



Appendix 1
Narrabri Shire Council
Audited Financial Report
2009/10 Financial Year

Narrabri Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

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



Narrabri Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2010

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Overview

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

(ii) Narrabri Shire Council is a body corporate 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 specified in Section 8 of the LGA and includes;

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government 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 19/10/10. Council has the power to amend and reissue the financial statements.

Narrabri Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2010

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:

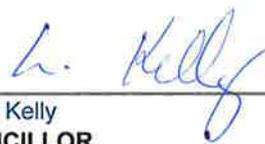
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 19 October 2010.



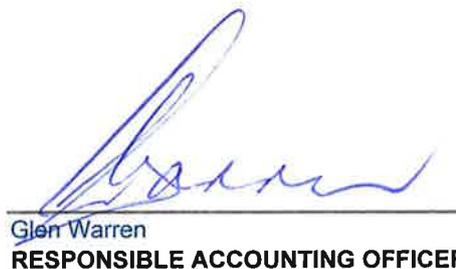
Robyn Faber
MAYOR



Lester Kelly
COUNCILLOR



Phil Marshall
GENERAL MANAGER



Glen Warren
RESPONSIBLE ACCOUNTING OFFICER

Narrabri Shire Council

Income Statement

for the financial year ended 30 June 2010

Budget ⁽¹⁾			Actual	Actual
2010	\$ '000	Notes	2010	2009
Income from Continuing Operations				
Revenue:				
13,609	Rates & Annual Charges	3a	13,762	12,510
3,368	User Charges & Fees	3b	5,523	4,463
447	Interest & Investment Revenue	3c	2,434	346
872	Other Revenues	3d	1,671	1,355
6,100	Grants & Contributions provided for Operating Purposes	3e,f	6,018	7,499
1,648	Grants & Contributions provided for Capital Purposes	3e,f	4,542	3,583
Other Income:				
50	Net gains from the disposal of assets	5	-	-
26,094	Total Income from Continuing Operations		33,950	29,756
Expenses from Continuing Operations				
8,600	Employee Benefits & On-Costs	4a	8,667	8,274
623	Borrowing Costs	4b	627	665
6,895	Materials & Contracts	4c	7,764	8,698
5,929	Depreciation & Amortisation	4d	5,447	5,921
-	Impairment	4d	-	-
3,450	Other Expenses	4e	3,913	3,564
-	Interest & Investment Losses	3c	-	-
-	Net Losses from the Disposal of Assets	5	155	143
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	9	7
25,497	Total Expenses from Continuing Operations		26,582	27,272
597	Operating Result from Continuing Operations		7,368	2,484
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
597	Net Operating Result for the Year		7,368	2,484
597	Net Operating Result attributable to Council		7,368	2,484
-	Net Operating Result attributable to Minority Interests		-	-
(1,051)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		2,826	(1,099)

(1) Original Budget as approved by Council - refer Note 16

Narrabri Shire Council

Statement of Comprehensive Income for the financial year ended 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
Net Operating Result for the year (as per Income statement)		7,368	2,484
Other Comprehensive Income			
Gain (loss) on revaluation & impairment of I,PP&E	20b (ii)	814	809
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Other Movements in Reserves	20b (ii)	-	-
Total Other Comprehensive Income for the year		814	809
Total Comprehensive Income for the Year		8,182	3,293
Total Comprehensive Income attributable to Council		8,182	3,293
Total Comprehensive Income attributable to Minority Interests		-	-

Narrabri Shire Council

Balance Sheet as at 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009	Actual 2008
ASSETS				
Current Assets				
Cash & Cash Equivalents	6a	11,209	5,728	6,667
Investments	6b	1,916	4,175	6,062
Receivables	7	2,187	1,152	1,740
Inventories	8	1,910	1,231	1,146
Other	8	231	197	207
Non-current assets classified as 'held for sale'	22	-	-	-
Total Current Assets		17,453	12,483	15,822
Non-Current Assets				
Investments	6b	5,298	5,347	6,397
Receivables	7	571	573	437
Inventories	8	-	-	-
Infrastructure, Property, Plant & Equipment	9	201,435	196,429	190,670
Investments accounted for using the equity method	19	112	121	128
Investment Property	14	-	-	-
Intangible Assets	25	-	-	-
Other	8	-	-	-
Total Non-Current Assets		207,416	202,470	197,632
TOTAL ASSETS		224,869	214,953	213,454
LIABILITIES				
Current Liabilities				
Payables	10	1,769	1,811	3,370
Borrowings	10	2,758	473	471
Provisions	10	2,033	2,035	1,625
Total Current Liabilities		6,560	4,319	5,466
Non-Current Liabilities				
Payables	10	136	-	-
Borrowings	10	8,178	8,830	9,501
Provisions	10	109	100	76
Total Non-Current Liabilities		8,423	8,930	9,577
TOTAL LIABILITIES		14,983	13,249	15,043
Net Assets		209,886	201,704	198,411
EQUITY				
Retained Earnings	20	165,391	158,023	155,539
Revaluation Reserves	20	44,495	43,681	42,872
Council Equity Interest		209,886	201,704	198,411
Minority Equity Interest		-	-	-
Total Equity		209,886	201,704	198,411

This Statement should be read in conjunction with the accompanying Notes.

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Narrabri Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2010

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Accounts)		228,992	43,681	272,673	-	272,673
a. Correction of Prior Period Errors	20 (c)	(70,969)	-	(70,969)	-	(70,969)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		158,023	43,681	201,704	-	201,704
c. Net Operating Result for the Year		7,368	-	7,368	-	7,368
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	814	814	-	814
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	814	814	-	814
Total Comprehensive Income (c&d)		7,368	814	8,182	-	8,182
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		165,391	44,495	209,886	-	209,886

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2009						
Opening Balance (as per Last Year's Audited Accounts)		226,508	42,744	269,252	-	269,252
a. Correction of Prior Period Errors	20 (c)	(70,969)	128	(70,841)	-	(70,841)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/08)		155,539	42,872	198,411	-	198,411
c. Net Operating Result for the Year		2,484	-	2,484	-	2,484
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	809	809	-	809
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	809	809	-	809
Total Comprehensive Income (c&d)		2,484	809	3,293	-	3,293
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		158,023	43,681	201,704	-	201,704

This Statement should be read in conjunction with the accompanying Notes.

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Narrabri Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2010

Budget 2010	\$ '000	Notes	Actual 2010	Actual 2009
Cash Flows from Operating Activities				
Receipts:				
13,380	Rates & Annual Charges		13,604	12,515
3,029	User Charges & Fees		5,498	5,074
497	Investment & Interest Revenue Received		881	884
8,206	Grants & Contributions		10,574	11,419
994	Other		3,010	3,519
Payments:				
(8,754)	Employee Benefits & On-Costs		(8,660)	(7,917)
(6,500)	Materials & Contracts		(9,516)	(11,056)
(623)	Borrowing Costs		(653)	(671)
(3,447)	Other		(5,125)	(5,231)
6,782	Net Cash provided (or used in) Operating Activities	11b	9,613	8,536
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		31,530	10,790
800	Sale of Infrastructure, Property, Plant & Equipment		887	641
-	Deferred Debtors Receipts		5	7
Payments:				
-	Purchase of Investment Securities		(28,481)	(8,440)
(8,554)	Purchase of Infrastructure, Property, Plant & Equipment		(10,595)	(11,804)
(7,754)	Net Cash provided (or used in) Investing Activities		(6,654)	(8,806)
Cash Flows from Financing Activities				
Receipts:				
5,000	Proceeds from Borrowings & Advances		6,595	680
Payments:				
(439)	Repayment of Borrowings & Advances		(4,073)	(1,299)
-	Repayment of Finance Lease Liabilities		-	(50)
4,561	Net Cash Flow provided (used in) Financing Activities		2,522	(669)
3,589	Net Increase/(Decrease) in Cash & Cash Equivalents		5,481	(939)
5,728	plus: Cash & Cash Equivalents - beginning of year	11a	5,728	6,667
9,317	Cash & Cash Equivalents - end of the year	11a	11,209	5,728
Additional Information:				
	plus: Investments on hand - end of year	6b	7,214	9,522
Total Cash, Cash Equivalents & Investments			18,423	15,250

Please refer to Note 11 for additional cash flow information

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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n/a - not applicable

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

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

Under Australian Accounting Standards, 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,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

Because Australian Accounting Standards (AASB's) 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.

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &
- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

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

Under the Local Government Act, 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 Australian Accounting Standards.

(iii) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties 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 Infrastructure, property, plant & equipment that are accounted for at fair valuation.

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

(iv) Changes in Accounting Policies

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

Unless otherwise stated, there have also been no changes in accounting policies when compared with previous financial statements.

(v) Critical Accounting Estimates

The preparation of these financial statements requires the use of certain critical accounting estimates (in conformity with AASB's).

It also requires Council management to exercise their judgement in the process of applying Council's accounting policies.

(vi) Financial Statements Presentation

The Council has applied the revised **AASB 101, Presentation of Financial Statements** which became effective on 1 January 2009.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity.

All non-owner changes in equity must now be presented in the statement of comprehensive income.

As a consequence, the Council had to change the presentation of its financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard.

(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 the entity 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 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.

Income 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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(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 30/6/10) and **(ii)** all the related operating results (for the financial year ended the 30th June 2010).

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:

- Narrabri Shire Council General Fund
- Narrabri Shire Council Water Supply Fund
- Narrabri Shire Council Sewerage Fund
- Narrabri Heritage Committee
- Friends of the Theatre
- Newtown Park Incorporated
- Gwabegar Community Centre Advisory Committee
- Narrabri Shire Indoor Sports Complex Steering Committee

(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.

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) Joint Venture Entities

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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(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 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

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**.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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 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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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**" 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.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(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 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 Investment Order arising from the Cole Inquiry recommendations. Certain investments the 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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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)

Council's non current assets are being progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

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

- **Investment Properties** – refer Note 1(p),
- **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)
- **Roads Assets incl. roads & footpaths**
(Internal Valuation)
- **Bulk Earthworks** (External Valuation)

Bridges and drainage assets were scheduled to be revalued to fair value with roads and footpaths in this financial report for the year ended 30 June 2010, however, Council has shown these assets at deemed cost less accumulated depreciation.

This disclosure is in breach of the requirements mandated by the Local Government Code of Accounting Practice and Financial Reporting Update No. 18 and the revaluation timetable issued by the Division of Local Government (Circular 09-09).

Council established appropriate project management methodology in 2008/9 and experienced significant difficulties in obtaining resources to undertake management of the area of assets internally and, as a result, did not take steps early enough to obtain external assistance to conduct the valuation of bridges and stormwater infrastructure and assess the condition of those assets by the 30 June 2010.

The remaining asset classes to be revalued in a future reporting period are;

2010/11:

- Drainage Assets
- Bridges
- Community land, land improvements, other structures and other assets

Until the designated future reporting periods, the above remaining asset classes are stated at cost (or deemed cost) less accumulated depreciation and any accumulated impairment losses.

