

APPENDIX 1

AUDITED FINANCIAL REPORT

2011-2012



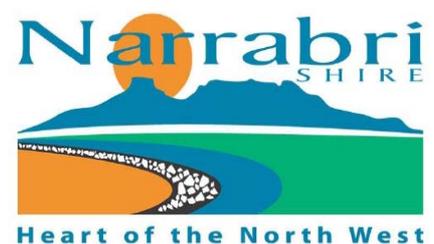
Annual Report 2011-2012

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Narrabri Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

*“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 2012

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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 politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.
- Council's Statutory Charter is specified in Paragraph 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 30/10/12.
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 2012

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:

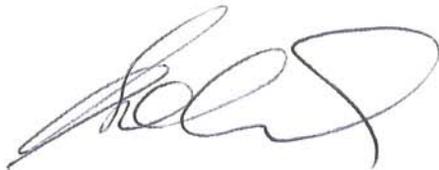
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

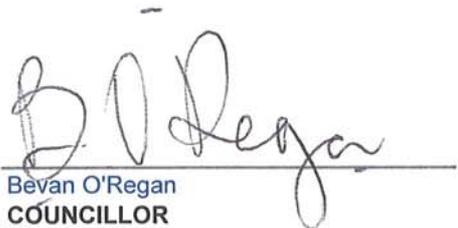
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

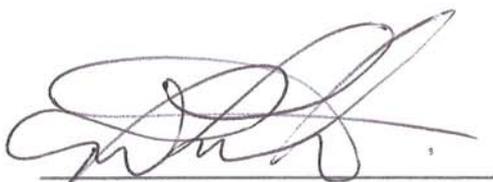
Signed in accordance with a resolution of Council made on 25 September 2012.



Conrad Bolton
MAYOR



Bevan O'Regan
COUNCILLOR



Patrick White
GENERAL MANAGER



Paul Wearne
RESPONSIBLE ACCOUNTING OFFICER

Narrabri Shire Council

Income Statement

for the financial year ended 30 June 2012

Budget ⁽¹⁾				Actual	Actual
2012	\$ '000		Notes	2012	2011
Income from Continuing Operations					
Revenue:					
15,263	Rates & Annual Charges		3a	15,232	14,516
3,739	User Charges & Fees		3b	5,390	7,322
836	Interest & Investment Revenue		3c	1,308	1,625
1,895	Other Revenues		3d	2,714	2,795
7,993	Grants & Contributions provided for Operating Purposes		3e,f	12,762	10,880
6,013	Grants & Contributions provided for Capital Purposes		3e,f	1,942	3,211
Other Income:					
4	Net gains from the disposal of assets		5	-	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method		19	7	-
35,743	Total Income from Continuing Operations			39,355	40,349
Expenses from Continuing Operations					
10,495	Employee Benefits & On-Costs		4a	12,049	10,152
681	Borrowing Costs		4b	722	769
7,995	Materials & Contracts		4c	14,639	15,923
9,262	Depreciation & Amortisation		4d	8,352	8,986
-	Impairment		4d	-	-
3,726	Other Expenses		4e	4,267	4,354
-	Interest & Investment Losses		3c	-	-
-	Net Losses from the Disposal of Assets		5	239	237
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method		19	-	7
32,159	Total Expenses from Continuing Operations			40,268	40,428
3,584	Operating Result from Continuing Operations			(913)	(79)
Discontinued Operations					
-	Net Profit/(Loss) from Discontinued Operations		24	-	-
3,584	Net Operating Result for the Year			(913)	(79)
3,584	Net Operating Result attributable to Council			(913)	(79)
-	Net Operating Result attributable to Minority Interests			-	-
(2,429)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes			(2,855)	(3,290)

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

Narrabri Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		(913)	(79)
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	-	18,198
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)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in Reserves	20b (ii)	-	-
Total Other Comprehensive Income for the year		-	18,198
Total Comprehensive Income for the Year		(913)	18,119
Total Comprehensive Income attributable to Council		(913)	18,119
Total Comprehensive Income attributable to Minority Interests		-	-

Narrabri Shire Council

Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	24,632	8,534
Investments	6b	4,504	12,750
Receivables	7	2,748	2,376
Inventories	8	1,879	1,750
Other	8	247	223
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		34,010	25,633
Non-Current Assets			
Investments	6b	997	1,516
Receivables	7	428	598
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	214,984	214,680
Investments accounted for using the equity method	19	117	110
Investment Property	14	-	-
Intangible Assets	25	-	-
Other	8	-	-
Total Non-Current Assets		216,526	216,904
TOTAL ASSETS		250,536	242,537
LIABILITIES			
Current Liabilities			
Payables	10	4,607	2,132
Borrowings	10	1,526	911
Provisions	10	2,121	1,913
Total Current Liabilities		8,254	4,956
Non-Current Liabilities			
Payables	10	-	136
Borrowings	10	15,023	9,299
Provisions	10	167	141
Total Non-Current Liabilities		15,190	9,576
TOTAL LIABILITIES		23,444	14,532
Net Assets		227,092	228,005
EQUITY			
Retained Earnings	20	164,399	165,312
Revaluation Reserves	20	62,693	62,693
Council Equity Interest		227,092	228,005
Minority Equity Interest		-	-
Total Equity		227,092	228,005

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 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		165,312	62,693	228,005	-	228,005
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		165,312	62,693	228,005	-	228,005
c. Net Operating Result for the Year		(913)	-	(913)	-	(913)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income (c&d)		(913)	-	(913)	-	(913)
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		164,399	62,693	227,092	-	227,092

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		165,391	44,495	209,886	-	209,886
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		165,391	44,495	209,886	-	209,886
c. Net Operating Result for the Year		(79)	-	(79)	-	(79)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	18,198	18,198	-	18,198
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	18,198	18,198	-	18,198
Total Comprehensive Income (c&d)		(79)	18,198	18,119	-	18,119
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		165,312	62,693	228,005	-	228,005

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 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
Cash Flows from Operating Activities				
Receipts:				
15,262	Rates & Annual Charges		15,097	14,468
3,739	User Charges & Fees		5,433	7,945
836	Investment & Interest Revenue Received		1,302	1,137
7,993	Grants & Contributions		14,060	14,638
1,895	Other		5,871	3,905
Payments:				
(10,725)	Employee Benefits & On-Costs		(11,765)	(9,999)
(7,995)	Materials & Contracts		(14,968)	(15,052)
(681)	Borrowing Costs		(588)	(598)
-	Bonds, Deposits & Retention amounts refunded		(2)	(49)
(3,726)	Other		(4,626)	(5,559)
6,598	Net Cash provided (or used in) Operating Activities	11b	9,814	10,836
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		65,727	58,748
850	Sale of Real Estate Assets		-	-
1,109	Sale of Infrastructure, Property, Plant & Equipment		1,446	527
-	Deferred Debtors Receipts		-	2
Payments:				
-	Purchase of Investment Securities		(56,923)	(65,373)
(31,256)	Purchase of Infrastructure, Property, Plant & Equipment		(10,169)	(6,543)
(550)	Purchase of Real Estate Assets		-	-
(29,847)	Net Cash provided (or used in) Investing Activities		81	(12,639)
Cash Flows from Financing Activities				
Receipts:				
5,405	Proceeds from Borrowings & Advances		7,250	1,970
Payments:				
(930)	Repayment of Borrowings & Advances		(1,047)	(2,842)
4,475	Net Cash Flow provided (used in) Financing Activities		6,203	(872)
(18,774)	Net Increase/(Decrease) in Cash & Cash Equivalents		16,098	(2,675)
8,534	plus: Cash & Cash Equivalents - beginning of year	11a	8,534	11,209
(10,240)	Cash & Cash Equivalents - end of the year	11a	24,632	8,534
Additional Information:				
	plus: Investments on hand - end of year	6b	5,501	14,266
Total Cash, Cash Equivalents & Investments			30,133	22,800

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 2012

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n/a - not applicable

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because 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.

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

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

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

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

(v) 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.

(vi) Changes in Accounting Policies

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

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

Critical judgements in applying the entity's accounting policies

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

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that

future economic benefits will flow to 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.

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

User Charges, Fees and Other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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 30/6/12) and (ii) all the related operating results (for the financial year ended the 30th June 2012).

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 Ventures

Jointly Controlled Assets & Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

Jointly Controlled Entities

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

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

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(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**.

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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

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

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

Impairment

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

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of Investments

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

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

collect all amounts due according to the original terms of each receivable.

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

Council's non current assets have been 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, bridges & footpaths**
(Internal Valuation)
- **Drainage Assets** (External Valuation)
- **Bulk Earthworks** (External Valuation)
- **Community Land** (External Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

- Increases in the 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
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Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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
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- 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
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Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method (or describe here any other methods Council uses) 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

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

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).

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, *“all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed”*.

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will 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 Building 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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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

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

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new

restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

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

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

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

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

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

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 its written down replacement cost.

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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$0.47 million at 30 June 2012.

As a result, they have asked for significant increases in future contributions to recover that deficiency.

Council’s share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/12.

(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).

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

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, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-

7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

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

When adopted, the standard will affect in particular the 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.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, revised AASB 127 - Separate Financial Statements and AASB 128 - Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

economic entity remains unchanged, as do the mechanics of consolidation.

However, the standard introduces a single definition of control that applies to all entities.

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

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

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

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

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

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

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

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

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

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

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

AASB 12 sets out the required disclosures for entities reporting under the two new standards,

AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011.

