 June 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code) and is in accordance with the books and records of the Council.

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

**Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

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

### **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and special purpose financial statements as at 30 June 2020.

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Schedule**

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

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

### **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

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

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

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

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

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



Michael Kharzoo  
Delegate of the Auditor-General for New South Wales

4 September 2020  
SYDNEY

Narrandera Shire Council

Special Schedules 2020

Report on Infrastructure Assets (continued)  
as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	4,985	113.12%	66.81%	111.76%	>=100.00%
Depreciation, amortisation and impairment	4,407				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	19,960	10.86%	1.27%	0.84%	<2.00%
Net carrying amount of infrastructure assets	183,739				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	-	0.00%	208.37%	221.75%	>100.00%
Required asset maintenance	2,108				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	-	0.00%	0.00%	0.00%	
Gross replacement cost	272,459				

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

(1) Excludes Work In Progress (WIP)

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

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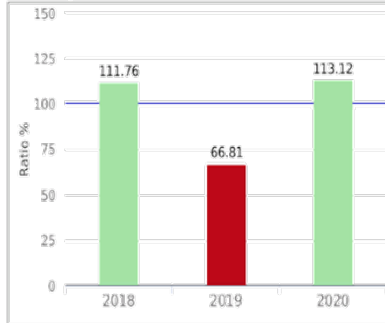
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Narrandera Shire Council

Special Schedules 2020

Report on Infrastructure Assets (continued)  
as at 30 June 2020

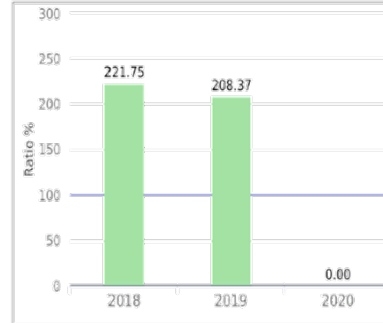
Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio	
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	
Commentary on result	
19/20 ratio	113.12%

Benchmark: —  $\geq 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

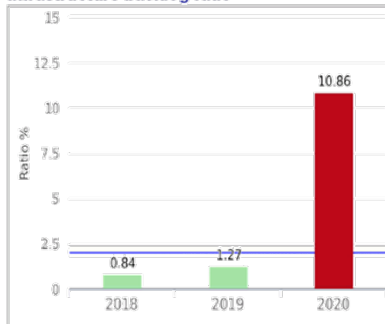
Asset maintenance ratio



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.	
Commentary on result	
19/20 ratio	0.00%

Benchmark: —  $> 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

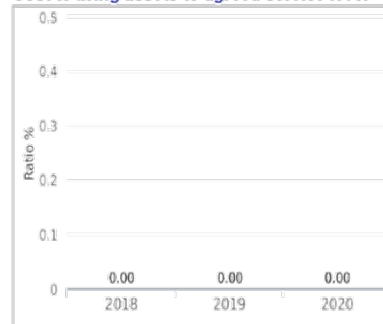
Infrastructure backlog ratio



Infrastructure backlog ratio	
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	
Commentary on result	
19/20 ratio	10.86%

Benchmark: —  $< 2.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level	
This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.	
Commentary on result	
19/20 ratio	0.00%

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Narrandera Shire Council

Special Schedules 2020

Report on Infrastructure Assets (continued)  
as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals	<b>117.93%</b>	78.39%	<b>130.94%</b>	27.20%	<b>25.75%</b>	0.00%	>=100.00%
Depreciation, amortisation and impairment							
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard	<b>12.18%</b>	0.45%	<b>1.04%</b>	0.45%	<b>10.06%</b>	9.67%	<2.00%
Net carrying amount of infrastructure assets							
<b>Asset maintenance ratio</b>							
Actual asset maintenance	<b>0.00%</b>	273.95%	<b>0.00%</b>	112.34%	<b>0.00%</b>	105.06%	>100.00%
Required asset maintenance							
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)