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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 carrying amounts arising on revaluation are credited to the asset revaluation reserve.
- To the extent that the increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Decreases that reverse previous increases of the same asset 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
Other Plant & Equipment	> \$1,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$1,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$2,000

Water & Sewer Assets

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

Stormwater Assets

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

Transport Assets

Road construction & reconstruction	> \$1,000
Reseal/Re-sheet & major repairs:	> \$1,000
Bridge construction & reconstruction	> \$1,000

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	3 years
- Vehicles	5 years
- Heavy Plant/Road Making equip.	10 to 20 years
- Other plant and equipment	5 to 10 years

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Other Structures	
- Parks & Recreation Structures	10 years
- All Other Structures	10 to 50 years
Buildings	
- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years
Stormwater Drainage	
- Pumps	30 years
- Drainage	60 years
- Reticulation Pipes	80 years
Transportation Assets	
- Sealed Roads : Surface	30 years
- Sealed Roads : Structure	60 years
- Natural Surface Roads	Infinite
- Gravel Surface Roads	Infinite
- Unsealed roads	20 years
- Causeways	60 years
- Bridges	105 years
- Kerb, Gutter & Paths	50 years
Water & Sewer Assets	
- Dams and reservoirs	100 years
- Bores	30 years
- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	15 to 20 years
Other Infrastructure Assets	
- Bulk earthworks	Infinite

All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet 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 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.

Council will review the recognition of all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

(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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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 continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

(p) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

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 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 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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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 the entity that has been disposed of or is classified as "held for sale" and that represents a separate major line of 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.

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as it's written down replacement cost.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

(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.

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 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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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 (which is not expected to be settled within the 12 months after the reporting period) are recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date.

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 discounted using market yields at the reporting date 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 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.

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, the valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on the 16 February 2010 and covers the period ended 30 June 2009. However the position is monitored annually and the Actuary has estimated that as at 30th June 2010 a deficit still exists. Effective from 1 July 2009, employers are required to contribute at twice the "notional" or long term cost for a period of up to ten years in order to rectify this deficit. The

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

share of this deficit that can be broadly attributed to the employer was estimated to be in the order of \$379,543 as at 30 June 2010.

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.

Define 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 30/6/10.

(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.

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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2010.

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 and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect Council's accounting for its financial assets.

The standard is not applicable until 1 January 2013 but is available for early adoption.

Council is yet to assess its full impact.

However, initial indications are that it may affect 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.

Applicable to Local Government but no implications for Council;

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash.

They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The amendment removes an unintended consequence of the interpretation related to voluntary

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme.

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.

Council does not make any such prepayments. The amendment is therefore not expected to have any impact on Council.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap).

It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

None

Not applicable to Local Government per se;

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.

(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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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
	2010	2010	2009	2010	2010	2009	2010	2010	2009	2010	2009	2010	2009
Governance	-	13	1	556	664	606	(556)	(651)	(605)	-	(3)	7,119	(69,902)
Administration	383	1,207	435	3,711	2,568	4,101	(3,328)	(1,361)	(3,666)	143	132	25,232	23,037
Public Order & Safety	321	414	226	554	729	498	(233)	(315)	(272)	159	134	1,337	1,174
Health	122	24	149	267	2	237	(145)	22	(88)	123	120	-	-
Environment		126	-	-	369	-	-	(243)	-	-	-	-	-
Community Services & Education	62	44	54	237	220	225	(175)	(176)	(171)	3	7	2,930	2,951
Housing & Community Amenities	2,083	2,092	2,241	2,385	2,480	2,335	(302)	(388)	(94)	6	122	6,647	6,874
Water Supplies	2,149	2,933	1,573	1,952	1,682	1,826	197	1,251	(253)	37	43	18,452	16,568
Sewerage Services	1,891	2,059	1,784	2,149	1,703	2,213	(258)	356	(429)	32	33	21,411	20,216
Recreation & Culture	466	1,242	1,194	3,713	5,025	4,073	(3,247)	(3,783)	(2,879)	341	675	21,000	20,366
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	421	430	322	1,145	752	296	(724)	(322)	26	-	-	2,788	1,865
Transport & Communication	4,663	6,430	5,979	7,562	8,927	9,519	(2,899)	(2,497)	(3,540)	3,526	1,899	114,160	188,018
Economic Affairs	664	688	705	1,266	1,452	1,336	(602)	(764)	(631)	34	45	3,681	3,665
Total Functions & Activities	13,225	17,702	14,663	25,497	26,573	27,265	(12,272)	(8,871)	(12,602)	4,404	3,207	224,757	214,832
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	9	7	-	(9)	(7)	-	-	112	121
General Purpose Income ¹	12,869	16,248	15,093	-	-	-	12,869	16,248	15,093	5,262	6,159	-	-
Operating Result from Continuing Operations	26,094	33,950	29,756	25,497	26,582	27,272	597	7,368	2,484	9,666	9,366	224,869	214,953

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

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

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, together with related administration costs.

ADMINISTRATION

Costs not otherwise attributed to other functions / activities.

PUBLIC ORDER & SAFETY

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

HEALTH

Administration and inspection, immunisations, food control, insect/vermin control, noxious plants, health centres, other.

COMMUNITY SERVICES & EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

FUEL & ENERGY - Gas Supplies

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries and pits, other.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RTA works, street lighting, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards & markets, real estate development, commercial nurseries, other business undertakings.

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		3,172	3,088
Farmland		4,907	4,413
Mining		365	289
Business		1,048	1,039
Total Ordinary Rates		9,492	8,829
Special Rates			
Drainage		(1)	-
Tourism		46	41
Total Special Rates		45	41
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		1,563	1,512
Water Supply Services		976	537
Sewerage Services		1,686	1,591
Total Annual Charges		4,225	3,640
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>13,762</u>	<u>12,510</u>

Council has used 2007 year valuations provided by the NSW Valuer General in calculating its rates.

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		1,298	829
Sewerage Services		10	4
Waste Management Services (non-domestic)		4	40
Total User Charges		1,312	873
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Planning & Building Regulation		186	255
Private Works - Section 67		256	293
Regulatory/ Statutory Fees		21	17
Registration Fees		7	11
Total Fees & Charges - Statutory/Regulatory		470	576
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Aerodrome		156	184
Caravan Park		52	52
Cemeteries		151	143
Contributions to Works		64	101
Leaseback Fees - Council Vehicles		103	103
Quarry Revenues		352	131
RTA Charges (State Roads not controlled by Council)		2,410	1,860
Saleyards		233	208
Swimming Centres		81	92
Trade Waste		31	5
Waste Disposal Tipping Fees		69	80
Other		39	55
Total Fees & Charges - Other		3,741	3,014
TOTAL USER CHARGES & FEES		5,523	4,463

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		93	107
- Interest earned on Investments (interest & coupon payment income)		709	825
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		743	(586)
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		889	-
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>2,434</u>	<u>346</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		93	107
General Council Cash & Investments		1,494	105
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		6	8
Water Fund Operations		599	83
Sewerage Fund Operations		242	43
<u>Total Interest & Investment Revenue Recognised</u>		<u>2,434</u>	<u>346</u>
(d). Other Revenues			
Rental Income - Other Council Properties		174	164
Fines		32	25
Legal Fees Recovery - Rates & Charges (Extra Charges)		73	123
Cultural Centre		732	361
Diesel Rebate		65	46
Distribution Reuse Farm		49	38
Employment Services		92	76
Insurance Claim Recoveries		124	28
Recoverable Expenses		129	179
Sales - General		162	259
Other		39	56
<u>TOTAL OTHER REVENUE</u>		<u>1,671</u>	<u>1,355</u>

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	3,317	3,812	-	-
Financial Assistance - Local Roads Component	1,856	2,258	-	-
Pensioners' Rates Subsidies - General Component	89	89	-	-
Total General Purpose	5,262	6,159	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	37	36	-	-
- Sewerage	32	33	-	-
- Domestic Waste Management	34	35	-	-
Water Supplies	-	-	-	7
Sewerage Services	-	-	-	20
Bushfire & Emergency Services	148	128	221	-
Community Centres	-	-	-	517
Community Events	3	12	-	-
Flood Restoration	-	-	1,738	293
Flood Studies	-	30	-	-
Heritage & Cultural	6	-	23	-
Library	49	49	-	-
Noxious Weeds	123	120	-	-
RTA Determined Works- 3x3	163	163	318	400
Street Lighting	49	48	-	-
Tourism	8	-	-	37
Traffic Route Subsidy	-	-	1,063	-
Transport (Roads to Recovery)	21	-	94	1,018
Transport (Other Roads & Bridges Funding)	-	57	-	-
Other	15	65	259	139
Total Specific Purpose	688	776	3,716	2,431
Total Grants	5,950	6,935	3,716	2,431
Grant Revenue is attributable to:				
- Commonwealth Funding	5,179	4,546	1,278	1,565
- State Funding	771	2,389	2,438	869
- Other Funding	-	-	-	(3)
	5,950	6,935	3,716	2,431

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	7	36
Other Developer Contributions	-	-	-	314
Total Developer Contributions	17	-	7	350
Other Contributions:				
Bushfire Services	-	-	2	12
Roads & Bridges	-	-	20	-
RTA Contributions (Regional/Local, Block Grant)	57	561	797	790
Other	11	3	-	-
Total Other Contributions	68	564	819	802
Total Contributions	68	564	826	1,152
TOTAL GRANTS & CONTRIBUTIONS	6,018	7,499	4,542	3,583

\$ '000	Actual 2010	Actual 2009
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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	1,828	2,847
add: Grants and contributions recognised in the current period which have not been spent:	463	1,019
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(1,760)	(2,038)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	(1,297)	(1,019)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	531	1,828
Comprising:		
- Specific Purpose Unexpended Grants	412	1,338
- Developer Contributions	119	490
	531	1,828

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a) Employee Benefits & On-Costs			
Salaries and Wages		6,986	6,599
Travelling		52	46
Employee Leave Entitlements (ELE)		715	914
Superannuation		171	202
Workers' Compensation Insurance		277	204
Fringe Benefit Tax (FBT)		23	43
Training Costs (other than Salaries & Wages)		292	77
Protective Clothing		32	22
Other		345	558
Total Employee Costs		8,893	8,665
less: Capitalised Costs		(226)	(391)
TOTAL EMPLOYEE COSTS EXPENSED		8,667	8,274
Number of "Equivalent Full Time" Employees at year end		127	129
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		627	658
Charges relating to Finance Leases		-	7
Total Interest Bearing Liability Costs		627	665
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		627	665
(ii) Other Borrowing Costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		627	665