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Applicable to Local Government but no implications for Council;

None

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

None

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

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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
	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2011	2012	2011
Governance	11	10	14	-	917	755	11	(907)	(741)	-	-	159	4,008
Administration	1,080	480	449	4,714	3,417	2,833	(3,634)	(2,937)	(2,384)	97	-	31,951	26,326
Public Order & Safety	372	329	670	898	580	593	(526)	(251)	77	5	376	1,639	1,426
Health	167	43	30	-	9	6	167	34	24	136	35	-	-
Environment	-	2,348	2,168	-	2,702	2,273	-	(354)	(105)	-	113	-	-
Community Services & Education	56	15	6	68	86	88	(12)	(71)	(82)	15	4	2,969	3,265
Housing & Community Amenities	2,629	1,370	548	5,145	694	842	(2,516)	676	(294)	55	-	10,452	7,866
Water Supplies	3,047	2,921	2,948	2,262	1,999	1,981	785	922	967	37	36	20,928	21,000
Sewerage Services	2,163	2,309	2,554	2,012	1,924	1,882	151	385	672	33	32	22,776	24,930
Recreation & Culture	731	2,641	2,368	2,231	6,224	5,825	(1,500)	(3,583)	(3,457)	1,181	412	23,324	20,695
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	229	282	335	754	1,505	848	(525)	(1,223)	(513)	-	-	2,610	3,698
Transport & Communication	11,509	8,017	10,833	12,510	18,885	20,820	(1,001)	(10,868)	(9,987)	2,747	5,709	127,794	125,000
Economic Affairs	519	439	951	1,565	1,326	1,675	(1,046)	(887)	(724)	33	20	5,817	4,213
Total Functions & Activities	22,513	21,204	23,874	32,159	40,268	40,421	(9,646)	(19,064)	(16,547)	4,339	6,737	250,419	242,427
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	7	-	-	-	7	-	7	(7)	-	-	117	110
General Purpose Income ¹	13,230	18,144	16,475	-	-	-	13,230	18,144	16,475	7,291	5,657	-	-
Operating Result from Continuing Operations	35,743	39,355	40,349	32,159	40,268	40,428	3,584	(913)	(79)	11,630	12,394	250,536	242,537

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 2012

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.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

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

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

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, street lighting, other sanitation and garbage, 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 & 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, other.

ECONOMIC AFFAIRS

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		3,396	3,300
Farmland		5,402	5,302
Mining		480	385
Business		1,042	1,066
Total Ordinary Rates		10,320	10,053
Special Rates			
Drainage		1	1
Tourism		47	46
Total Special Rates		48	47
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		1,813	1,669
Water Supply Services		1,166	1,050
Sewerage Services		1,885	1,697
Total Annual Charges		4,864	4,416
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>15,232</u>	<u>14,516</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 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		1,256	1,089
Sewerage Services		109	90
Waste Management Services (non-domestic)		5	4
Total User Charges		1,370	1,183
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		291	263
Private Works - Section 67		17	438
Regulatory / Statutory Fees		26	25
Registration Fees		22	8
Total Fees & Charges - Statutory/Regulatory		356	734
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		265	216
Caravan Park		63	60
Cemeteries		229	243
Leaseback Fees - Council Vehicles		100	101
Quarry Revenues		148	227
RMS (formerly RTA) Charges (State Roads not controlled by Council)		1,956	3,484
Saleyards		167	215
Swimming Centres		94	85
Trade Waste		51	71
Waste Disposal Tipping Fees		102	66
Other		444	15
Total Fees & Charges - Other		3,664	5,405
TOTAL USER CHARGES & FEES		5,390	7,322

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		123	101
- Interest earned on Investments (interest & coupon payment income)		1,150	1,095
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		35	429
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>1,308</u>	<u>1,625</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		123	101
General Council Cash & Investments		533	765
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		2	4
Water Fund Operations		448	524
Sewerage Fund Operations		202	231
<u>Total Interest & Investment Revenue Recognised</u>		<u>1,308</u>	<u>1,625</u>
(d). Other Revenues			
Rental Income - Other Council Properties		209	190
Fines		46	42
Legal Fees Recovery - Rates & Charges (Extra Charges)		85	107
Crossing Theatre		1,420	1,176
Diesel Rebate		67	61
Distribution Reuse Farm		55	133
Employment Services		-	36
Insurance Claim Recoveries		190	54
Recoverable Expenses		304	612
Sales - General		321	328
Other		17	56
<u>TOTAL OTHER REVENUE</u>		<u>2,714</u>	<u>2,795</u>

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	4,603	3,570	-	-
Financial Assistance - Local Roads Component	2,599	1,997	-	-
Pensioners' Rates Subsidies - General Component	89	90	-	-
Total General Purpose	7,291	5,657	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	37	37	-	-
- Sewerage	32	32	-	-
- Domestic Waste Management	36	34	-	-
Bushfire & Emergency Services	213	162	62	214
Community Events	12	4	-	-
Flood Restoration	3,353	4,485	-	-
Heritage & Cultural	3	29	-	28
Library	60	54	-	200
Noxious Weeds	130	113	6	-
RTA Determined Works- 3x3	-	163	-	-
Street Lighting	52	51	-	-
Transport (Roads to Recovery)	-	-	-	987
Transport (Other Roads & Bridges Funding)	-	-	43	23
Tourism	18	16	-	-
Flood Studies	25	-	-	-
Other	80	(50)	177	155
Total Specific Purpose	4,051	5,130	288	1,607
Total Grants	11,342	10,787	288	1,607
Grant Revenue is attributable to:				
- Commonwealth Funding	7,209	5,560	113	1,123
- State Funding	4,133	5,227	175	484
	11,342	10,787	288	1,607

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 93F - Contributions using Planning Agreements	350	21	1,190	750
S 94 - Contributions towards amenities/services	-	-	64	4
Total Developer Contributions 17	350	21	1,254	754
Other Contributions:				
RMS Contributions (Regional Roads, Block Grant)	1,024	58	400	797
Tourism	15	-	-	-
Other	31	14	-	53
Total Other Contributions	1,070	72	400	850
Total Contributions	1,420	93	1,654	1,604
<u>TOTAL GRANTS & CONTRIBUTIONS</u>	<u>12,762</u>	<u>10,880</u>	<u>1,942</u>	<u>3,211</u>

\$ '000	Actual 2012	Actual 2011
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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	1,600	531
add: Grants & contributions recognised in the current period but not yet spent:	17,553	14,112
less: Grants & contributions recognised in a previous reporting period now spent:	(16,264)	(13,043)
Net Increase (Decrease) in Restricted Assets during the Period	1,289	1,069
Unexpended and held as Restricted Assets	<u>2,889</u>	<u>1,600</u>
Comprising:		
- Specific Purpose Unexpended Grants	611	945
- Developer Contributions	1,970	655
- Other Contributions	308	-
	<u>2,889</u>	<u>1,600</u>

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a) Employee Benefits & On-Costs			
Salaries and Wages		8,654	7,623
Travelling		106	97
Employee Leave Entitlements (ELE)		1,097	697
Superannuation		965	737
Workers' Compensation Insurance		335	241
Fringe Benefit Tax (FBT)		171	67
Training Costs (other than Salaries & Wages)		220	263
Protective Clothing		42	36
Other		459	530
Total Employee Costs		12,049	10,291
less: Capitalised Costs		-	(139)
TOTAL EMPLOYEE COSTS EXPENSED		12,049	10,152
Number of "Equivalent Full Time" Employees at year end		139	119
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		148	134
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		586	623
Total Interest Bearing Liability Costs		586	623
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		586	623
(ii) Other Borrowing Costs			
Interest applicable on Interest Free (& favourable) Loans to Council		136	146
Total Other Borrowing Costs		136	146
TOTAL BORROWING COSTS EXPENSED		722	769

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts			
Raw Materials & Consumables		12,313	13,311
Contractor & Consultancy Costs			
- Contractor & Consultancy Costs		901	643
- Management Fees		276	782
- Waste Collection		808	846
- Other		8	18
Auditors Remuneration ⁽¹⁾		57	48
Legal Expenses:			
- Legal Expenses: Planning & Development		15	30
- Legal Expenses: Other		193	158
- Legal Expenses: Debt Recovery		68	78
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		-	9
Total Materials & Contracts		14,639	15,923
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		14,639	15,923
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		57	48
Remuneration for audit and other assurance services		57	48
Total Auditor Remuneration		57	48
2. Operating Lease Payments are attributable to:			
Other		-	9
		-	9

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
Plant and Equipment		-	-	903	686
Office Equipment		-	-	126	109
Furniture & Fittings		-	-	102	99
Land Improvements (depreciable)		-	-	55	120
Buildings - Non Specialised		-	-	230	223
Buildings - Specialised		-	-	104	104
Other Structures		-	-	434	425
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	5,610	6,416
- Stormwater Drainage		-	-	152	116
- Water Supply Network		-	-	285	260
- Sewerage Network		-	-	351	428
Total Depreciation & Impairment Costs		-	-	8,352	8,986
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>-</u>	<u>-</u>	<u>8,352</u>	<u>8,986</u>

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		139	167
Bad & Doubtful Debts		13	6
Bank Charges		63	59
Cleaning		118	145
Contributions/Levies to Other Levels of Government			
- NSW Fire Brigade Levy		318	330
Councillor Expenses - Mayoral Fee		22	19
Councillor Expenses - Councillors' Fees		124	117
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		100	109
Donations, Contributions & Assistance to other organisations (Section 356)		70	87
- Donations, Contributions & Assistance		237	470
Electricity & Heating		568	570
Fire Control Expenses		72	20
Insurance		535	484
Office Expenses (including computer expenses)		369	320
Postage		24	27
Printing & Stationery		60	68
Recoverable Expenses		323	580
Street Lighting		260	236
Subscriptions & Publications		298	110
Telephone & Communications		167	176
Tourism Expenses (excluding employee costs)		207	136
Valuation Fees - Assets		130	73
Valuation Fees - Rates		48	45
Other		2	-
Total Other Expenses		4,267	4,354
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		4,267	4,354

