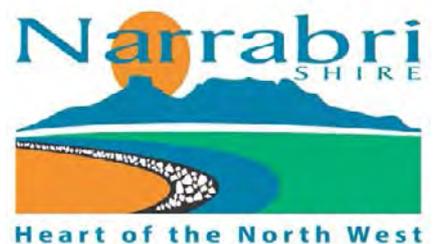


Narrabri Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

*“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 2013

Contents	Page
1. Statement by Councillors & Management	2
2. Primary Financial Statements:	
- Income Statement	3
- Statement of Comprehensive Income	4
- Statement of Financial Position	5
- Statement of Changes in Equity	6
- Statement of Cash Flows	7
3. Notes to the Financial Statements	8
4. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	74
- On the Conduct of the Audit (Sect 417 [3])	76

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 detailed in Paragraph 8 of the LGA and includes giving Council;

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

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

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

(iv) These financial statements were authorised for issue by the Council on 03 September 2013. Council has the power to amend and reissue these financial statements.

Narrabri Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2013

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 03 September 2013.



Conrad Bolton
MAYOR



Cathy Redding
COUNCILLOR



Patrick White
GENERAL MANAGER



Paul Wearne
RESPONSIBLE ACCOUNTING OFFICER

Narrabri Shire Council

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾ 2013	\$ '000	Notes	Actual 2013	Actual 2012
Income from Continuing Operations				
Revenue:				
15,946	Rates & Annual Charges	3a	16,168	15,232
3,390	User Charges & Fees	3b	9,747	5,390
744	Interest & Investment Revenue	3c	1,622	1,308
2,949	Other Revenues	3d	3,104	2,714
13,743	Grants & Contributions provided for Operating Purposes	3e,f	13,510	12,762
1,687	Grants & Contributions provided for Capital Purposes	3e,f	2,605	1,942
Other Income:				
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	3	7
38,459	Total Income from Continuing Operations		46,759	39,355
Expenses from Continuing Operations				
12,735	Employee Benefits & On-Costs	4a	13,376	12,049
1,115	Borrowing Costs	4b	1,070	722
14,936	Materials & Contracts	4c	15,063	14,639
9,755	Depreciation & Amortisation	4d	8,472	8,352
-	Impairment	4d	-	-
5,066	Other Expenses	4e	4,717	4,267
90	Net Losses from the Disposal of Assets	5	106	239
43,697	Total Expenses from Continuing Operations		42,804	40,268
(5,238)	Operating Result from Continuing Operations		3,955	(913)
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(5,238)	Net Operating Result for the Year		3,955	(913)
(5,238)	Net Operating Result attributable to Council		3,955	(913)
-	Net Operating Result attributable to Non-controlling Interests		-	-
(6,925)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		1,350	(2,855)

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

Narrabri Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		3,955	(913)
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(4,433)	-
Total Items which will not be reclassified subsequently to the Operating Result		(4,433)	-
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		(4,433)	-
Total Comprehensive Income for the Year		(478)	(913)
Total Comprehensive Income attributable to Council		(478)	(913)
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Narrabri Shire Council

Statement of Financial Position
as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	22,635	24,632
Investments	6b	9,080	4,504
Receivables	7	1,814	2,748
Inventories	8	1,856	1,879
Other	8	54	247
Total Current Assets		35,439	34,010
Non-Current Assets			
Investments	6b	224	997
Receivables	7	406	428
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	210,507	214,984
Investments accounted for using the equity method	19	120	117
Investment Property	14	-	-
Intangible Assets	25	-	-
Total Non-Current Assets		211,257	216,526
TOTAL ASSETS		246,696	250,536
LIABILITIES			
Current Liabilities			
Payables	10	2,394	4,607
Borrowings	10	3,841	1,526
Provisions	10	2,373	2,121
Total Current Liabilities		8,608	8,254
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	11,316	15,023
Provisions	10	158	167
Total Non-Current Liabilities		11,474	15,190
TOTAL LIABILITIES		20,082	23,444
Net Assets		226,614	227,092
EQUITY			
Retained Earnings	20	168,354	164,399
Revaluation Reserves	20	58,260	62,693
Council Equity Interest		226,614	227,092
Non-controlling Interests		-	-
Total Equity		226,614	227,092

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

page 5

Narrabri Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2013

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		164,399	62,693	227,092	-	227,092
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		164,399	62,693	227,092	-	227,092
c. Net Operating Result for the Year		3,955	-	3,955	-	3,955
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	(4,433)	(4,433)	-	(4,433)
- 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		-	(4,433)	(4,433)	-	(4,433)
Total Comprehensive Income (c&d)		3,955	(4,433)	(478)	-	(478)
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		168,354	58,260	226,614	-	226,614

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling 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 Rsv	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) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		164,399	62,693	227,092	-	227,092