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c) Materials & Contracts			
Raw Materials & Consumables		6,116	7,260
Contractor & Consultancy Costs			
- Waste Collection		508	612
- Management Fees		429	149
- Contractor & Consultancy Costs		447	307
- Other		46	55
Auditors Remuneration			
i. Audit Services - Council's Auditor		44	46
Legal Expenses:			
- Legal Expenses - Planning & Development		43	27
- Legal Expenses - Other		15	25
- Legal Expenses - Debt Recovery		107	153
Operating Leases:			
Operating Lease Rentals - Minimum Lease Payments ⁽¹⁾		9	64
Total Materials & Contracts		7,764	8,698
less: Capitalised Costs		-	-
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>7,764</u>	<u>8,698</u>
1. Operating Lease Payments are attributable to:			
- Computers		-	64
- Other		9	-
		9	64

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2010	Actual 2009	Actual 2010	Actual 2009
Plant and Equipment		-	-	719	674
Office Equipment		-	-	82	79
Furniture & Fittings		-	-	90	85
Land Improvements (depreciable)		-	-	132	130
Buildings - Non Specialised		-	-	219	218
Buildings - Specialised		-	-	94	70
Other Structures		-	-	373	334
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	3,034	2,959
- Stormwater Drainage		-	-	116	116
- Water Supply Network		-	-	225	432
- Sewerage Network		-	-	363	824
Total Depreciation & Impairment Costs		-	-	5,447	5,921
less: Capitalised Costs		-	-	-	-
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>-</u>	<u>-</u>	<u>5,447</u>	<u>5,921</u>

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		105	80
Bad & Doubtful Debts		18	(4)
Bank Charges		52	51
Cleaning		124	85
Contributions/Levies to Other Levels of Government			
- NSW Fire Brigade Levy		233	239
- Planning Services		-	72
Councillor Expenses - Mayoral Fee		20	21
Councillor Expenses - Councillors' Fees		111	105
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		95	78
Donations, Contributions & Assistance to other organisations (Section 356)		46	493
- Donations, Contributions & Assistance		394	-
Electricity & Heating		548	442
Fire Control Expenses		11	11
Insurance		470	419
Office Expenses (including computer expenses)		283	310
Postage		20	22
Printing & Stationery		56	45
Recoverable Expenses		627	395
Street Lighting		232	277
Subscriptions & Publications		93	75
Telephone & Communications		144	143
Tourism Expenses (excluding employee costs)		143	169
Valuation Fees - Rates		43	36
Valuation Fees - Assets		45	-
Total Other Expenses		3,913	3,564
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		3,913	3,564

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2010	Actual 2009
Plant & Equipment			
Proceeds from Disposal		887	641
less: Carrying Amount of P&E Assets Sold		(1,040)	(783)
Net Gain/(Loss) on Disposal		(153)	(142)
Financial Assets*			
Proceeds from Disposal		31,530	10,790
less: Carrying Amount of Financial Assets Sold / Redeemed		(31,532)	(10,791)
Net Gain/(Loss) on Disposal		(2)	(1)
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(155)</u>	<u>(143)</u>
* Financial Assets disposals include:			
- Net Gain/(Loss) from Financial Instruments designated "Held for Trading"		-	(1)
- Net Gain/(Loss) from Financial Instruments designated "Held to Maturity"		(2)	-
Net Gain/(Loss) on Disposal of Financial Instruments		(2)	(1)

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2010 Actual Current	2010 Actual Non Current	2009 Actual Current	2009 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,030	-	514	-
Cash-Equivalent Assets ¹					
- Deposits at Call		9,078	-	4,714	-
- Short Term Deposits		1,101	-	500	-
Total Cash & Cash Equivalents		11,209	-	5,728	-
Investment Securities (Note 6b)					
- Managed Funds		1,200	-	1,145	-
- Long Term Deposits		500	-	3,000	-
- NCD's, FRN's (with Maturities > 3 months)		58	3,359	30	3,657
- CDO's		158	1,939	-	1,690
Total Investment Securities		1,916	5,298	4,175	5,347
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		13,125	5,298	9,903	5,347

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"	11,209	-	5,728	-
----------------------------------------------	---------------	----------	--------------	----------

Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	1,416	5,298	1,175	5,347
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	500	-	3,000	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		1,916	5,298	4,175	5,347

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 6b. Investments (continued)

\$ '000	2010	2010	2009	2009
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	1,175	5,347	6,062	6,397
Revaluations (through the Income Statement)	28	715	214	(800)
Additions	28,481	-	5,440	-
Disposals (sales & redemptions)	(28,427)	(605)	(10,791)	-
Transfers between Current/Non Current	159	(159)	250	(250)
Balance at End of Year	1,416	5,298	1,175	5,347
Comprising:				
- Managed Funds	1,200	-	1,145	-
- NCD's, FRN's (with Maturities > 3 months)	58	3,359	30	3,657
- CDO's	158	1,939	-	1,690
Total	1,416	5,298	1,175	5,347
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	3,000	-	-	-
Additions	-	-	3,000	-
Disposals (sales & redemptions)	(2,500)	-	-	-
Balance at End of Year	500	-	3,000	-
Comprising:				
- Long Term Deposits	-	-	3,000	-
- Other Long Term Maturity Financial Assets	500	-	-	-
Total	500	-	3,000	-
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 6c. Restricted Cash, Cash Equivalents & Investments

\$ '000	2010	2010	2009	2009
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	13,125	5,298	9,903	5,347
attributable to:				
External Restrictions (refer below)	7,595	5,298	4,188	5,347
Internal Restrictions (refer below)	5,459	-	5,700	-
Unrestricted	71	-	15	-
	13,125	5,298	9,903	5,347

2010 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	-	3,000	-	3,000
External Restrictions - Included in Liabilities	-	3,000	-	3,000

External Restrictions - Other

Developer Contributions - General (D)	490	13	(384)	119
Specific Purpose Unexpended Grants (F)	1,338	-	(926)	412
Water Supplies (G)	5,534	1,185	-	6,719
Sewerage Services (G)	2,173	420	-	2,593
Domestic Waste Management (G)	-	50	-	50
External Restrictions - Other	9,535	1,668	(1,310)	9,893
Total External Restrictions	9,535	4,668	(1,310)	12,893

- 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.

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

2010 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	-	400	-	400
Employees Leave Entitlement	700	-	-	700
Deposits, Retentions & Bonds	159	-	(16)	143
Contributions and Donations	5	4	-	9
SES Headquarters	5	-	(5)	-
Economic Development	51	-	-	51
Quarries	931	254	(419)	766
Caravan Park, Narrabri	223	-	(20)	203
Nurruby Land Purchase	75	-	-	75
Office Equipment	41	-	(16)	25
RTA Single Invitation Contract	100	-	-	100
Swimming Pools	155	-	-	155
Tourism	5	-	(5)	-
Restricted Funding	336	-	(203)	133
Cultural Centre	76	-	-	76
Saleyards	20	-	(16)	4
Library	51	-	-	51
Housing	43	-	(19)	24
Administration Building	27	-	-	27
Parks & Gardens	142	-	(121)	21
Carry Overs	2,392	-	(274)	2,118
Section 355 Committee Funds	163	19	-	182
Yarrie Lake Rd Purchase	-	175	-	175
Wee Waa C/C	-	21	-	21
Total Internal Restrictions	5,700	873	(1,114)	5,459
TOTAL RESTRICTIONS	15,235	5,541	(2,424)	18,352

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 7. Receivables

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		562	279	458	227
Interest & Extra Charges		124	63	113	109
User Charges & Fees		382	234	287	236
Contributions to Works		-	20	-	20
Accrued Revenues					
- Interest on Investments		38	-	82	-
- Other Income Accruals		1,040	-	76	-
- Reuse Farm Distribution		-	-	45	-
Government Grants & Subsidies		9	-	23	-
Deferred Debtors		1	1	7	9
Net GST Receivable		65	-	99	-
Other Debtors		4	-	-	-
Total		2,225	597	1,190	601
less: Provision for Impairment					
Rates & Annual Charges		-	(15)	-	(17)
Interest & Extra Charges		-	(11)	-	(11)
User Charges & Fees		(38)	-	(38)	-
Total Provision for Impairment - Receivables		(38)	(26)	(38)	(28)
<u>TOTAL NET RECEIVABLES</u>		<u>2,187</u>	<u>571</u>	<u>1,152</u>	<u>573</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		8	-	8	-
- Rates & Availability Charges		179	88	116	65
- Other		9	180	160	25
Sewerage Services					
- Rates & Availability Charges		102	53	129	9
- Other		-	-	45	-
Total External Restrictions		298	321	458	99
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		1,889	250	694	474
TOTAL NET RECEIVABLES		<u>2,187</u>	<u>571</u>	<u>1,152</u>	<u>573</u>

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 on overdue rates & charges is 9.00% (2009 10.00%). All other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 8. Inventories & Other Assets

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		204	-	257	-
Trading Stock		1,706	-	974	-
Total Inventories		1,910	-	1,231	-
Other Assets					
Prepayments		231	-	197	-
Total Other Assets		231	-	197	-
<u>TOTAL INVENTORIES & OTHER ASSETS</u>					
		2,141	-	1,428	-

(i) Externally Restricted Assets

Nil

Total Externally Restricted Assets	-	-	-	-
Total Internally Restricted Assets	-	-	-	-
Total Unrestricted Assets	2,141	-	1,428	-
TOTAL INVENTORIES & OTHER ASSETS	2,141	-	1,428	-

(ii) Other Disclosures

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

- Stores & Materials	771	774
- Trading Stock	158	42

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2009					Asset Movements during the Reporting Period					as at 30/6/2010				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Deprec.	Impairment	Value						Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	1,425	-	-	-	1,425	4,421	-	-	(761)	-	5,085	-	-	-	5,085
Plant & Equipment	-	10,394	2,302	-	8,092	1,180	(932)	(719)	-	-	-	10,324	2,703	-	7,621
Office Equipment	-	604	294	-	310	108	-	(82)	-	-	-	712	376	-	336
Furniture & Fittings	-	1,021	469	-	552	51	-	(90)	-	-	-	1,072	559	-	513
Land:															
- Operational Land	-	6,750	-	-	6,750	-	(20)	-	-	-	-	6,730	-	-	6,730
- Community Land	-	4,200	-	-	4,200	-	-	-	-	-	-	4,200	-	-	4,200
Land Improvements - depreciable	2,649	-	489	-	2,160	278	-	(132)	-	-	2,927	-	621	-	2,306
Buildings - Non Specialised	-	41,749	20,221	-	21,528	374	(88)	(219)	422	-	-	42,392	20,375	-	22,017
Buildings - Specialised	-	9,813	2,945	-	6,868	204	-	(94)	12	-	-	10,018	3,028	-	6,990
Other Structures	513	14,535	4,551	-	10,497	587	-	(373)	327	-	-	15,962	4,924	-	11,038
Infrastructure:															
- Roads, Bridges, Footpaths	7,236	244,086	148,318	-	103,004	3,297	-	(3,034)	-	-	36,796	181,101	114,630	-	103,267
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater Drainage	6,977	-	3,703	-	3,274	-	-	(116)	-	-	6,977	-	3,819	-	3,158
- Water Supply Network	-	48,361	37,827	-	10,534	41	-	(225)	-	308	-	49,851	39,193	-	10,658
- Sewerage Network	-	87,523	70,288	-	17,235	138	-	(363)	-	506	-	90,287	72,771	-	17,516
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	18,800	469,036	291,407	-	196,429	10,679	(1,040)	(5,447)	-	814	51,785	412,649	262,999	-	201,435