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,446	527
less: Carrying Amount of P&E Assets Sold / Written Off		(1,689)	(762)
Net Gain/(Loss) on Disposal		(243)	(235)
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		65,727	58,748
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(65,723)	(58,750)
Net Gain/(Loss) on Disposal		4	(2)
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(239)</u>	<u>(237)</u>
* Financial Assets disposals / redemptions include:			
Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		4	-
Net Gain/(Loss) from Financial Instruments designated "Held to Maturity"		-	(2)
Net Gain/(Loss) on Disposal of Financial Instruments		4	(2)

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		23,556	-	5,509	-
Cash-Equivalent Assets ¹					
- Deposits at Call		1,076	-	2,025	-
- Short Term Deposits		-	-	1,000	-
Total Cash & Cash Equivalents		24,632	-	8,534	-
Investment Securities (Note 6b)					
- Long Term Deposits		4,000	-	11,000	-
- NCD's, FRN's (with Maturities > 3 months)		504	-	536	443
- CDO's		-	997	1,214	1,073
Total Investment Securities		4,504	997	12,750	1,516
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		29,136	997	21,284	1,516

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"

24,632	-	8,534	-
---------------	----------	--------------	----------

Investments

a. "At Fair Value through the Profit & Loss"

- "Held for Trading" 6(b-i) style="text-align: right;">504 style="text-align: right;">997 style="text-align: right;">1,750 style="text-align: right;">1,516

- "Designated at Fair Value on Initial Recognition" 6(b-i) style="text-align: center;">- style="text-align: center;">- style="text-align: center;">- style="text-align: center;">-

b. "Held to Maturity" 6(b-ii) style="text-align: right;">4,000 style="text-align: center;">- style="text-align: right;">11,000 style="text-align: center;">-

c. "Loans & Receivables" 6(b-iii) style="text-align: center;">- style="text-align: center;">- style="text-align: center;">- style="text-align: center;">-

d. "Available for Sale" 6(b-iv) style="text-align: center;">- style="text-align: center;">- style="text-align: center;">- style="text-align: center;">-

Investments style="text-align: right;">**4,504** style="text-align: right;">**997** style="text-align: right;">**12,750** style="text-align: right;">**1,516**

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 6b. Investments (continued)

\$ '000	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 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	1,750	1,516	1,416	5,298
Revaluations (through the Income Statement)	11	24	188	241
Additions	9,748	-	10,373	-
Disposals (sales & redemptions)	(11,475)	(73)	(12,551)	(1,699)
Transfers between Current/Non Current	470	(470)	2,324	(2,324)
Balance at End of Year	504	997	1,750	1,516
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	504	-	500	-
- CDO's	-	997	1,250	1,516
Total	504	997	1,750	1,516
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	11,000	-	500	-
Additions	47,175	-	55,000	-
Disposals (sales & redemptions)	(54,175)	-	(44,500)	-
Balance at End of Year	4,000	-	11,000	-
Comprising:				
- Long Term Deposits	4,000	-	11,000	-
Total	4,000	-	11,000	-
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 2012

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

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	29,136	997	21,284	1,516
attributable to:				
External Restrictions (refer below)	16,089	997	13,642	1,516
Internal Restrictions (refer below)	13,043	-	7,642	-
Unrestricted	4	-	-	-
	29,136	997	21,284	1,516

2012 \$ '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)	2,649	-	(1,839)	810
External Restrictions - Included in Liabilities	2,649	-	(1,839)	810

External Restrictions - Other

Developer Contributions - General (D)	655	1,606	(291)	1,970
RMS (formerly RTA) Contributions (E)	-	3,951	(3,643)	308
Specific Purpose Unexpended Grants (F)	945	-	(334)	611
Water Supplies (G)	7,449	1,355	-	8,804
Sewerage Services (G)	3,301	561	-	3,862
Domestic Waste Management (G)	159	2,817	(2,255)	721
External Restrictions - Other	12,509	10,290	(6,523)	16,276
Total External Restrictions	15,158	10,290	(8,362)	17,086

- 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).
- E** RMA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- 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 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	1,495	4,752	(4,928)	1,319
Employees Leave Entitlement	504	-	(93)	411
Carry Over Works	2,604	-	(1,017)	1,587
CDO Loss	452	-	(452)	-
Cultural Centre	58	-	(23)	35
Deposits, Retentions & Bonds	94	-	(2)	92
Depot	80	80	-	160
Caravan Park	52	-	(52)	-
Contributions and Donations	5	3	(5)	3
Francis St Development	72	-	(72)	-
Housing	24	781	(27)	778
Library	51	-	-	51
Nurruby Land Purchase	110	-	(110)	-
Office Equipment	25	-	-	25
Parks & Gardens	21	-	-	21
Quarries	1,468	1,301	(2,262)	507
Restricted Funding	117	-	(44)	73
RTA Single Invitation Contract	100	-	-	100
Section 355 Committee Funds	96	-	(18)	78
Swimming Pools	155	5,000	-	5,155
Wee Waa WWSI	-	22	-	22
Aerodrome	-	1,489	-	1,489
Shannon Estate Tree Planting	-	7	-	7
Administration Building	-	100	-	100
Kamilaroi Highway Group	-	12	(5)	7
Other	59	2,934	(1,970)	1,023
Total Internal Restrictions	7,642	16,481	(11,080)	13,043
TOTAL RESTRICTIONS	22,800	26,771	(19,442)	30,129

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		667	365	597	296
Interest & Extra Charges		127	63	131	65
User Charges & Fees		649	31	486	247
Contributions to Works		-	4	-	20
Accrued Revenues					
- Interest on Investments		66	-	88	-
- Other Income Accruals		435	-	1,046	-
Government Grants & Subsidies		682	-	38	-
Net GST Receivable		169	-	12	-
Other Debtors		-	-	13	-
Other Debtors		-	-	4	-
Total		2,795	463	2,415	628
less: Provision for Impairment					
Rates & Annual Charges		-	(23)	-	(19)
Interest & Extra Charges		-	(12)	-	(11)
User Charges & Fees		(47)	-	(39)	-
Total Provision for Impairment - Receivables		(47)	(35)	(39)	(30)
<u>TOTAL NET RECEIVABLES</u>		<u>2,748</u>	<u>428</u>	<u>2,376</u>	<u>598</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		8	2	8	-
- Rates & Availability Charges		264	-	281	12
- Other		5	-	201	-
Sewerage Services					
- Rates & Availability Charges		144	2	147	9
- Other		-	-	4	-
Total External Restrictions		421	4	641	21
Internally Restricted Receivables					
- Internal Restricted Receivables		1,921	-	-	-
Internally Restricted Receivables		1,921	-	-	-
Unrestricted Receivables		406	424	1,735	577
<u>TOTAL NET RECEIVABLES</u>		<u>2,748</u>	<u>428</u>	<u>2,376</u>	<u>598</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 was charged on overdue rates & charges at 11.00% (2011 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		203	-	225	-
Trading Stock		1,676	-	1,525	-
Total Inventories		1,879	-	1,750	-
Other Assets					
Prepayments		247	-	223	-
Total Other Assets		247	-	223	-
TOTAL INVENTORIES / OTHER ASSETS		2,126	-	1,973	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

(i) Other Disclosures

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

- Stores & Materials	344	227
- Trading Stock	322	198

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2011					Asset Movements during the Reporting Period				as at 30/6/2012				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value					Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	1,801	-	-	-	1,801	3,855	-	-	(25)	5,631	-	-	-	5,631
Plant & Equipment	-	11,304	3,187	-	8,117	2,527	(1,115)	(903)	(5)	-	12,285	3,664	-	8,621
Office Equipment	-	942	484	-	458	97	-	(126)	21	-	1,052	602	-	450
Furniture & Fittings	-	1,089	649	-	440	44	-	(102)	9	-	1,133	742	-	391
Land:														
- Operational Land	-	6,915	-	-	6,915	104	(100)	-	-	-	6,919	-	-	6,919
- Community Land	-	4,200	-	-	4,200	-	-	-	-	-	4,200	-	-	4,200
Land Improvements - depreciable	-	3,043	740	-	2,303	95	-	(55)	(12)	-	3,123	792	-	2,331
Buildings - Non Specialised	-	36,473	14,553	-	21,920	210	(433)	(230)	(18)	-	36,139	14,690	-	21,449
Buildings - Specialised	-	9,987	3,102	-	6,885	78	-	(104)	17	-	10,065	3,189	-	6,876
Other Structures	-	16,889	5,318	-	11,571	347	(36)	(434)	20	-	17,215	5,747	-	11,468
Infrastructure:														
- Roads, Bridges, Footpaths	-	236,307	120,867	-	115,440	2,808	-	(5,610)	-	-	239,114	126,476	-	112,638
- Stormwater Drainage	-	9,645	4,344	-	5,301	7	-	(152)	-	-	9,652	4,496	-	5,156
- Water Supply Network	-	27,001	15,637	-	11,364	114	(5)	(285)	(7)	-	27,111	15,930	-	11,181
- Sewerage Network	-	46,536	28,571	-	17,965	59	-	(351)	-	-	46,595	28,922	-	17,673
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,801	410,331	197,452	-	214,680	10,345	(1,689)	(8,352)	-	5,631	414,603	205,250	-	214,984

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$2,614) and New Assets (\$1,104). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000 Class of Asset	Actual 2012				Actual 2011			
	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	40	-	-	40	33	-	-	33
Plant & Equipment	-	239	148	91	-	234	135	99
Office Equipment	-	6	5	1	-	6	4	2
Land								
- Operational Land	-	202	-	202	-	192	-	192
Buildings	-	233	66	167	-	234	65	169
Other Structures	-	78	53	25	-	72	52	20
Infrastructure	-	27,036	15,916	11,120	-	26,940	15,629	11,311
Total Water Supply	40	27,794	16,188	11,646	33	27,678	15,885	11,826
Sewerage Services								
WIP	2	-	-	2	2	-	-	2
Plant & Equipment	-	104	100	4	-	101	99	2
Furniture & Fittings	-	3	2	1	-	3	3	-
Land								
- Operational Land	-	709	-	709	-	709	-	709
Buildings	-	467	139	328	-	468	135	333
Other Structures	-	68	25	43	-	68	22	46
Infrastructure	-	46,595	28,922	17,673	-	46,534	28,571	17,963
Total Sewerage Services	2	47,946	29,188	18,760	2	47,883	28,830	19,055
Domestic Waste Management								
WIP	-	77	-	77	-	-	-	-
Plant & Equipment	-	14	7	7	-	14	5	9
Land								
- Operational Land'	-	243	-	243	-	243	-	243
- Improvements - depreciable	-	876	491	385	876	-	467	409
Buildings	-	185	92	93	22	163	90	95
Other Assets	-	441	124	317	417	24	110	331
Total DWM	-	1,836	714	1,122	1,315	444	672	1,087
TOTAL RESTRICTED I,PP&E	42	77,576	46,090	31,528	1,350	76,005	45,387	31,968

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

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

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		79	-	279	-
Goods & Services - capital expenditure		621	-	445	-
Payments Received In Advance		159	-	177	-
Accrued Expenses:					
- Borrowings		57	-	59	-
- Salaries & Wages		371	-	321	-
- Other Expenditure Accruals		3,057	-	731	-
Security Bonds, Deposits & Retentions		92	-	94	-
Department of Commerce - Call Payments		136	-	-	136
Other		35	-	26	-
Total Payables		4,607	-	2,132	136
Borrowings					
Loans - Secured ¹		1,526	15,023	911	9,299
Total Borrowings		1,526	15,023	911	9,299
Provisions					
Employee Benefits;					
Annual Leave		718	-	653	-
Sick Leave		245	-	292	-
Long Service Leave		1,129	167	952	141
Other Leave		29	-	16	-
Sub Total - Aggregate Employee Benefits		2,121	167	1,913	141
Total Provisions		2,121	167	1,913	141
Total Payables, Borrowings & Provisions		8,254	15,190	4,956	9,576

(i) Liabilities relating to Restricted Assets

	2012		2011	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	169	8	102	45
Sewer	663	761	278	1,279
Liabilities relating to externally restricted assets	832	769	380	1,324
Internally Restricted Assets				
Bonds & Deposits	96	-	94	-
Liabilities relating to internally restricted assets	96	-	94	-
Total Liabilities relating to restricted assets	928	769	474	1,324

^{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 2012

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

\$ '000	2012	2011
(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	1,525	1,068
	<u>1,525</u>	<u>1,068</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2011		2012			Closing Balance as at 30/6/12
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	653	671	(606)	-	-	718
Sick Leave	292	193	(240)	-	-	245
Long Service Leave	1,093	592	(389)	-	-	1,296
Other Leave	16	29	(16)	-	-	29
TOTAL	2,054	1,485	(1,251)	-	-	2,288

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 2012

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	24,632	8,534
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		24,632	8,534
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(913)	(79)
Adjust for non cash items:			
Depreciation & Amortisation		8,352	8,986
Net Losses/(Gains) on Disposal of Assets		239	237
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(35)	(429)
Expenditure relating to Asset Reinstatements (Flood Damage Works)		-	2,104
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Value		136	146
Share of Net (Profits) or Losses of Associates/Joint Ventures		(7)	7
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(215)	(223)
Increase/(Decrease) in Provision for Doubtful Debts		13	5
Decrease/(Increase) in Inventories		(129)	160
Decrease/(Increase) in Other Assets		(24)	8
Increase/(Decrease) in Payables		(200)	199
Increase/(Decrease) in accrued Interest Payable		(2)	25
Increase/(Decrease) in other accrued Expenses Payable		2,376	(201)
Increase/(Decrease) in Other Liabilities		(11)	(21)
Increase/(Decrease) in Employee Leave Entitlements		234	(88)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		9,814	10,836

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit Cards / Purchase Cards		300	300
Total Financing Arrangements		300	300
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		26	23
Total Financing Arrangements Utilised		26	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.

Note 12. Commitments for Expenditure

(a) Capital Commitments (exclusive of GST)

Nil

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

Nil

(d) Investment in Associates / Joint Ventures - Commitments

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

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 2011 2010	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>17,500</u>	2.97 : 1	3.24	1.93
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>5,897</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>1,633</u>	5.11%	10.86%	16.40%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>31,942</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>15,232</u>	38.70%	35.98%	40.54%
Income from Continuing Operations	<u>39,355</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>1,187</u>	7.19%	6.73%	6.77%
Rates, Annual & Extra Charges Collectible	<u>16,499</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>2,614</u>	38.83%	40.24%	82.67%
Depreciation, Amortisation & Impairment	<u>6,732</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(a)(ii) - 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/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>3.1</td> </tr> <tr> <td>2010</td> <td>1.93</td> </tr> <tr> <td>2011</td> <td>3.24</td> </tr> <tr> <td>2012</td> <td>2.97</td> </tr> </tbody> </table>	Year	Ratio : 1	2009	3.1	2010	1.93	2011	3.24	2012	2.97	<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 2011/12 Result</p> <p>2011/12 Ratio 2.97 : 1</p> <p>Council considers this a acceptable level, considering the growth within the shire.</p>
Year	Ratio : 1											
2009	3.1											
2010	1.93											
2011	3.24											
2012	2.97											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>8.11%</td> </tr> <tr> <td>2010</td> <td>16.40%</td> </tr> <tr> <td>2011</td> <td>10.86%</td> </tr> <tr> <td>2012</td> <td>5.11%</td> </tr> </tbody> </table>	Year	Ratio %	2009	8.11%	2010	16.40%	2011	10.86%	2012	5.11%	<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 2011/12 Result</p> <p>2011/12 Ratio 5.11%</p> <p>Council considers this a necessary level, considering the capital works that are needed.</p>
Year	Ratio %											
2009	8.11%											
2010	16.40%											
2011	10.86%											
2012	5.11%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>42.04%</td> </tr> <tr> <td>2010</td> <td>40.54%</td> </tr> <tr> <td>2011</td> <td>35.98%</td> </tr> <tr> <td>2012</td> <td>38.70%</td> </tr> </tbody> </table>	Year	Ratio %	2009	42.04%	2010	40.54%	2011	35.98%	2012	38.70%	<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 2011/12 Result</p> <p>2011/12 Ratio 38.70%</p> <p>Council considers this a acceptable level.</p>
Year	Ratio %											
2009	42.04%											
2010	40.54%											
2011	35.98%											
2012	38.70%											
<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>2009</td> <td>6.42%</td> </tr> <tr> <td>2010</td> <td>6.77%</td> </tr> <tr> <td>2011</td> <td>6.73%</td> </tr> <tr> <td>2012</td> <td>7.19%</td> </tr> </tbody> </table>	Year	Ratio %	2009	6.42%	2010	6.77%	2011	6.73%	2012	7.19%	<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 2011/12 Result</p> <p>2011/12 Ratio 7.19%</p> <p>Council considers this a acceptable level, however is endeavoring to lower this percentage.</p>
Year	Ratio %											
2009	6.42%											
2010	6.77%											
2011	6.73%											
2012	7.19%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>80.86%</td> </tr> <tr> <td>2010</td> <td>82.67%</td> </tr> <tr> <td>2011</td> <td>40.24%</td> </tr> <tr> <td>2012</td> <td>38.83%</td> </tr> </tbody> </table>	Year	Ratio %	2009	80.86%	2010	82.67%	2011	40.24%	2012	38.83%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2011/12 Ratio 38.83%</p> <p>Council considers this a acceptable level, considering the level of flood damage works done within the year.</p>
Year	Ratio %											
2009	80.86%											
2010	82.67%											
2011	40.24%											
2012	38.83%											

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Water 2012	Sewer 2012	General ¹ 2012
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽¹⁾</u>	53.73 : 1	0.22 : 1	2.97 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
prior period:	4.80 : 1	0.54 : 1	3.24 : 1
2. Debt Service Ratio			
<u>Debt Service Cost</u>	0.10%	3.77%	5.76%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
prior period:	0.11%	4.45%	12.42%
3. Rates & Annual Charges Coverage Ratio			
<u>Rates & Annual Charges</u>	39.92%	81.67%	35.69%
Income from Continuing Operations			
prior period:	35.62%	66.41%	33.78%
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual & Extra Charges Outstanding</u>	22.64%	7.75%	5.78%
Rates, Annual & Extra Charges Collectible			
prior period:	27.90%	9.20%	4.70%
5. Building & Infrastructure Renewals Ratio			
<u>Asset Renewals (Building & Infrastructure assets)</u>	15.79%	17.09%	41.16%
Depreciation, Amortisation & Impairment			
prior period:	155.77%	47.43%	35.41%

Notes

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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	
	2012	2011	2012	2011
Financial Assets				
Cash and Cash Equivalents	24,632	8,534	24,632	8,534
Investments				
- "Held for Trading"	1,501	3,266	1,501	3,266
- "Held to Maturity"	4,000	11,000	4,000	11,000
Receivables	3,176	2,974	3,017	2,974
Total Financial Assets	33,309	25,774	33,150	25,774
Financial Liabilities				
Payables	4,448	2,091	4,448	2,091
Loans / Advances	16,549	10,210	16,549	10,210
Total Financial Liabilities	20,997	12,301	20,997	12,301

Fair Value is determined as follows:

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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 area manages the 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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

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 investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

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

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

2012	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in Market Values	150	150	(150)	(150)
Possible impact of a 1% movement in Interest Rates	11	11	(11)	(11)
2011				
Possible impact of a 10% movement in Market Values	450	450	(450)	(450)
Possible impact of a 1% movement in Interest Rates	45	45	(45)	(45)

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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:

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	197	856	181	1,773
Past due by up to 30 days	75	43	83	47
Past due between 31 and 180 days	100	22	110	19
Past due between 181 and 365 days	200	105	180	74
Past due by more than 1 year	460	1,200	339	237
	1,032	2,226	893	2,150
(ii) Movement in Provision for Impairment of Receivables			2012	2011
Balance at the beginning of the year			69	64
+ new provisions recognised during the year			11	6
- amounts already provided for & written off this year			-	(1)
- amounts provided for but recovered during the year			2	-
Balance at the end of the year			82	69

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the 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		
2012									
Trade/Other Payables	92	-	-	-	-	-	-	92	4,448
Loans & Advances	-	2,546	4,731	1,590	7,876	885	2,829	20,457	16,549
Total Financial Liabilities	92	2,546	4,731	1,590	7,876	885	2,829	20,549	20,997
2011									
Trade/Other Payables	94	-	-	-	-	-	-	94	2,091
Loans & Advances	-	911	1,338	3,617	724	622	3,001	10,213	10,210
Total Financial Liabilities	94	911	1,338	3,617	724	622	3,001	10,307	12,301

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:

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	4,448	0.0%	2,091	0.0%
Loans & Advances - Fixed Interest Rate	16,549	6.5%	10,210	6.5%
	<u>20,997</u>		<u>12,301</u>	

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 29 June 2012.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	15,263	15,232	(31)	(0%)	U
User Charges & Fees	3,739	5,390	1,651	44%	F
Increased water usage and charges combined with above budgeted returns from RMS					
Interest & Investment Revenue	836	1,308	472	56%	F
Interest rates were more favourable than budgeted					
Other Revenues	1,895	2,714	819	43%	F
Council regained operational control of The Crossing Theatre					
Operating Grants & Contributions	7,993	12,762	4,769	60%	F
Flood Damage contributions classed as operating					
Capital Grants & Contributions	6,013	1,942	(4,071)	(68%)	U
Flood Damage contributions classed as capital					
Net Gains from Disposal of Assets	4	-	(4)	(100%)	U
Losses predominately on disposal of plant and equipment					
Share of Net Profits - Joint Ventures & Associates	-	7	7	0%	F

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	10,495	12,049	(1,554)	(15%)	U
Council took over the Croosing Theatre and fill some vacant positions					
Borrowing Costs	681	722	(41)	(6%)	U
Materials & Contracts	7,995	14,639	(6,644)	(83%)	U
Council did not budget for 2 floods					
Depreciation & Amortisation	9,262	8,352	910	10%	F
Impairment Expenses	-	-	-	0%	F
Other Expenses	3,726	4,267	(541)	(15%)	U
Due to Insurance, Tourism, Asset valuation and Subscriptions increasing.					
Net Losses from Disposal of Assets	-	239	(239)	0%	U
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	6,598	9,814	3,216	48.7%	F
Grants in excess of budgeted received					
Cash Flows from Investing Activities	(29,847)	81	29,928	(100.3%)	F
Australian economy exceeded expectations					
Cash Flows from Financing Activities	4,475	6,203	1,728	38.6%	F
Unbudgeted increase in Borrowing on Pool and Housing					

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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	60	44	-	1	-	-	105	1	(1)	105	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	3	-	-	-	-	3	-	-	3	-
Open Space	6	6	-	1	-	-	13	1	(1)	13	-
Community Facilities	5	7	-	-	-	-	12	-	-	12	-
Bushfire	1	4	-	-	-	-	5	-	-	5	-
S94 Contributions - under a Plan	72	64	-	2	-	-	138	2	(2)	138	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	72	64	-	2	-	-	138				-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	583	1,540	-	-	(291)	-	1,832				
Total Contributions	655	1,604	-	2	(291)	-	1,970	2	(2)	138	-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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	
Roads	60	44	-	1	-	-	105	1	(1)	105	-
Parking	-	3	-	-	-	-	3	-	-	3	-
Open Space	6	6	-	1	-	-	13	1	(1)	13	-
Community Facilities	5	7	-	-	-	-	12	-	-	12	-
Bushfire	1	4	-	-	-	-	5	-	-	5	-
Total	72	64	-	2	-	-	138	2	(2)	138	-

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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 with member Councils required to make significantly higher contributions in future years.

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

The share of this deficit broadly attributed to Council is in the order of **\$497,239** as at 30 June 2012.

(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 result of any increased prudential requirements from APRA.

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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)

(iv) 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.

(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 2012

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

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 unpaid Infringement Notices.

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

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 2012

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 2012	Actual 2011	Actual 2012	Actual 2011
Associated Entities	7	(7)	117	110
Joint Venture Entities	-	-	-	-
Total	7	(7)	117	110

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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	2012	2011
Central Northern Libraries	Public Library Services	117	110
Total Carrying Amounts - Associated Entities		117	110

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2012	2011	2012	2011	2012	2011
Central Northern Libraries	15%	15%	15%	15%	15%	15%

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

	Central Northern Libraries	
	2012	2011
Opening Balance	110	117
Share in Operating Result	7	(7)
Council's Equity Share in the Associated Entity	117	110

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

2012	Assets	Liabilities	Net Assets	Revenues	Profit
Central Northern Libraries	117	-	117	188	7
Totals	117	-	117	188	7

2011	Assets	Liabilities	Net Assets	Revenues	Profit
Central Northern Libraries	110	-	110	181	(7)
Totals	110	-	110	181	(7)

(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

None.

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		165,312	165,391
a. Correction of Prior Period Errors	20 (c)	-	-
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		(913)	(79)
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
Balance at End of the Reporting Period		164,399	165,312

b. Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	62,693	62,693
Total	62,693	62,693

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve		
- Opening Balance	62,693	44,495
- Revaluations for the year	9(a) -	18,198
- Balance at End of Year	62,693	62,693
TOTAL VALUE OF RESERVES	62,693	62,693

(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.

c. Correction of Error/s relating to a Previous Reporting Period

Council made no correction of errors during the current reporting period.

d. Voluntary Changes in Accounting Policies

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	1,166	1,885	12,181
User Charges & Fees	1,276	134	3,980
Interest & Investment Revenue	448	202	658
Other Revenues	-	56	2,658
Grants & Contributions provided for Operating Purposes	37	32	12,693
Grants & Contributions provided for Capital Purposes	-	-	1,942
Other Income			
Net Gains from Disposal of Assets	(6)	(1)	7
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	7
Total Income from Continuing Operations	2,921	2,308	34,126
Expenses from Continuing Operations			
Employee Benefits & on-costs	311	364	11,374
Borrowing Costs	8	86	628
Materials & Contracts	1,069	958	12,612
Depreciation & Amortisation	302	357	7,693
Impairment	-	-	-
Other Expenses	309	158	3,800
Interest & Investment Losses	-	-	-
Net Losses from the Disposal of Assets	-	-	239
Total Expenses from Continuing Operations	1,999	1,923	36,346
Operating Result from Continuing Operations	922	385	(2,220)
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	922	385	(2,220)
Net Operating Result attributable to each Council Fund	922	385	(2,220)
Net Operating Result attributable to Minority Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	922	385	(4,162)

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 2012

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	8,804	-	15,828
Investments	-	-	1,639
Receivables	277	144	2,327
Inventories	-	-	1,879
Other	-	-	247
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	9,081	144	21,920
Non-Current Assets			
Investments	-	3,862	-
Receivables	2	2	424
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	11,646	18,760	184,578
Investments Accounted for using the equity method	-	-	117
Investment Property	-	-	-
Intangible Assets	-	-	-
Other	-	-	-
Total Non-Current Assets	11,648	22,624	185,119
TOTAL ASSETS	20,729	22,768	207,039
LIABILITIES			
Current Liabilities			
Payables	79	53	4,339
Borrowings	37	540	949
Provisions	53	70	1,998
Total Current Liabilities	169	663	7,286
Non-Current Liabilities			
Payables	-	136	-
Borrowings	-	622	14,401
Provisions	8	3	156
Total Non-Current Liabilities	8	761	14,557
TOTAL LIABILITIES	177	1,424	21,843
Net Assets	20,552	21,344	185,196
EQUITY			
Retained Earnings	13,344	10,218	140,837
Revaluation Reserves	7,208	11,126	44,359
Total Equity	20,552	21,344	185,196

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 2012

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 2012, 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 30/10/12.

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 2012.

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

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

Council is aware of the following "non adjusting events" that merit disclosure;

On Friday 21 September 2012 the Federal Court handed down a judgment in relation to the Lehman Brothers (Australia) Limited class action that was taken on behalf of several Councils in NSW who had purchased CDO investments through Lehmans. Narrabri Shire Council was one of the parties to this matter. This judgment, which is yet to be finalised and may be subject to appeal, was in favour of the Councils. At this stage it is too premature to determine what, if any, funds will be paid to Council as a result of the judgment. Council has previously adjusted the book value of the CDOs purchased from Lehmans through Fair Value Assessment as at the end of each financial year (see Notes 1, 3c and 6).

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 24. Discontinued Operations

\$ '000

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

Note 25. Intangible Assets

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

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

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

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

- the remaining useful lives of these assets being estimated at beyond 20 years and accordingly the effects of discounting the future cash outflows to present values deems the amounts immaterial,
- preliminary estimates of the individual amounts required to undertake the future restoration works do not materially affect either Council's Financial Results or Financial Position as at 30/6/12.

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 2012

Note 27. Council Information & Contact Details

Principal Place of Business:

46-48 Maitland Street
Narrabri NSW 2390

Contact Details**Mailing Address:**

PO Box 261
Narrabri NSW 2390

Opening Hours:

8.30am to 5pm
Monday to Friday

Telephone: 02 6799 6881

Facsimile: 02 6799 6888

Internet: www.narrabri.nsw.gov.au

Email: council@narrabri.nsw.gov.au

Officers**GENERAL MANAGER**

Patrick White

RESPONSIBLE ACCOUNTING OFFICER

Paul Wearne

PUBLIC OFFICER**AUDITORS**

Hill Rogers Spencer Steer

Elected Members**MAYOR**

Conrad Bolton

COUNCILLORS

Bevon O'Reagan
Catherine Collyer
Lloyd Finlay
Leslie Knox
Maxine Booby
Robyn Faber
Ron Lowder
Tom Scilley
Catherine Redding
John Tough
Ken Flower

Other Information

ABN: 95 717 801 656

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 2012, 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. 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.