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000 Class of Asset	Actual 2010				Actual 2009			
	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	194	-	-	194	-	-	-	-
Plant & Equipment	-	145	126	19	-	151	102	49
Office Equipment	-	6	2	4	-	6	-	6
Land								
- Operational Land	-	202	-	202	-	202	-	202
Buildings	-	234	64	170	-	240	75	165
Other Structures	-	71	51	20	-	71	54	17
Infrastructure	-	49,852	39,193	10,659	-	48,361	37,827	10,534
Total Water Supply	194	50,510	39,436	11,268	-	49,031	38,058	10,973
Sewerage Services								
WIP	53	-	-	53	-	-	-	-
Plant & Equipment	-	101	100	1	-	117	89	28
Office Equipment	-	-	-	-	-	3	3	-
Furniture & Fittings	-	3	2	1	-	3	2	1
Land								
- Operational Land	-	709	-	709	-	709	-	709
Buildings	-	467	133	334	-	467	129	338
Other Structures	-	68	20	48	-	68	17	51
Infrastructure	-	90,287	72,771	17,516	-	87,523	70,288	17,235
Total Sewerage Services	53	91,635	73,026	18,662	-	88,890	70,528	18,362
Domestic Waste Management								
Plant & Equipment	-	14	4	10	-	14	2	12
Land								
- Operational Land	-	243	-	243	-	243	-	243
- Improvements - depreciable	875	-	443	432	875	-	334	541
Buildings	22	163	88	97	22	163	86	99
Other Assets	358	24	99	283	348	-	90	258
Total DWM	1,255	444	634	1,065	1,245	420	512	1,153
TOTAL RESTRICTED I,PP&E	1,502	142,589	113,096	30,995	1,245	138,341	109,098	30,488

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

\$ '000

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

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		80	-	1,153	-
Goods & Services - capital expenditure		84	-	-	-
Payments Received In Advance		170	-	111	-
Accrued Expenses:					
- Borrowings		34	-	60	-
- Other Expenditure Accruals		1,253	-	182	-
Security Bonds, Deposits & Retentions		143	-	159	-
Department of Commerce - Call Payments		-	136	136	-
Other		5	-	10	-
Total Payables		1,769	136	1,811	-
Borrowings					
Loans - Secured ¹		2,758	8,178	473	8,830
Total Borrowings		2,758	8,178	473	8,830
Provisions					
Employee Benefits;					
Annual Leave		742	-	656	-
Sick Leave		373	-	379	-
Long Service Leave		905	109	1,000	100
Other Leave		13	-	-	-
Sub Total - Aggregate Employee Benefits		2,033	109	2,035	100
Total Provisions		2,033	109	2,035	100
Total Payables, Borrowings & Provisions		6,560	8,423	4,319	8,930

(i) Liabilities relating to Restricted Assets

	2010		2009	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	112	51	95	57
Sewer	277	1,446	424	1,468
Liabilities relating to externally restricted assets	389	1,497	519	1,525
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	389	1,497	519	1,525

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.

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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

\$ '000	2010	2009
(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	1,206	1,272
	<u>1,206</u>	<u>1,272</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2009			2010		Closing Balance as at 30/6/10
	Opening Balance as at 1/7/09	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	656	542	(456)	-	-	742
Sick Leave	379	142	(148)	-	-	373
Long Service Leave	1,100	18	(104)	-	-	1,014
Other Leave	-	13	-	-	-	13
TOTAL	2,135	715	(708)	-	-	2,142

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2010	Actual 2009
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	11,209	5,728
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		11,209	5,728
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		7,368	2,484
Adjust for non cash items:			
Depreciation & Amortisation		5,447	5,921
Net Losses/(Gains) on Disposal of Assets		155	143
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(743)	586
- Decrease in Equity in Associate		9	-
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest on all fair value adjusted Interest Free Advances made to Council		(889)	-
Bad debts written off - deferred debtor		9	7
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(1,045)	449
Increase/(Decrease) in Provision for Doubtful Debts		(2)	(4)
Decrease/(Increase) in Inventories		(679)	(85)
Decrease/(Increase) in Other Current Assets		(34)	10
Increase/(Decrease) in Payables		(1,073)	(1,423)
Increase/(Decrease) in accrued Interest Payable		(26)	(6)
Increase/(Decrease) in other accrued Expenses Payable		1,071	(70)
Increase/(Decrease) in Other Current Liabilities		38	90
Increase/(Decrease) in Employee Leave Entitlements		7	434
Increase/(Decrease) in Other Provisions		-	-
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		9,613	8,536

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		-	-
Credit Cards / Purchase Cards		175	300
Other		-	-
Total Financing Arrangements		175	300
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		20	22
- Other		1	1
Total Financing Arrangements Utilised		21	23

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

(e) Net Cash Flows Attributable to Discontinued Operations

Please refer to Note 24 for details of Cash Flows that relate to Discontinued Operations

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2010	Actual 2009
(a) Capital Commitments (exclusive of GST)			
Nil			
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
DWM & Recycling Services		1,437	2,156
Cleaning Services		69	68
Audit Services		175	175
Labour & Plant		261	261
Management Services		650	55
Total Commitments		2,592	2,715
These expenditures are payable as follows:			
Within the next year		1,734	615
Later than one year and not later than 5 years		858	2,100
Later than 5 years		-	-
Total Payable		2,592	2,715
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
Nil			
(e) Remuneration Commitments			
Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:			
Within the next year		401	401
Later than one year and not later than 5 years		1,062	1,013
Later than 5 years		-	-
Total Payable		1,463	1,414
(f) Investment in Associates / Joint Ventures - Commitments			

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

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000	Amounts 2010	Indicator 2010	Prior Periods 2009 2008	
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>9,560</u>	1.93 : 1	3.10	2.75
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>4,965</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>4,700</u>	16.40%	8.11%	8.30%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>28,652</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>13,762</u>	40.54%	42.04%	46.68%
Revenue from Continuing Operations	<u>33,950</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>1,002</u>	6.77%	6.42%	7.41%
Rates, Annual & Extra Charges Collectible	<u>14,807</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>3,349</u>	82.67%	80.86%	75.72%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>4,051</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

⁽³⁾ Refer to Note 10(c) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>6.08</td> </tr> <tr> <td>2008</td> <td>2.75</td> </tr> <tr> <td>2009</td> <td>3.10</td> </tr> <tr> <td>2010</td> <td>1.93</td> </tr> </tbody> </table>	Year	Ratio : 1	2007	6.08	2008	2.75	2009	3.10	2010	1.93	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2009/10 Result</p> <p>2009/10 Ratio 1.93 : 1</p> <p>Council considers this an acceptable level.</p>
Year	Ratio : 1											
2007	6.08											
2008	2.75											
2009	3.10											
2010	1.93											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>4.65%</td> </tr> <tr> <td>2008</td> <td>8.30%</td> </tr> <tr> <td>2009</td> <td>8.11%</td> </tr> <tr> <td>2010</td> <td>16.40%</td> </tr> </tbody> </table>	Year	Ratio %	2007	4.65%	2008	8.30%	2009	8.11%	2010	16.40%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2009/10 Result</p> <p>2009/10 Ratio 16.40%</p> <p>Council considers this an necessary level, condoning the capital works that are needed.</p>
Year	Ratio %											
2007	4.65%											
2008	8.30%											
2009	8.11%											
2010	16.40%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>36.24%</td> </tr> <tr> <td>2008</td> <td>46.68%</td> </tr> <tr> <td>2009</td> <td>42.04%</td> </tr> <tr> <td>2010</td> <td>40.54%</td> </tr> </tbody> </table>	Year	Ratio %	2007	36.24%	2008	46.68%	2009	42.04%	2010	40.54%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2009/10 Result</p> <p>2009/10 Ratio 40.54%</p> <p>Council considers this an acceptable level.</p>
Year	Ratio %											
2007	36.24%											
2008	46.68%											
2009	42.04%											
2010	40.54%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>7.48%</td> </tr> <tr> <td>2008</td> <td>7.41%</td> </tr> <tr> <td>2009</td> <td>6.42%</td> </tr> <tr> <td>2010</td> <td>6.77%</td> </tr> </tbody> </table>	Year	Ratio %	2007	7.48%	2008	7.41%	2009	6.42%	2010	6.77%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2009/10 Result</p> <p>2009/10 Ratio 6.77%</p> <p>Council considers this an acceptable level, however are endeavouring to lower this percentage.</p>
Year	Ratio %											
2007	7.48%											
2008	7.41%											
2009	6.42%											
2010	6.77%											

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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

\$ '000	Water 2010	Sewer 2010	General ¹ 2010
1. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽¹⁾	32.35 : 1	5.99 : 1	1.93 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
2. Debt Service Ratio			
Debt Service Cost	0.34%	11.84%	22.51%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
3. Rates & Annual Charges Coverage Ratio			
Rates & Annual Charges	33.27%	81.92%	38.33%
Revenue from Continuing Operations			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual & Extra Charges Outstanding	27.37%	9.19%	4.78%
Rates, Annual & Extra Charges Collectible			
5. Building & Infrastructure Renewals Ratio			
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	0.00%	0.00%	96.71%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)			

Notes

⁽¹⁾ General Fund refers to all of Council's activities except for it's Water & Sewer activities which are listed separately.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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	
	2010	2009	2010	2009
Financial Assets				
Cash and Cash Equivalents	11,209	5,728	11,529	5,728
Investments				
- "Held for Trading"	6,714	6,522	6,714	6,522
- "Held to Maturity"	500	3,000	500	3,000
Receivables	2,758	1,725	1,667	1,635
Total Financial Assets	21,181	16,975	20,410	16,885
Financial Liabilities				
Payables	1,735	1,700	1,614	1,541
Loans / Advances	10,936	9,303	11,824	9,303
Total Financial Liabilities	12,671	11,003	13,438	10,844

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 far 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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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's Finance Section manages its Cash & Investments portfolio with the assistance of independent advisors.

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

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these 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.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is credit risk - the risk that the counterparty (to an investment) 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 (during 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
2010				
Possible impact of a 10% movement in Market Values	243	243	(243)	(243)
Possible impact of a 1% movement in Interest Rates	24	24	(24)	(24)
2009				
Possible impact of a 10% movement in Market Values	459	4,592	(418)	3,757
Possible impact of a 1% movement in Interest Rates	99	99	(99)	(99)

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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.