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

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ABN 56 435 338 966

Independence

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

Basis for Qualified Auditor's Opinion

1. Note 9 discloses water supply network and sewerage network assets at carrying values of \$11.181 million and \$17.673 million respectively as at 30 June 2012. The carrying value has not been determined in accordance with paragraph 35 of the Local Government Code of Accounting Practice and Financial Reporting (pages A-92 and 93) which mandated that water and sewerage services assets required revaluation by 30 June 2012.
2. Note 9 discloses roads, bridges and footpaths and stormwater drainage at carrying values of \$112.638 million and \$5.156 million respectively as at 30 June 2012. The carrying value has not been determined in accordance with paragraph 35 of the Local Government Code of Accounting Practice and Financial Reporting (pages A-92 and 93) as a complete and comprehensive physical inspection of infrastructure assets had not been conducted by 30 June 2012.

Qualified Auditor's Opinion

In our opinion, except for the effects on the financial statements of the matter 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 we have become aware of during the course of the audit.

HILL ROGERS SPENCER STEER



GARY MOTTAU

Partner

Dated at Sydney this 30th day of October 2012

30 October 2012

The Mayor
Narrabri Shire Council
PO Box 261
NARRABRI NSW 2390

Mayor,

Audit Report - Year Ended 30 June 2012

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2012 and that all information required by us was readily available, except for the revaluation of water and sewer network assets, roads, bridges, footpaths and stormwater drainage infrastructure assets which were required to be carried out and disclosed at fair values,.

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;

I. RESULTS FOR THE YEAR

I.1 Operating Result

The operating result for the year was a deficit of \$913,000 and compares with \$79,000 in the previous year.

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

	2012 \$'000	% of Total	2011 \$'000	% of Total	Increase (Decrease) \$'000
Revenues before capital items					
Rates & annual charges	15,232	41%	14,516	39%	716
User charges, fees & other revenues	8,111	22%	10,117	27%	(2,006)
Grants & contributions provided for operating purposes	12,762	34%	10,880	29%	1,882
Interest & investment revenue	1,308	3%	1,625	4%	(317)
	37,413	100%	37,138	100%	275
Expenses					
Employee benefits & costs	12,049	30%	10,152	25%	1,897
Materials, contracts & other expenses	19,145	48%	20,521	51%	(1,376)
Depreciation, amortisation & impairment	8,352	21%	8,986	22%	(634)
Borrowing costs	722	2%	769	2%	(47)
	40,268	100%	40,428	100%	(160)
Surplus/(Deficit) before capital items	(2,855)		(3,290)		435
Grants & contributions provided for capital purposes	1,942		3,211		(1,269)
Net Surplus/(Deficit) for the year	(913)		(79)		(834)

As can be seen above, the operating result deteriorated by \$834,000 and can be mainly attributed to reduced capital grants.

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.

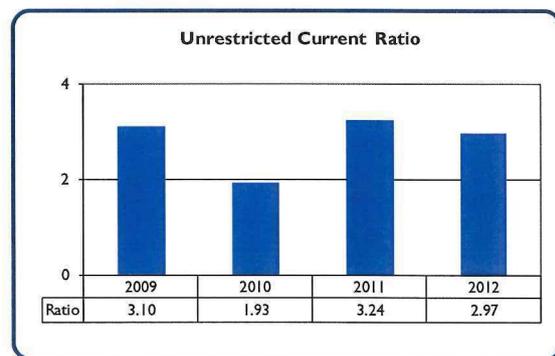
	2012	2011
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	(913)	(79)
Add back non funding items:-		
- Fair value adjustment to interest free loan	136	146
- Depreciation, amortisation & impairment	8,352	8,986
- Asset Reinstatement expenditure (flood damage)	0	2,104
- Book value of non-current assets sold	1,689	762
- (Surplus)/Deficit in joint ventures	(7)	7
	9,257	11,926
Decrease/Redemption in Non-current Investments	519	3,782
New loan borrowings	7,250	1,970
Repayments & w/off deferred debtors	0	2
Net Changes in current/non-current assets & liabilities	266	0
	17,292	17,680
Funds were applied to:-		
Purchase and construction of assets	(10,345)	(6,904)
Principal repaid on loans	(1,047)	(2,842)
Transfers to externally restricted assets (net)	(1,775)	(6,399)
Transfers to internal reserves (net)	(7,322)	(2,183)
Net Changes in current/non-current assets & liabilities	0	(165)
	(20,489)	(18,493)
Increase/(Decrease) in Available Working Capital	(3,197)	(813)

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 \$11.603 million representing a factor of 2.97 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 a **deficit** of \$1.147 million as detailed below;

	2012	2011	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	25,756	20,677	5,079
Add: Payables & provisions not expected to be realised in the next 12 months included above	1,525	1,068	457
Adjusted Net Current Assets	27,281	21,745	5,536
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	1,526	911	615
- Employees leave entitlements	596	845	(249)
- Deposits & retention moneys	92	94	(2)
- Deferred debtors	0	0	0
Less: Externally restricted assets	(15,678)	(13,903)	(1,775)
Less: Internally restricted assets	(14,964)	(7,642)	(7,322)
Available Working Capital as at 30 June	(1,147)	2,050	(3,197)

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.

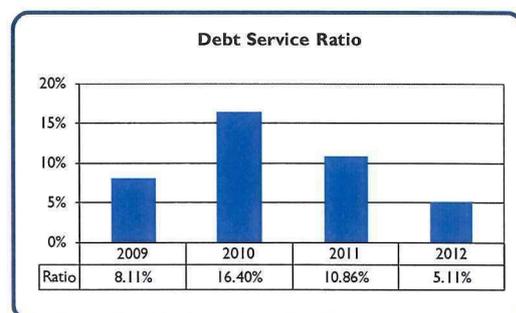
A minimum Available Working Capital balance for Narrabri Shire, in our opinion, should be in the vicinity of \$4.7 million. We note, however, that internal restrictions (Reserves) set aside for future works and liabilities include \$5.155 million for swimming pools and \$1.489 million for the aerodrome. As at 30 June 2012, Council did not have sufficient cash to fund all of its Reserves.

In the short term, these funds can be used to fund Council's day to day operations, etc as discussed above. However, once spent Council would need to increase the Available Working Capital level to at least that recommended above.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 5.11%.

After repaying principal and interest of \$1.633 million, Council's debt as at 30 June 2012 amounted to \$16.549 million and included the balance of the interest free loan of \$2.4 million (revalued to a fair value of \$1.8 million).



2.4 Summary

Council's overall financial position, is in our opinion, minimal and is evidenced by insufficient cash held at year end to cover the internal restrictions required by Council. We recommend that steps be taken to restore the level of Available Working Capital to a surplus position should Council wish to maintain the level of Internal Restrictions which are currently set aside to fund future works, services and liabilities.

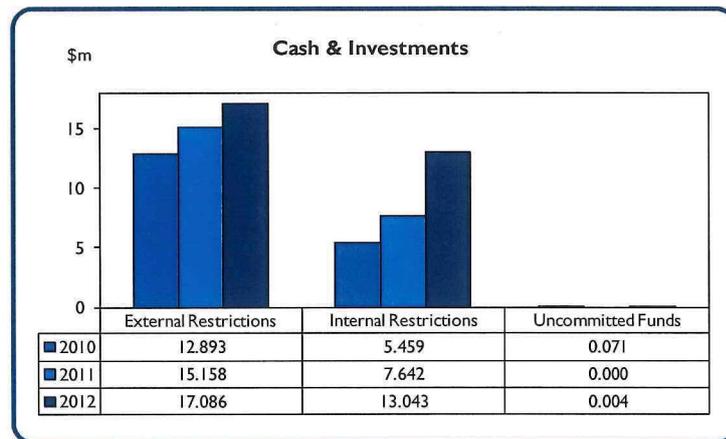
3. CASH ASSETS

3.1 Cash & Investments

Cash and investments totalled \$30.133 million at the close of the year as compared with \$22.800 million in 2011 and \$18.423 million in 2010.

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 \$997 thousand (2011 – \$2.287 million and 2010 - \$2.097 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 (\$810,000), grants and developer contributions (\$2.889 million), water funds (\$8.804 million), sewerage funds (\$3.862 million) and domestic waste management charges (\$721,000).

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 \$13.043 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$4,000.

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 \$16.098 million to \$24.632 million at the close of the year.

In addition to operating activities, which contributed net cash of \$9.814 million, were the proceeds from the sale of investment securities (\$65.727 million) and assets (\$1.446 million) and raising new loans (\$7.250 million). Cash outflows, other than operating activities, were the repayment of loans (\$1.047 million), purchase of investment securities (\$56.923 million) and the purchase and construction of assets (\$10.169 million).

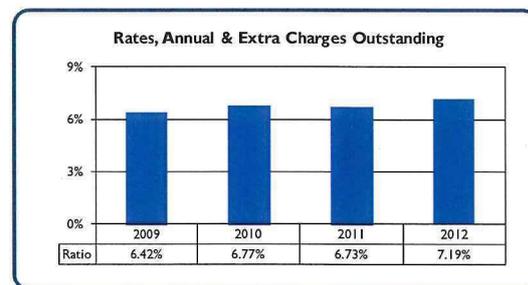
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$15.232 million and represented 38.70% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$16.106 million of which \$15.097 million (93.74%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$1.187 million at the end of the year and represented 7.19% of those receivables.



4.3 Other Receivables

Receivables (other than rates annual & extra charges) totalled \$2.036 million and included amounts due from government departments (\$851,000) and user charges and fees amounting to \$680,000. In addition to those debts required to be restricted, the Council has determined that nearly all of the balance of amounts owed at balance date (\$1.921 million) will be restricted upon receipt to fund future works (Reserves).

Those debts considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$47,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated costs amounted to \$2.288 million. A cash reserve of \$411,000 was held at year end representing 18% of this liability and was, in our opinion, sufficient to enable Council to meet unbudgeted and unanticipated retirements when considered with the provision made in the 2012/13 budget to fund the cost of leave taken by staff.

5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$92,000 and were fully funded by cash and investments.

6. REVALUATION OF ASSETS

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 and sewerage network assets, operational land and buildings and plant and equipment have been revalued.

In previous years, 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. Water and sewerage network assets, bridges and stormwater drainage assets were also required by the Division of Local Government to be revalued again.

Non compliance with the requirement to revalue water and sewerage network assets, roads, bridges, footpaths and drainage assets to fair value 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.

7. MANAGEMENT LETTER

A letter was issued to management during the year in respect of our examination of certain aspects of Council's accounting systems and internal controls necessary to produce reliable financial reports that we considered warrant attention. A response was received from management.

8. CONCLUSION

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

Yours faithfully,

HILL ROGERS SPENCER STEER

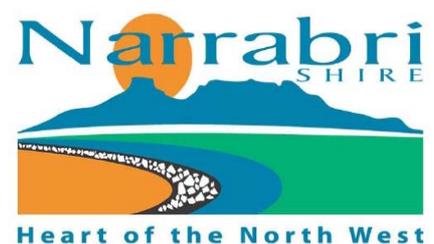


GARY MOTTAU
Partner

Narrabri Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

*“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 2012

Contents	Page
1. Statement by Councillors & Management	2
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 2012

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:

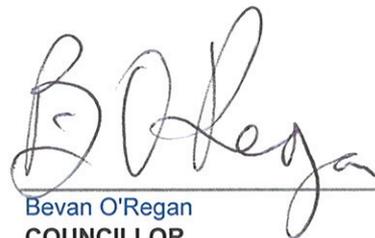
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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 25 September 2012.



Conrad Bolton
MAYOR



Bevan O'Regan
COUNCILLOR



Patrick White
GENERAL MANAGER



Paul Wearne
RESPONSIBLE ACCOUNTING OFFICER

Narrabri Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
Income from continuing operations			
Access charges	1,166	1,050	976
User charges	1,276	1,339	1,324
Fees	-	-	-
Interest	448	524	599
Grants and contributions provided for non capital purposes	37	37	37
Profit from the sale of assets	(6)	(2)	(2)
Other income	-	-	-
Total income from continuing operations	2,921	2,948	2,934
Expenses from continuing operations			
Employee benefits and on-costs	311	402	347
Borrowing costs	8	5	4
Materials and contracts	1,069	966	889
Depreciation and impairment	302	273	242
Water purchase charges	-	-	-
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	309	335	201
Total expenses from continuing operations	1,999	1,981	1,683
Surplus (deficit) from Continuing Operations before capital amounts	922	967	1,251
Grants and contributions provided for capital purposes	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	922	967	1,251
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	922	967	1,251
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(277)	(290)	(375)
SURPLUS (DEFICIT) AFTER TAX	645	677	876
plus Opening Retained Profits	12,422	11,455	10,204
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	277	290	375
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	13,344	12,422	11,455
Return on Capital %	8.0%	8.2%	11.1%
Subsidy from Council	-	-	-
Calculation of dividend payable:			
Surplus (deficit) after tax	645	677	876
less: Capital grants and contributions (excluding developer contributions)	-	-	-
Surplus for dividend calculation purposes	645	677	876
Potential Dividend calculated from surplus	323	338	438

Narrabri Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
Income from continuing operations			
Access charges	1,885	1,696	1,686
User charges	134	461	49
Liquid Trade Waste charges	-	-	-
Fees	-	-	-
Interest	202	231	242
Grants and contributions provided for non capital purposes	32	33	32
Profit from the sale of assets	(1)	-	-
Other income	56	133	49
Total income from continuing operations	2,308	2,554	2,058
Expenses from continuing operations			
Employee benefits and on-costs	364	353	310
Borrowing costs	86	97	107
Materials and contracts	958	868	795
Depreciation and impairment	357	434	380
Loss on sale of assets	-	(1)	(1)
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	158	131	112
Total expenses from continuing operations	1,923	1,882	1,703
Surplus (deficit) from Continuing Operations before capital amounts	385	672	355
Grants and contributions provided for capital purposes	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	385	672	355
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	385	672	355
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(116)	(202)	(107)
SURPLUS (DEFICIT) AFTER TAX	270	470	249
plus Opening Retained Profits	9,833	9,161	8,806
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	116	202	107
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	10,218	9,833	9,161
Return on Capital %	2.5%	4.0%	2.5%
Subsidy from Council	97	224	490
Calculation of dividend payable:			
Surplus (deficit) after tax	270	470	249
less: Capital grants and contributions (excluding developer contributions)	-	-	-
Surplus for dividend calculation purposes	270	470	249
Potential Dividend calculated from surplus	135	235	124

Narrabri Shire Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	8,804	6,013
Investments	-	372
Receivables	277	490
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	9,081	6,875
Non-Current Assets		
Investments	-	1,064
Receivables	2	12
Inventories	-	-
Infrastructure, property, plant and equipment	11,646	11,826
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	11,648	12,902
TOTAL ASSETS	20,729	19,777
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	79	42
Interest bearing liabilities	37	7
Provisions	53	53
Total Current Liabilities	169	102
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	37
Provisions	8	8
Total Non-Current Liabilities	8	45
TOTAL LIABILITIES	177	147
NET ASSETS	20,552	19,630
EQUITY		
Retained earnings	13,344	12,422
Revaluation reserves	7,208	7,208
Council equity interest	20,552	19,630
Minority equity interest	-	-
TOTAL EQUITY	20,552	19,630

Narrabri Shire Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	-	2,000
Investments	-	849
Receivables	144	151
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	144	3,000
Non-Current Assets		
Investments	3,862	452
Receivables	2	9
Inventories	-	-
Infrastructure, property, plant and equipment	18,760	19,055
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	22,624	19,516
TOTAL ASSETS	22,768	22,516
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	53	17
Interest bearing liabilities	540	191
Provisions	70	70
Total Current Liabilities	663	278
Non-Current Liabilities		
Payables	136	136
Interest bearing liabilities	622	1,140
Provisions	3	3
Total Non-Current Liabilities	761	1,279
TOTAL LIABILITIES	1,424	1,557
NET ASSETS	21,344	20,959
EQUITY		
Retained earnings	10,218	9,833
Revaluation reserves	11,126	11,126
Council equity interest	21,344	20,959
Minority equity interest	-	-
TOTAL EQUITY	21,344	20,959

Narrabri Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

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 2012

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)

b. **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 2012

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 **\$396,000** of combined land values attracts **0%**. From \$396,001 to \$2,421,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$678,000.

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.

Narrabri Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of 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 3.03% at 30/6/12.

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 2012 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 2012

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2012

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	13,530
(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]	322,700												
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	135,300												
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	2,198,000												
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">2012 Surplus</td> <td style="width: 15%; text-align: center;">645,400</td> <td style="width: 25%;">2011 Surplus</td> <td style="width: 15%; text-align: center;">676,900</td> <td style="width: 20%;">2010 Surplus</td> <td style="width: 20%; text-align: center;">875,700</td> </tr> <tr> <td></td> <td></td> <td>2011 Dividend</td> <td style="text-align: center;">-</td> <td>2010 Dividend</td> <td style="text-align: center;">-</td> </tr> </table>			2012 Surplus	645,400	2011 Surplus	676,900	2010 Surplus	875,700			2011 Dividend	-	2010 Dividend	-
2012 Surplus	645,400	2011 Surplus	676,900	2010 Surplus	875,700									
		2011 Dividend	-	2010 Dividend	-									
(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	135,300												
(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 2012Note 2. Water Supply Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)		2012
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 2,480
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)]	% 51.11%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000 11,171
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000 1,519
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000 127
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)]	% 5.66%
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 2012

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2012

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	11,919
(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]	134,750
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	119,190
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	988,400

2012 Surplus	269,500	2011 Surplus	470,400	2010 Surplus	248,500
		2011 Dividend	-	2010 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	119,190
(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	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

Narrabri Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2012Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2012

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	2,108
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	17,676
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	1,454
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	61
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)]	%	1.58%
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	4,581
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.51%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	188
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)]	%	3.14%
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 2012Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)		2012
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)]	% -27.37%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 956 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: - 561 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 1,307
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000 69

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 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
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 2012, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Independence

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

Basis for Qualified Auditor's Opinion

The carrying value has not been determined in accordance with paragraph 35 of the Local Government Code of Accounting Practice and Financial Reporting (pages A-92 and 93) which mandated that water and sewerage services assets required revaluation by 30 June 2012.