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

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

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

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

	2010	2010	2009	2009
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (in advance)	127	1,525	(180)	761
Past due by up to 30 days	91	145	247	88
Past due between 31 and 180 days	194	23	165	31
Past due between 181 and 365 days	123	67	82	-
Past due by more than 1 year	306	221	371	226
	<u>841</u>	<u>1,981</u>	<u>685</u>	<u>1,106</u>

(ii) Movement in Provision for Impairment of Receivables

	2010	2009
Balance at the beginning of the year	66	70
+ new provisions recognised during the year	-	5
- amounts already provided for & written off this year	(1)	(9)
- amounts provided for but recovered during the year	(1)	-
Balance at the end of the year	<u>64</u>	<u>66</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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.

As well, payment terms can (in extenuating circumstances) be extended & overdraft facilities can be drawn down.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity 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		
2010									
Trade/Other Payables	143	1,592	-	-	-	-	-	1,735	1,735
Loans & Advances	-	2,778	765	1,170	3,426	507	3,178	11,824	10,936
Total Financial Liabilities	143	4,370	765	1,170	3,426	507	3,178	13,559	12,671
2009									
Trade/Other Payables	159	1,785	-	-	-	-	-	1,944	1,700
Loans & Advances	-	473	504	540	579	608	6,599	9,303	9,303
Total Financial Liabilities	159	2,258	504	540	579	608	6,599	11,247	11,003

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:

	2010		2009	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	1,735	0.0%	1,700	0.0%
Loans & Advances - Fixed Interest Rate	10,936	6.2%	9,303	7.3%
	12,671		11,003	

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 09/10 was incorporated as part of its Management Plan and was adopted by the Council on 25 June 2010.

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.

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

Note that for Variations: F = Favourable Budget Variation, U = Unfavourable Budget Variation

\$ '000	2010 Budget	2010 Actual	2010 Variance* -----		
REVENUES					
Rates & Annual Charges	13,609	13,762	153	1%	F
User Charges & Fees	3,368	5,523	2,155	64%	F
Interest & Investment Revenue	447	2,434	1,987	445%	F
Other Revenues	872	1,671	799	92%	F
Operating Grants & Contributions	6,100	6,018	(82)	(1%)	U
Capital Grants & Contributions	1,648	4,542	2,894	176%	F
Council's Single Invitational RTA Contract(State Roads) income higher than expected.					
Net Gains from Disposal of Assets	50	-	(50)	(100%)	U

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	8,600	8,667	(67)	(1%)	U
Borrowing Costs	623	627	(4)	(1%)	U
Materials & Contracts	6,895	7,764	(869)	(13%)	U
Management & contracts are over budget due to items approved by Council after the management plan was approved.					
Depreciation & Amortisation	5,929	5,447	482	8%	F
Other Expenses	3,450	3,913	(463)	(13%)	U
Other expenses are over budget due to items approved by Council after the management plan was approved.					
Net Losses from Disposal of Assets	-	155	(155)	0%	U
Share of Net Losses - Joint Ventures & Associates	-	9	(9)	0%	U

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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	-	-	-	-	-	-	-	-	-	-	-
Roads	53	2	-	2	-	-	57	5	(57)	5	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	40	4	-	1	(40)	-	5	5	(5)	5	-
Community Facilities	33	-	-	1	(30)	-	4	8	(4)	8	-
Bushfire	50	1	-	2	-	-	53	5	(53)	5	-
Other	-	-	-	-	-	-	-	-	-	-	-
S94 Contributions - under a Plan	176	7	-	6	(70)	-	119	23	(119)	23	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	176	7	-	6	(70)	-	119				-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	314	-	-	-	(314)	-	-				
S64 Contributions	-	-	-	-	-	-	-				
Total Contributions	490	7	-	6	(384)	-	119	23	(119)	23	-

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

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	-	-	-	-	-	-	-	-	-	-	-
Roads	53	2	-	2	-	-	57	5	(57)	5	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	40	4	-	1	(40)	-	5	5	(5)	5	-
Community Facilities	33	-	-	1	(30)	-	4	8	(4)	8	-
Bushfire	50	1	-	2	-	-	53	5	(53)	5	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total	176	7	-	6	(70)	-	119	23	(119)	23	-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet, 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 and that member Councils will need to make significantly higher contributions from 2009/10 & beyond.

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 it's 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 Councils 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 of any increased prudential requirements of APRA.

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iv) Norsure Limited

Council is a member of Norsure, a mutual pool scheme providing liability insurance to Local Government. This scheme has now finished.

Norsure is responsible for PL & PI insurance coverage on all claims in excess of \$10,000. Below this threshold, individual Councils are responsible for funding claims.

Claims above \$25,000 are covered by re-insurance policies taken out by Norsure.

Council is liable to contribute any Norsure shortfall by way of additional contributions, should Norsure's liabilities exceed its assets. (Refer also Note 19)

(v) Other Guarantees

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

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.

In Narrabri's case, insurance coverage is achieved through its membership of Norsure - a Local Govt. Insurance pool.
Insurance pool.

(i) Third Party Claims (continued)

One of the Insurance policy underwriters for Norsure (the London based "Independent") has been placed in liquidation leaving the member Councils of Norsure liable for 50% of claim costs brought against them under the scheme.

Pending any future claims that fall against this policy, Council believes that it has appropriate insurance coverage.

(ii) S94 Plans

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

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

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

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils 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.

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

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

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.

Councils 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 updated 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.

ASSETS NOT RECOGNISED (continued):

(iii) Rural Fire Fighting Assets

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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;

Subsidiaries

Note 19(a)

Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50%

Associated Entities & Joint Venture Entities

Note 19(b)(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.

Joint Venture Operations

Note 19(c)

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved.

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Balance Sheet.

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

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Associated Entities	(9)	(7)	112	121
Joint Venture Entities	-	-	-	-
Total	(9)	(7)	112	121

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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

\$ '000

19(a) Subsidiaries (ie. Entities & Operations controlled by Council)

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

(a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2010	2009
Central Northern Libraries	Public Library Services	112	121
Total Carrying Amounts - Associated Entities		112	121

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2010	2009	2010	2009	2010	2009
Central Northern Libraries	15%	15%	15%	15%	15%	15%

(c) Movement in Carrying Amounts of Council's Equity Interest

	Central Northern Libraries	
	2010	2009
Opening Balance	121	128
Share in Operating Result	(9)	(7)
Council's Equity Share in the Joint Venture Entity	112	121

(d) Summarised Financial Information of Associated Entities - Council's Share

2010	Assets	Liabilities	Net Assets	Revenues	Profit
Central Northern Libraries	182	70	112	1,162	(9)
Totals	182	70	112	1,162	(9)
2009	Assets	Liabilities	Net Assets	Revenues	Profit
Central Northern Libraries	182	61	121	184	(7)
Totals	182	61	121	184	(7)

(e) Share of Associated Entities Expenditure Commitments

	2010	2009
Capital Commitments	-	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-
	-	-

(f) Contingent Liabilities of Associates

Share of Contingent Liabilities incurred jointly with other investors	100	100%
Share of Contingent Liabilities for which Council is severally liable	100	100%

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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

\$ '000

19(b) Associated Entities & Joint Venture Entities (continued)

(ii) JOINT VENTURE ENTITIES

Council has no interest in any Joint Venture Entities.

19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

19(d) Subsidiaries, Associated Entities & Joint Venture Operations Not Recognised

All Subsidiaries, Associated Entities & Joint Ventures have been recognised in this Financial Report as required.

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2010	Actual 2009
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		228,992	226,508
a. Correction of Prior Period Errors	20 (c)	(70,969)	(70,969)
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		7,368	2,484
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes		-	-
Balance at End of the Reporting Period		165,391	158,023
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		44,495	43,681
Total		44,495	43,681
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		43,681	42,872
- Revaluations for the year	9(a)	814	809
- Balance at End of Year		44,495	43,681
TOTAL VALUE OF RESERVES		44,495	43,681
(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.			

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
c. Correction of Error/s relating to a Previous Reporting Period			
Correction of Errors in the 2009/10 Reporting Period:			
Council in assessing the Fair Valuation of it's Roads, Bridges & Footpath Assets during the year determined that it's prior year revaluations were overstated		70,969	
Correction of Errors in the 2008/09 Reporting Period:			
Minor error amendments			128
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/08 (relating to adjustments for the 30/6/08 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30/6/09 (relating to adjustments for the 30/6/09 year end)		(70,969)	128
Total Prior Period Adjustments - Prior Period Errors		(70,969)	128

d. Voluntary Changes in Accounting Policies

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund	Actual	Actual	Actual
\$ '000	2010	2010	2010
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	976	1,686	11,100
User Charges & Fees	1,324	49	4,151
Interest & Investment Revenue	599	242	1,593
Other Revenues	-	49	1,622
Grants & Contributions provided for Operating Purposes	37	32	5,950
Grants & Contributions provided for Capital Purposes	-	-	4,542
Other Income			
Net Gains from Disposal of Assets	(2)	-	2
Total Income from Continuing Operations	2,933	2,058	28,960
Expenses from Continuing Operations			
Employee Benefits & on-costs	347	310	8,010
Borrowing Costs	4	107	517
Materials & Contracts	889	795	6,080
Depreciation & Amortisation	242	380	4,825
Impairment	-	-	-
Other Expenses	201	112	3,600
Interest & Investment Losses	-	-	-
Net Losses from the Disposal of Assets	-	(1)	156
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	9
Total Expenses from Continuing Operations	1,682	1,703	23,197
Operating Result from Continuing Operations	1,251	355	5,762
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	1,251	355	5,762
Net Operating Result attributable to each Council Fund	1,251	355	5,762
Net Operating Result attributable to Minority Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	1,251	355	1,220

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

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

Narrabri Shire Council

Notes to the Financial Statements

as at 30 June 2010

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund	Actual	Actual	Actual
\$ '000	2010	2010	2010
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	3,067	-	8,142
Investments	360	1,556	-
Receivables	196	102	1,889
Inventories	-	-	1,910
Other	-	-	231
Non-current assets classified as "held for sale"	-	-	-
Total Current Assets	3,623	1,658	12,172
Non-Current Assets			
Investments	3,292	1,037	969
Receivables	268	53	250
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	11,268	18,662	171,505
Investments Accounted for using the equity method	-	-	112
Investment Property	-	-	-
Intangible Assets	-	-	-
Other	-	-	-
Total Non-Current Assets	14,828	19,752	172,836
TOTAL ASSETS	18,451	21,410	185,008
LIABILITIES			
Current Liabilities			
Payables	52	24	1,693
Borrowings	6	183	2,569
Provisions	54	70	1,909
Total Current Liabilities	112	277	6,171
Non-Current Liabilities			
Payables	-	135	1
Borrowings	43	1,308	6,827
Provisions	8	3	98
Total Non-Current Liabilities	51	1,446	6,926
TOTAL LIABILITIES	163	1,723	13,097
Net Assets	18,288	19,687	171,911
EQUITY			
Retained Earnings	11,455	9,161	144,776
Revaluation Reserves	6,834	10,526	27,136
Total Equity	18,288	19,687	171,911

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

NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2010, up to and including 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 appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 19/10/10.

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

(i) Events that have provided evidence of conditions that existed at the Reporting Date

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2010.

(ii) Events that have provided evidence of conditions that arose after the Reporting Date

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2010 and which are only indicative of conditions that arose after 30 June 2010.

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".

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 25. Intangible Assets

\$ '000

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 30/6/10.

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 27. Additional Council Disclosures - Council Information

Principal Place of Business:

46-48 Maitland Street
Narrabri NSW 2390

Contact Details**Mailing Address:**

PO Box 261
Narrabri NSW 2390

Telephone: 02 6799 6881

Facsimile: 02 6799 6888

Opening Hours

8.30am to 5pm
Monday to Friday

Internet: www.narrabri.nsw.gov.au

Email: council@narrabri.nsw.gov.au

Officers**GENERAL MANAGER**

Phil Marshall

RESPONSIBLE ACCOUNTING OFFICER

Glen Warren

AUDITORS

Hill Rogers Spencer Steer

Other Information

ABN: 95 717 801 656

Elected Members**MAYOR**

Robyn Faber

COUNCILLORS

Lester Kelly
Ken Bates
Conard Bolton
Peter Etheridge
Ron Lowder
Christopher Buckman
Bevan O'Regan
Leslie Knox
George Sevil
Catherine Redding
John Clements

NARRABRI SHIRE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *general purpose financial statements* of *Narrabri Shire Council*, which comprises the Balance Sheet as at 30 June 2010, 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 or the additional disclosures in Note 13a. Accordingly, no opinion is expressed on these matters.

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.

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Spencer Steer

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.

Basis for Qualified Auditor's Opinion

1. As outlined in Note 1(j) to the financial statements, bridges and stormwater drainage infrastructure assets have not been revalued and disclosed at fair values. This is contrary to the Local Government Code of Accounting Practice and Financial Reporting which requires these assets be recorded at fair value as at 30 June 2010.
2. Note 9 discloses roads, bridges and footpaths at a carrying value of \$103.267 million as at 30 June 2010 after recognising a prior period correction of \$70.969 million. The carrying value includes a combination of fair values and deemed costs and sufficient appropriate documentation has not been provided to determine whether the value for this class of assets is fairly stated.
3. Since July 2007, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including Collateralised Debt Obligations (CDOs).

At 30 June 2010, Council's investment portfolio totalled \$17.393 million and included CDO securities totalling \$2.097 million. These securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from issuers and/or valuation models for which there is limited market evidence available to verify their reasonableness in the current economic environment. Further, the ongoing volatility of financial markets creates greater uncertainty in the valuation process and determination of future cash flows.

These circumstances have resulted in our inability to obtain sufficient appropriate audit evidence to satisfy ourselves as to the value and recoverability of \$2.097 million of Council's total investment portfolio.

Qualified Auditor's Opinion

In our opinion, except for the effects on the financial statements of the matters referred to in the paragraph titled *Basis for Qualified Auditor's 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 have we become aware of during the course of the audit.

HILL ROGERS SPENCER STEER



Gary F. MOTTAU
Partner

Dated at Sydney this 29th day of October 2010

Hill Rogers
Spencer Steer

29 October 2010

The Mayor
Narrabri Shire Council
PO Box 261
NARRABRI NSW 2390

Mayor,

Audit Report - Year Ended 30 June 2010

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2010 and that all information required by us, apart from the revaluation of roads, bridges, footpaths and stormwater drainage infrastructure assets which were required to be carried out during this financial year and disclosed at fair values, 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 accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) 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;

1. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a surplus of \$7.368 million as compared to \$2.484 million 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.

	2010	% of Total	2009	% of Total	Increase (Decrease)
	\$'000		\$'000		\$'000
Revenues before capital items					
Rates & annual charges	13,762	47%	12,510	48%	1,252
User charges, fees & other revenues	7,194	24%	5,818	22%	1,376
Grants & contributions provided for operating purposes	6,018	20%	7,499	29%	(1,481)
Interest & investment revenue	2,434	8%	346	1%	2,088
	29,408	100%	26,173	100%	3,235
Expenses					
Employee benefits & costs	8,667	33%	8,274	30%	393
Materials, contracts & other expenses	11,841	45%	12,412	46%	(571)
Depreciation, amortisation & impairment	5,447	20%	5,921	22%	(474)
Borrowing costs	627	2%	665	2%	(38)
	26,582	100%	27,272	100%	(690)
Surplus(Deficit) before capital items	2,826		(1,099)		3,925
Grants & contributions provided for capital purposes	4,542		3,583		959
Net Surplus(Deficit) for the year	7,368		2,484		4,884

As can be seen above, the operating result improved by \$4.884 million and can be mainly attributed to increased revenue from rates and annual charges (\$1.252 million) and interest and investments (\$2.088 million), including a one off fair value adjustment of \$889,000 in respect to the receipt of an interest-free loan of \$3 million.

1.2 Funding Result

The operating result does not take into account all revenues and all expenditures and in reviewing the overall financial performance of Council it is useful to take into account the total source of revenues and where they were spent during the year which is illustrated in the table below.

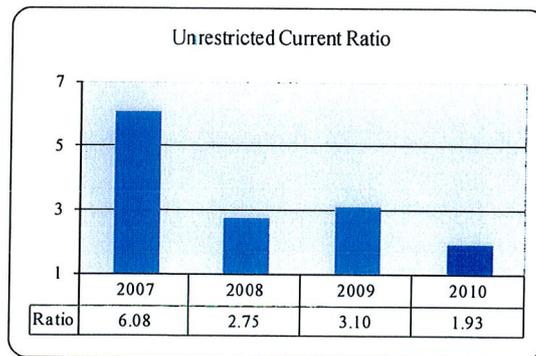
	2010 \$'000	2009 \$'000
Funds were provided by:-		
Operating Result (as above)	7,368	2,484
Add back non funding items:-		
- Fair value adjustment to interest free loan	(889)	0
- Depreciation, amortisation & impairment	5,447	5,921
- Book value of non current assets sold	1,040	783
- (Surplus)Deficit in joint ventures	9	7
	12,975	9,195
Decrease/Redemption in Non Current Investments	49	1,050
New loan borrowings	6,595	680
Transfers from externally restricted assets (net)	0	724
Transfers from internal reserves (net)	241	1,579
Repayments & w/off deferred debtors	14	7
Net Changes in current/non current assets & liabilities	121	297
	19,995	13,532
Funds were applied to:-		
Purchase and construction of assets	(10,679)	(11,654)
Principal repaid on loans	(4,073)	(1,299)
Finance lease instalments	0	(50)
Transfers to externally restricted assets (net)	(3,377)	0
	(18,129)	(13,003)
Increase(Decrease) in Available Working Capital	1,866	529

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 \$4.595 million representing a factor of 1.93 to 1.



2.2 Available Working Capital – (Working Funds)

A more meaningful financial indicator specific to local government is the level of **Available Working Capital**. Net Current Assets are adjusted by eliminating both external and internal reserves held for future purposes.

At the close of the year the Available Working Capital of Council stood at \$2.863 million as detailed below;

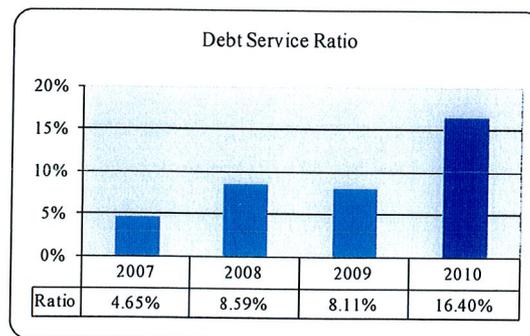
	2010	2009	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	10,893	8,164	2,729
<i>Add:</i> Payables & provisions not expected to be realised in the next 12 months included above	1,206	1,272	(66)
Adjusted Net Current Assets	12,099	9,436	2,663
<i>Add:</i> Budgeted & expected to pay in the next 12 months			
- Borrowings	2,758	473	2,285
- Employees leave entitlements	827	763	64
- Deposits & retention moneys	143	159	(16)
- Deferred debtors	(1)	(7)	6
<i>Less:</i> Externally restricted assets	(7,504)	(4,127)	(3,377)
<i>Less:</i> Internally restricted assets	(5,459)	(5,700)	241
Available Working Capital as at 30 June	2,863	997	1,866

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.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 16.40%.

After repaying principal and interest of \$4.700 million, Council's debt as at 30 June 2010 amounted to \$10.936 million and included an interest free loan of \$3 million (revalued to a fair value of \$2.111 million).



2.4 Summary

Council's overall financial position, after taking into account the restoration of Available Working Capital and extraordinary use of debt finance during the year, is in our opinion, satisfactory.

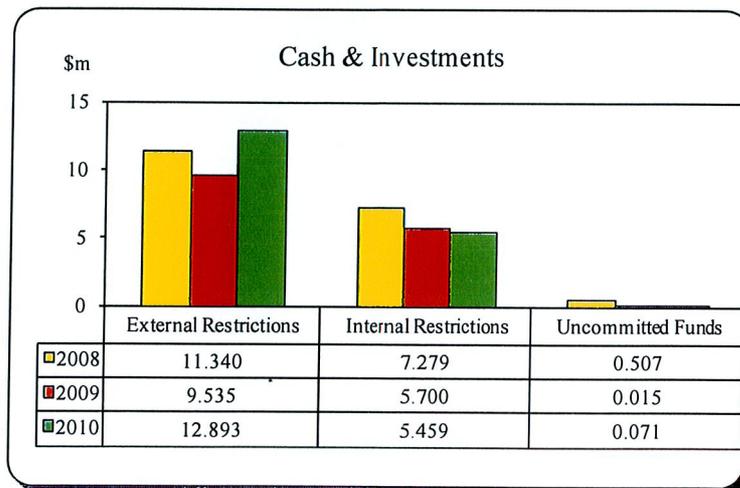
3. CASH ASSETS

3.1 Cash & Investments

Cash and investments totalled \$18.423 million at the close of the year as compared with \$15.250 million in 2009 and \$19.126 million in 2008.

Investments included CDO's (Collateralised Debt Obligations) which have been significantly affected by the recent global credit crisis. The fair value of these securities was \$2.097 million (2009 - 1.690 million and 2008 - \$2.277 million). Note 1(g) provides details of the valuation of these securities.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended loans (\$3 million), grants and developer contributions (\$531,000), water funds (\$6.719 million), sewerage funds (\$2.593 million) and domestic waste management charges (\$50,000).

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 \$5.459 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$71,000.