Qualified Auditor's Opinion

In our opinion, except for the effects on the financial statements of the matter referred to in the paragraph titled *Basis for Qualified Auditor's 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 I and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

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

HILL ROGERS SPENCER STEER



GARY MOTTAU

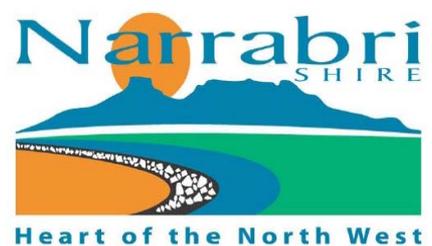
Partner

Dated at Sydney this 30th day of October 2012

Narrabri Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2012

*“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 2012

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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 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	917	10	-	(907)
Administration	3,417	479	1	(2,937)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	510	214	67	(229)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	13	41	-	28
Animal Control	57	7	-	(50)
Other	-	-	-	-
Total Public Order & Safety	580	262	67	(251)
Health	9	43	-	34
Environment				
Noxious Plants and Insect/Vermin Control	261	135	6	(120)
Other Environmental Protection	59	-	-	(59)
Solid Waste Management	2,198	2,168	-	(30)
Street Cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater Management	184	39	-	(145)
Total Environment	2,702	2,342	6	(354)
Community Services and Education				
Administration & Education	78	14	-	(64)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	5	-	-	(5)
Children's Services	3	1	-	(2)
Total Community Services & Education	86	15	-	(71)
Housing and Community Amenities				
Public Cemeteries	322	229	-	(93)
Public Conveniences	-	-	-	-
Street Lighting	260	52	-	(208)
Town Planning	33	203	-	170
Other Community Amenities	79	886	-	807
Total Housing and Community Amenities	694	1,370	-	676
Water Supplies	1,999	2,921	-	922
Sewerage Services	1,924	2,309	-	385

Narrabri Shire Council

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

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	601	68	-	(533)
Museums	1	-	-	(1)
Art Galleries	-	-	-	-
Community Centres and Halls	2,799	1,518	-	(1,281)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	331	12	163	(156)
Swimming Pools	735	94	750	109
Parks & Gardens (Lakes)	1,757	5	21	(1,731)
Other Sport and Recreation	-	10	-	10
Total Recreation and Culture	6,224	1,707	934	(3,583)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,086	134	-	(952)
Other Mining, Manufacturing & Construction	419	148	-	(271)
Total Mining, Manufacturing and Const.	1,505	282	-	(1,223)
Transport and Communication				
Urban Roads (UR) - Local	1,045	1	43	(1,001)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	1,023	-	-	(1,023)
Sealed Rural Roads (SRR) - Regional	3,348	-	-	(3,348)
Unsealed Rural Roads (URR) - Local	4,909	-	-	(4,909)
Unsealed Rural Roads (URR) - Regional	151	-	-	(151)
Bridges on UR - Local	13	-	19	6
Bridges on SRR - Local	204	-	-	(204)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	96	-	-	(96)
Parking Areas	-	-	-	-
Footpaths	28	-	-	(28)
Aerodromes	788	517	-	(271)
Other Transport & Communication	7,280	6,565	872	157
Total Transport and Communication	18,885	7,083	934	(10,868)
Economic Affairs				
Camping Areas & Caravan Parks	46	63	-	17
Other Economic Affairs	1,280	376	-	(904)
Total Economic Affairs	1,326	439	-	(887)
Totals – Functions	40,268	19,262	1,942	(19,064)
General Purpose Revenues⁽²⁾		18,144		18,144
Share of interests - joint ventures & associates using the equity method	-	7		7
NET OPERATING RESULT⁽¹⁾	40,268	37,413	1,942	(913)

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

Narrabri Shire Council

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

for the financial year ended 30 June 2012

\$'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	911	9,299	10,210	7,250	911	-	-	722	1,526	15,023	16,549
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	911	9,299	10,210	7,250	911	-	-	722	1,526	15,023	16,549
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	911	9,299	10,210	7,250	911	-	-	722	1,526	15,023	16,549

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

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

Narrabri Shire Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993]

for the financial year ended 30 June 2012

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	40	10	4
Water	215	30	183
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals	255	40	187

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
Housing	Quarries		01/11/07	5	01/11/12	7.50%	40	10	4
Water	Quarries		02/08/00	10	01/07/10	6.94%	215	30	183
Totals							255	40	187

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 2012

\$'000	Actuals 2012	Actuals 2011
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	519	383
b. Engineering and Supervision	119	172
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	80	76
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	7	5
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	182	161
i. Maintenance expenses	274	385
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	-	-
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	338	347
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	285	260
b. Plant and equipment	17	13
4. Miscellaneous expenses		
a. Interest expenses	3	3
b. Revaluation Decrements	-	-
c. Other expenses	176	176
d. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	2,000	1,981

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 2012

\$'000	Actuals 2012	Actuals 2011
Income		
6. Residential charges		
a. Access (including rates)	1,166	1,050
b. Usage charges	1,219	1,067
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	6	7
8. Extra charges	-	-
9. Interest income	448	524
10. Other income	32	16
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	37	37
c. Other grants	-	-
12. Contributions		
a. Developer charges	20	249
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	<u>2,928</u>	<u>2,950</u>
14. Gain (or loss) on disposal of assets	(6)	(2)
15. Operating Result	<u>922</u>	<u>967</u>
15a. Operating Result (less grants for acquisition of assets)	922	967

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 2012

\$'000	Actuals 2012	Actuals 2011
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	45	176
c. Renewals	-	85
d. Plant and equipment	82	183
17. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	127	444
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)	3,670	3,670
b. Residential (unoccupied, ie. vacant lot)	132	108
c. Non-residential (occupied)	641	642
d. Non-residential (unoccupied, ie. vacant lot)	67	63
25. Number of ETs for which developer charges were received	6 ET	84 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 36,684	\$ 36,600

Narrabri Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2011/12 (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 2012

\$'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	8,804	-	8,804
31. Receivables			
a. Specific purpose grants	8	2	10
b. Rates and Availability Charges	264	-	264
c. Other (including User Charges)	5	-	5
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	11,171	11,171
b. Plant and equipment	-	475	475
34. Other assets	-	-	-
35. Total assets	<u>9,081</u>	<u>11,648</u>	<u>20,729</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	79	-	79
38. Borrowings			
a. Loans	37	-	37
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	53	8	61
40. Total liabilities	<u>169</u>	<u>8</u>	<u>177</u>
41. NET ASSETS COMMITTED	<u>8,912</u>	<u>11,640</u>	<u>20,552</u>
EQUITY			
42. Accumulated surplus			13,344
43. Asset revaluation reserve			7,208
44. TOTAL EQUITY			<u>20,552</u>
Note to system assets:			
45. Current replacement cost of system assets			27,087
46. Accumulated current cost depreciation of system assets			(15,916)
47. Written down current cost of system assets			<u>11,171</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 2012

\$'000	Actuals 2012	Actuals 2011
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	35	31
b. Engineering and Supervision	53	84
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	177	174
b. Maintenance expenses	187	149
- Pumping Stations		
c. Operation expenses (excluding energy costs)	110	96
d. Energy costs	101	79
e. Maintenance expenses	109	100
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	556	464
g. Chemical costs	-	-
h. Energy costs	32	26
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	94	122
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	-	1
3. Depreciation expenses		
a. System assets	351	428
b. Plant and equipment	6	6
4. Miscellaneous expenses		
a. Interest expenses	86	97
b. Revaluation Decrements	-	-
c. Other expenses	27	25
d. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	1,924	1,882

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 2012

\$'000	Actuals 2012	Actuals 2011
Income		
6. Residential charges (including rates)	1,885	1,697
7. Non-residential charges		
a. Access (including rates)	18	5
b. Usage charges	92	84
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	202	231
11. Other income	56	133
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	32	33
c. Other grants	-	-
13. Contributions		
a. Developer charges	25	372
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	<u>2,310</u>	<u>2,555</u>
15. Gain (or loss) on disposal of assets	(1)	(1)
16. Operating Result	<u>385</u>	<u>672</u>
16a. Operating Result (less grants for acquisition of assets)	385	672

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 2012

\$'000	Actuals 2012	Actuals 2011
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	50	5
c. Renewals	11	177
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	61	182
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)	3,201	3,190
b. Residential (unoccupied, ie. vacant lot)	214	166
c. Non-residential (occupied)	522	518
d. Non-residential (unoccupied, ie. vacant lot)	36	37
26. Number of ETs for which developer charges were received	6 ET	82 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 32,497	\$ 33,500

Narrabri Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2012

\$'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"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2011/12 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

Narrabri Shire Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2012

\$'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	-	3,862	3,862
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	144	2	146
c. Other (including User Charges)	-	-	-
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	17,676	17,676
b. Plant and equipment	-	1,084	1,084
35. Other assets	-	-	-
36. Total Assets	<u>144</u>	<u>22,624</u>	<u>22,768</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	53	136	189
39. Borrowings			
a. Loans	540	622	1,162
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	70	3	73
41. Total Liabilities	<u>663</u>	<u>761</u>	<u>1,424</u>
42. NET ASSETS COMMITTED	<u>(519)</u>	<u>21,863</u>	<u>21,344</u>
EQUITY			
42. Accumulated surplus			10,218
44. Asset revaluation reserve			11,126
45. TOTAL EQUITY			<u>21,344</u>
Note to system assets:			
46. Current replacement cost of system assets			46,598
47. Accumulated current cost depreciation of system assets			(28,922)
48. Written down current cost of system assets			<u>17,676</u>

Narrabri Shire Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2012

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

Notes:

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

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

Narrabri Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2012

\$'000	Actual ⁽¹⁾ 11/12	Forecast 12/13	Forecast 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16
(i) OPERATING BUDGET					
Income from continuing operations	39,355	36,722	40,222	37,455	39,596
Expenses from continuing operations	40,268	43,647	45,129	41,678	42,685
Operating Result from Continuing Operations	<u>(913)</u>	<u>(6,925)</u>	<u>(4,907)</u>	<u>(4,223)</u>	<u>(3,089)</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	418	200	-	-	-
Replacement/Refurbishment of Existing Assets	6,032	11,067	4,241	4,272	4,303
Total Capital Budget	<u>6,450</u>	<u>11,267</u>	<u>4,241</u>	<u>4,272</u>	<u>4,303</u>
Funded by:					
- Loans	-	5,000	-	-	-
- Asset sales	1,689	1,159	1,183	1,183	1,183
- Reserves	2,819	3,334	1,180	1,182	1,188
- Grants/Contributions	1,942	1,687	1,737	1,789	1,843
- Recurrent revenue	-	87	141	118	89
- Other	-	-	-	-	-
	<u>6,450</u>	<u>11,267</u>	<u>4,241</u>	<u>4,272</u>	<u>4,303</u>

Notes:

(1) From 11/12 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.

(4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.