3.2 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 \$5.481 million to \$11.209 million at the close of the year.

In addition to operating activities which contributed net cash of \$9.613 million, cash inflows were the proceeds from the sale of investment securities \$31.530 million and assets \$887,000, raising new loans \$6.595 million and repayments made by deferred debtors \$5,000. Cash outflows, other than operating activities, were the repayment of loans \$4.073 million, purchase of investment securities \$28.481 million and the purchase and construction of assets \$10.595 million.

4. RECEIVABLES

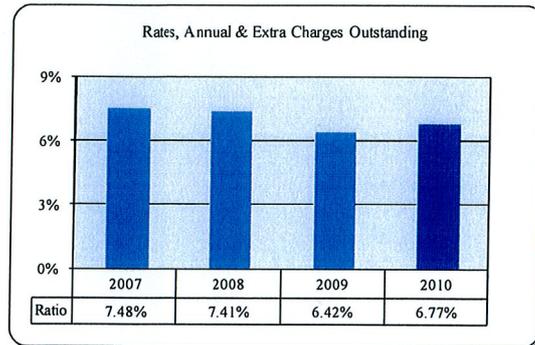
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$13.762 million and represented 40.54% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$14.430 million of which \$13.604 million (94.28%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$1.002 million at the end of the year and represented 6.77% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$1.794 million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$38,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$2.142 million. A cash reserve of \$700,000 was held at year end representing 32.68% of this liability and was, in our opinion, sufficient to enable Council to meet unbudgeted and unanticipated retirements.

5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$143,000 and were fully funded by cash and investments.

6. REVALUATION OF ASSETS

Hill Rogers
Spencer Steer

The valuation at 'fair value' of Council's infrastructure, property, plant and equipment is being introduced in a staged approach. In previous years several asset categories, including water & sewerage network assets, operational land and buildings and plant and equipment have been revalued.

This year, roads and footpaths were revalued to replacement cost however insufficient records were available for us to assess whether an accurate and complete assessment of the condition of those assets was reflected in the asset registers at 30 June 2010. Bridges and stormwater drainage assets were also required by the Division of Local Government to be revalued this year.

Non compliance with the requirement to revalue roads, bridges, footpaths and drainage assets to fair value by 30 June 2010 resulted in a modification to our audit opinion on the general purpose financial statements in the form of a scope limitation. Further details of the revaluation is provided in Notes 1(j) and 9 to the Financial Statements.

Revaluation to fair value for the remaining asset categories, including roads, bridges, footpaths and stormwater drainage, community land, other structures and land under roads, will be required as at 30 June 2011.

7. 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



Gary F. MOTTAU
Partner

Narrabri Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

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



Narrabri Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

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2. Special Purpose Financial Statements:	
- Income Statement of Water Supply Business Activity	3
- Income Statement of Sewerage Business Activity	4
- Income Statement of Other Business Activities	n/a
- Balance Sheet of Water Supply Business Activity	5
- Balance Sheet of Sewerage Business Activity	6
- Balance Sheet of Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
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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).
-

Narrabri Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

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 19 October 2010.



Robyn Faber
MAYOR



Lester Kelly
COUNCILLOR



Phil Marshall
GENERAL MANAGER



Glen Warren
RESPONSIBLE ACCOUNTING OFFICER

Narrabri Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2010

\$ '000	Actual 2010	Actual 2009	Actual 2008
Income from continuing operations			
Access charges	976	537	561
User charges	1,324	887	778
Fees	-	-	-
Interest	599	83	(368)
Grants and contributions provided for non capital purposes	37	36	35
Profit from the sale of assets	(2)	-	-
Other income	-	23	-
Total income from continuing operations	2,933	1,566	1,006
Expenses from continuing operations			
Employee benefits and on-costs	347	384	272
Borrowing costs	4	4	5
Materials and contracts	889	806	885
Depreciation and impairment	242	447	352
Water purchase charges	-	-	-
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	201	185	3,261
Total expenses from continuing operations	1,682	1,826	4,775
Surplus (deficit) from Continuing Operations before capital amounts	1,251	(260)	(3,769)
Grants and contributions provided for capital purposes	-	7	176
Surplus (deficit) from Continuing Operations after capital amounts	1,251	(253)	(3,593)
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	1,251	(253)	(3,593)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(375)	-	-
SURPLUS (DEFICIT) AFTER TAX	875	(253)	(3,593)
plus Opening Retained Profits	10,204	15,707	19,300
plus/less: Prior Period Adjustments	-	(5,250)	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	375	-	-
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	11,455	10,204	15,707
Return on Capital %	11.1%	-2.3%	-35.3%
Subsidy from Council	-	864	4,451
Calculation of dividend payable:			
Surplus (deficit) after tax	875	(253)	(3,593)
less: Capital grants and contributions (excluding developer contributions)	-	-	-
Surplus for dividend calculation purposes	875	-	-
Potential Dividend calculated from surplus	438	-	-

Narrabri Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2010

\$ '000	Actual 2010	Actual 2009	Actual 2008
Income from continuing operations			
Access charges	1,686	1,575	1,533
User charges	49	63	138
Liquid Trade Waste Charges	-	-	-
Fees	-	-	-
Interest	242	43	(144)
Grants and contributions provided for non capital purposes	32	33	32
Profit from the sale of assets	-	-	-
Other income	49	69	62
Total income from continuing operations	2,058	1,783	1,621
Expenses from continuing operations			
Employee benefits and on-costs	310	323	226
Borrowing costs	107	118	135
Materials and contracts	795	799	599
Depreciation and impairment	380	839	615
Loss on sale of assets	(1)	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	112	134	69
Total expenses from continuing operations	1,703	2,213	1,644
Surplus (deficit) from Continuing Operations before capital amounts	355	(430)	(23)
Grants and contributions provided for capital purposes	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	355	(430)	(23)
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	355	(430)	(23)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(107)	-	-
SURPLUS (DEFICIT) AFTER TAX	249	(430)	(23)
plus Opening Retained Profits	8,806	17,603	17,626
plus/less: Prior Period Adjustments	-	(8,367)	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	107	-	-
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	9,161	8,806	17,603
Return on Capital %	2.5%	-1.7%	0.6%
Subsidy from Council	490	1,329	1,081
Calculation of dividend payable:			
Surplus (deficit) after tax	249	(430)	(23)
less: Capital grants and contributions (excluding developer contributions)	-	-	-
Surplus for dividend calculation purposes	249	-	-
Potential Dividend calculated from surplus	124	-	-

Narrabri Shire Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2010

\$ '000	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Cash and cash equivalents	3,067	-
Investments	360	5,534
Receivables	196	284
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	3,623	5,818
Non-Current Assets		
Investments	3,292	-
Receivables	268	90
Inventories	-	-
Infrastructure, property, plant and equipment	11,268	10,973
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	14,828	11,063
TOTAL ASSETS	18,451	16,881
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	52	35
Interest bearing liabilities	6	6
Provisions	54	54
Total Current Liabilities	112	95
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	43	49
Provisions	8	8
Total Non-Current Liabilities	51	57
TOTAL LIABILITIES	163	152
NET ASSETS	18,288	16,729
EQUITY		
Retained earnings	11,455	10,204
Revaluation reserves	6,834	6,525
Council equity interest	18,288	16,729
Minority equity interest	-	-
TOTAL EQUITY	18,288	16,729

Narrabri Shire Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2010

\$ '000	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	1,556	-
Receivables	102	174
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	1,658	174
Non-Current Assets		
Investments	1,037	2,173
Receivables	53	9
Inventories	-	-
Infrastructure, property, plant and equipment	18,662	18,362
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	19,752	20,544
TOTAL ASSETS	21,410	20,718
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	24	208
Interest bearing liabilities	183	146
Provisions	70	70
Total Current Liabilities	277	424
Non-Current Liabilities		
Payables	135	-
Interest bearing liabilities	1,308	1,465
Provisions	3	3
Total Non-Current Liabilities	1,446	1,468
TOTAL LIABILITIES	1,723	1,892
NET ASSETS	19,687	18,826
EQUITY		
Retained earnings	9,161	8,806
Revaluation reserves	10,526	10,020
Council equity interest	19,687	18,826
Minority equity interest	-	-
TOTAL EQUITY	19,687	18,826

Narrabri Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

Contents of the Notes accompanying the Financial Statements

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- 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. They are 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 Division 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)

a. Narrabri Shire Council Combined Water Supplies

Supply operations servicing the towns of Bellata, Boggabri, Gwabegar, Pilliga, Narrabri and Wee Waa.

Category 2

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

a. Narrabri Shire Council Sewerage Service

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

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 Environment, Climate Change and Water) some amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these

Narrabri Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

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 **\$376,000** of combined land values attracts **0%**. From \$376,001 to \$2,299,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,299,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.65%** on the value of taxable salaries and wages in excess of \$638,000.

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 the business.

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 GPFS.

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.

(ii) Subsidies

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

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 Business Activities.

(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 5.10% at 30/6/10.

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 2010 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 its payment.

Narrabri Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2010

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	13,398
(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]	437,745
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	133,980
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2010, less the cumulative dividends paid for the 2 years to 30 June 2008	(2,970,510)

2010 Surplus	875,490	2009 Surplus	(253,000)	2008 Surplus	(3,593,000)
		2009 Dividend	-	2008 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(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]	NO
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	NO
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Narrabri Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2010Note 2. Water Supply Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)		2010
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)	\$'000 2,336
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)]	% 57.02%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000 10,856
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000 1,410
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000 229
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)]	% 6.07%
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.

Narrabri Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2010

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	11,739
(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]	124,250
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	117,390
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2010, less the cumulative dividends paid for the 2 years to 30 June 2008	(204,500)

2010 Surplus	248,500	2009 Surplus	(430,000)	2008 Surplus	(23,000)
		2009 Dividend	-	2008 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2010

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	1,816
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	17,569
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	1,193
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	174
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)]	%	1.31%
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	4,149
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.66%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	403
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)]	%	3.10%
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%

Narrabri Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

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

2010

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)]	%	-20.47%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 928 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: - 730 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	1,606
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	69

- 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.

NARRABRI SHIRE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *special purpose financial statements* of *Narrabri Shire Council*, which comprises the Balance Sheet as at 30 June 2010, 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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The financial statements have been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Division of Local Government, or for any purpose other than that for which they were prepared.

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.

HILL ROGERS SPENCER STEER



Gary F. MOTTAU
Partner

Dated at Sydney this 29th day of October 2010

Narrabri Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2010

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



Narrabri Shire Council

Special Schedules

for the financial year ended 30 June 2010

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¹ Special Purpose Schedules are not audited.

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,
 - the Department of Environment, Climate Change and Water, and
 - the Division of Local Government (DLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Narrabri Shire Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Administration	3,232	673	547	(2,012)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	627	151	221	(255)
Beach Control	-	-	-	-
Enforcement of Local Govt Regs	18	26	-	8
Animal Control	84	16	-	(68)
Other	-	-	-	-
Total Public Order & Safety	729	193	221	(315)
Health	2	24	-	22
Environment				
Noxious Plants and Insect/Vermin Control	275	126	-	(149)
Other Environmental Protection	94	-	-	(94)
Solid Waste Management	-	-	-	-
Street Cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater Management	-	-	-	-
Total Environment	369	126	-	(243)
Community Services and Education				
Administration & Education	213	42	-	(171)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	5	-	-	(5)
Childrens Services	2	2	-	-
Total Community Services & Education	220	44	-	(176)
Housing and Community Amenities				
Public Cemeteries	294	150	-	(144)
Public Conveniences	-	-	-	-
Street Lighting	232	49	-	(183)
Town Planning	18	95	-	77
Other Community Amenities	1,936	1,798	-	(138)
Total Housing and Community Amenities	2,480	2,092	-	(388)
Water Supplies	1,682	2,933	-	1,251
Sewerage Services	1,703	2,059	-	356

Narrabri Shire Council

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

for the financial year ended 30 June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	529	55	-	(474)
Museums	14	-	23	9
Art Galleries	-	-	-	-
Community Centres and Halls	1,637	761	-	(876)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	4	-	4
Sporting Grounds and Venues	338	-	-	(338)
Swimming Pools	762	95	-	(667)
Parks & Gardens (Lakes)	1,745	6	263	(1,476)
Other Sport and Recreation	-	35	-	35
Total Recreation and Culture	5,025	956	286	(3,783)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	827	85	-	(742)
Other Mining, Manufacturing & Construction	(75)	345	-	420
Total Mining, Manufacturing and Const.	752	430	-	(322)
Transport and Communication				
Urban Roads (UR) - Local	501	27	1,165	691
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	806	-	-	(806)
Sealed Rural Roads - Regional	1,165	795	2,000	1,630
Unsealed Rural Roads (URR) - Local	1,615	-	-	(1,615)
Unsealed Rural Roads (URR) - Regional	114	-	-	(114)
Bridges on UR - Local	18	-	-	(18)
Bridges on SRR - Local	60	-	-	(60)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	65	-	318	253
Parking Areas	-	-	-	-
Footpaths	-	-	-	-
Aerodromes	594	263	-	(331)
Other Transport & Communication	3,989	1,862	-	(2,127)
Total Transport and Communication	8,927	2,947	3,483	(2,497)
Economic Affairs				
Camping Areas & Caravan Parks	45	52	5	12
Other Economic Affairs	1,407	631	-	(776)
Total Economic Affairs	1,452	683	5	(764)
Totals – Functions	26,573	13,160	4,542	(8,871)
General Purpose Revenues⁽¹⁾		16,248	-	16,248
Share of interests - joint ventures & associates using the equity method	9	-		(9)
NET OPERATING RESULT FOR YEAR	26,582	29,408	4,542	7,368

(1) Includes: Rates & Annual Charges (incl. Ex Gratia), Untied General Purpose Grants & Interest on Investments (excl. Restricted Assets)

Narrabri Shire Council

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

for the financial year ended 30 June 2010

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-							-	-
Treasury Corporation	-	-	-							-	-
Other State Government	-	-	-							-	-
Public Subscription	-	-	-							-	-
Financial Institutions	473	8,830	9,303	6,595	4,962	-	-	627	2,758	8,178	10,936
Other	-	-	-							-	-
Total Loans	473	8,830	9,303	6,595	4,962	-	-	627	2,758	8,178	10,936
Other Long Term Debt											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	-	-	-							-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	473	8,830	9,303	6,595	4,962	-	-	627	2,758	8,178	10,936

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 (as per the GPFS's).

Narrabri 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 2010

\$'000	Actuals 2010	Actuals 2009
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	343	227
b. Engineering and Supervision	105	127
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	26
d. Maintenance expenses	135	173
- Reservoirs		
e. Operation expenses	-	3
f. Maintenance expenses	-	23
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	42
h. Energy costs	176	143
i. Maintenance expenses	399	266
- Treatment		
j. Operation expenses (excluding chemical costs)	-	33
k. Chemical costs	-	22
l. Maintenance expenses	-	8
- Other		
m. Operation expenses	-	2
n. Maintenance expenses	252	236
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	225	432
b. Plant and equipment	17	15
4. Miscellaneous expenses		
a. Interest expenses	4	4
b. Revaluation Decrements	-	-
c. Other expenses	26	44
d. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	1,682	1,826

Narrabri 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 2010

\$'000	Actuals 2010	Actuals 2009
Income		
6. Residential charges		
a. Access (including rates)	976	537
b. Usage charges	1,295	806
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	2	6
8. Extra charges	-	18
9. Interest income	599	83
10. Other income	-	23
11. Grants		
a. Grants for acquisition of assets	-	7
b. Grants for pensioner rebates	37	36
c. Other grants	-	-
12. Contributions		
a. Developer charges	26	57
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	<u>2,935</u>	<u>1,573</u>
14. Gain or loss on disposal of assets	(2)	-
15. Operating Result	<u>1,251</u>	<u>(253)</u>
15a. Operating Result (less grants for acquisition of assets)	1,251	(260)

Narrabri 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 2010

\$'000	Actuals 2010	Actuals 2009
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	65	262
c. Renewals	98	88
d. Plant and equipment	66	85
17. Repayment of debt		
a. Loans	6	12
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	235	447
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	-	-
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	3,641	3,639
b. Residential (unoccupied, ie. vacant lot)	114	116
c. Non-residential (occupied)	642	640
d. Non-residential (unoccupied, ie. vacant lot)	69	69
25. Number of ETs for which developer charges were received	9 ET	9 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 37,000	\$ 36,000

Narrabri Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2010

\$'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"/>	<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"/>	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2009/10 (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.

Narrabri Shire Council

Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2010

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	3,427	3,292	6,719
31. Receivables			
a. Specific purpose grants	8	-	8
b. Rates and charges	179	88	267
c. Other	9	180	189
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	10,856	10,856
b. Plant and equipment	-	412	412
34. Other assets	-	-	-
35. Total assets	<u>3,623</u>	<u>14,828</u>	<u>18,451</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	52	-	52
38. Borrowings			
a. Loans	6	43	49
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	54	8	62
40. Total liabilities	<u>112</u>	<u>51</u>	<u>163</u>
41. NET ASSETS COMMITTED	<u>3,511</u>	<u>14,777</u>	<u>18,288</u>
EQUITY			
42. Accumulated surplus			11,455
43. Asset revaluation reserve			6,834
44. TOTAL EQUITY			<u>18,288</u>
Note to system assets:			
45. Current replacement cost of system assets			50,049
46. Accumulated current cost depreciation of system assets			(39,193)
47. Written down current cost of system assets			<u>10,856</u>

Narrabri Shire Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	29	65
b. Engineering and Supervision	68	111
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	142	118
b. Maintenance expenses	230	161
- Pumping Stations		
c. Operation expenses (excluding energy costs)	101	97
d. Energy costs	68	65
e. Maintenance expenses	59	146
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	384	232
g. Chemical costs	-	-
h. Energy costs	20	13
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	92	105
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	363	824
b. Plant and equipment	16	24
4. Miscellaneous expenses		
a. Interest expenses	107	118
b. Revaluation Decrements	-	-
c. Other expenses	23	134
d. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	1,702	2,213

Narrabri 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 2010

\$'000	Actuals 2010	Actuals 2009
Income		
6. Residential charges (including rates)	1,686	1,575
7. Non-residential charges		
a. Access (including rates)	10	3
b. Usage charges	-	18
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	242	43
11. Other income	49	68
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	32	33
c. Other grants	-	-
13. Contributions		
a. Developer charges	39	43
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	<u>2,058</u>	<u>1,783</u>
15. Gain or loss on disposal of assets	(1)	-
16. Operating Result	<u>355</u>	<u>(430)</u>
16a. Operating Result (less grants for acquisition of assets)	355	(430)

Narrabri 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 2010

\$'000	Actuals 2010	Actuals 2009
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	45	12
c. Renewals	129	189
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	132	57
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	306	258
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	3,188	3,181
b. Residential (unoccupied, ie. vacant lot)	170	174
c. Non-residential (occupied)	519	531
d. Non-residential (unoccupied, ie. vacant lot)	36	35
26. Number of ETs for which developer charges were received	9 ET	9 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 33,500	\$ 33,000

Narrabri Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2010

\$'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"/>	<input type="checkbox"/> No	
If Yes, go to 29a. If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/> Yes	<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 2009/10 (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"/> -

* 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.

Narrabri Shire Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2010

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	1,556	1,037	2,593
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	102	53	155
c. Other	-	-	-
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	17,569	17,569
b. Plant and equipment	-	1,093	1,093
35. Other assets	-	-	-
36. Total Assets	<u>1,658</u>	<u>19,752</u>	<u>21,410</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	24	135	159
39. Borrowings			
a. Loans	183	1,308	1,491
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	70	3	73
41. Total Liabilities	<u>277</u>	<u>1,446</u>	<u>1,723</u>
42. NET ASSETS COMMITTED	<u>1,381</u>	<u>18,306</u>	<u>19,687</u>
EQUITY			
42. Accumulated surplus			9,161
44. Asset revaluation reserve			<u>10,526</u>
45. TOTAL EQUITY			<u>19,687</u>
Note to system assets:			
46. Current replacement cost of system assets			90,340
47. Accumulated current cost depreciation of system assets			<u>(72,771)</u>
48. Written down current cost of system assets			17,569

Narrabri Shire Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2010

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.

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) include capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Narrabri Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2010

\$'000	Actual ⁽¹⁾ 09/10	Forecast 10/11	Forecast 11/12	Forecast ⁽³⁾ 12/13	Forecast ⁽³⁾ 13/14
(i) RECURRENT BUDGET					
Income from continuing operations	33,950	27,981	28,924	29,900	30,908
Expenses from continuing operations	26,582	27,269	26,854	27,914	29,034
Operating Result from Continuing Operations	<u>7,368</u>	<u>712</u>	<u>2,070</u>	<u>1,986</u>	<u>1,874</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	9,656	575	575	737	575
Replacement/Refurbishment of Existing Assets	15,717	5,344	5,344	5,182	5,344
Total Capital Budget	<u>25,373</u>	<u>5,919</u>	<u>5,919</u>	<u>5,919</u>	<u>5,919</u>
Funded by:					
– Loans	5,398	-	-	-	-
– Asset sales	1,383	883	983	883	983
– Reserves	6,610	(87)	(113)	(41)	(57)
– Grants/Contributions	8,696	2,997	3,087	3,179	3,274
– Recurrent revenue	-	-	-	-	-
– Other	-	-	-	-	-
	<u>22,087</u>	<u>3,793</u>	<u>3,957</u>	<u>4,021</u>	<u>4,200</u>

Notes:

(1) From 09/10 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) If Council has only adopted 3 years of projections then only show 3 years.