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

page 6

Narrabri Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
15,946	Rates & Annual Charges		16,260	15,097
3,390	User Charges & Fees		10,544	5,433
744	Investment & Interest Revenue Received		1,247	1,302
15,430	Grants & Contributions		17,367	14,060
2,949	Other		5,254	5,871
Payments:				
(12,735)	Employee Benefits & On-Costs		(13,108)	(11,765)
(14,936)	Materials & Contracts		(17,799)	(14,968)
(990)	Borrowing Costs		(950)	(588)
-	Bonds, Deposits & Retention amounts refunded		(64)	(2)
(5,067)	Other		(6,635)	(4,626)
4,731	Net Cash provided (or used in) Operating Activities	11b	12,116	9,814
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		54,495	65,727
300	Sale of Real Estate Assets		-	-
859	Sale of Infrastructure, Property, Plant & Equipment		411	1,446
Payments:				
-	Purchase of Investment Securities		(58,013)	(56,923)
(11,268)	Purchase of Infrastructure, Property, Plant & Equipment		(9,489)	(10,169)
(10,109)	Net Cash provided (or used in) Investing Activities		(12,596)	81
Cash Flows from Financing Activities				
Receipts:				
5,018	Proceeds from Borrowings & Advances		-	7,250
-	Proceeds from Finance Leases		140	-
Payments:				
(1,892)	Repayment of Borrowings & Advances		(1,651)	(1,047)
-	Repayment of Finance Lease Liabilities		(6)	-
3,126	Net Cash Flow provided (used in) Financing Activities		(1,517)	6,203
(2,252)	Net Increase/(Decrease) in Cash & Cash Equivalents		(1,997)	16,098
25,000	plus: Cash & Cash Equivalents - beginning of year	11a	24,632	8,534
22,748	Cash & Cash Equivalents - end of the year	11a	22,635	24,632
Additional Information:				
	plus: Investments on hand - end of year	6b	9,304	5,501
Total Cash, Cash Equivalents & Investments			31,939	30,133

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 2013

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	9
2(a)	Council Functions / Activities - Financial Information	28
2(b)	Council Functions / Activities - Component Descriptions	29
3	Income from Continuing Operations	30
4	Expenses from Continuing Operations	35
5	Gains or Losses from the Disposal of Assets	38
6(a)	Cash & Cash Equivalent Assets	39
6(b)	Investments	39
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	41
7	Receivables	43
8	Inventories & Other Assets	44
9(a)	Infrastructure, Property, Plant & Equipment	45
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	46
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	46 n/a
10(a)	Payables, Borrowings & Provisions	47
10(b)	Description of (and movements in) Provisions	48
11	Statement of Cash Flows - Additional Information	49
12	Commitments for Expenditure	51
13	Statement of Performance Measures:	
	13a (i) Local Government Industry Indicators (Consolidated)	52
	13a (ii) Local Government Industry Graphs (Consolidated)	53
	13b Local Government Industry Indicators (by Fund)	54
14	Investment Properties	55 n/a
15	Financial Risk Management	55
16	Material Budget Variations	59
17	Statement of Developer Contributions	61
18	Contingencies and Other Liabilities/Assets not recognised	63
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	66
20	Equity - Retained Earnings and Revaluation Reserves	68
21	Financial Result & Financial Position by Fund	69
22	"Held for Sale" Non Current Assets & Disposal Groups	71 n/a
23	Events occurring after the Reporting Period	71
24	Discontinued Operations	71 n/a
25	Intangible Assets	71 n/a
26	Reinstatement, Rehabilitation & Restoration Liabilities	72
Additional Council Disclosures		
27	Council Information & Contact Details	73

n/a - not applicable

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 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 2013.

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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

(vii) Critical Accounting Estimates

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

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on 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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

unused grant or contribution is disclosed in Note 3(g).

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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 June 2013) and (ii) all the related operating results (for the financial year ended the 30th June 2013).

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 Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(ii) The Trust Fund

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

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

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

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

(iii) Joint 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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

the income statement on a straight-line basis over the period of the lease.

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

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

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

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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the 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**
(External Valuation)
- **Operational Land** (External Valuation)

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

Council has revalued Buildings (Specialised & Non-Specialised) with a Written Down Value (WDV) in 2013 Financial year.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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
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Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000

Other Structures

> \$2,000

Water & Sewer Assets

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

Stormwater Assets

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

Transport Assets

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

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

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	15 years
- Sealed Roads : Structure	50 years
- Natural Surface Roads	Infinite
- Gravel Surface Roads	10 years
- Unsealed roads	10 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	10 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

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

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

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

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

(l) Land under roads

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

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

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

(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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

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

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

This amortisation of the 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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

A Discontinued Operation is a component of the entity that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

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

(s) Impairment of assets

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

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

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

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

Where an asset is not held principally for cash generating purposes (for example Infrastructure

Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term

employee benefit obligations disclosed under payables..

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Defined Benefit Plans

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

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

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

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

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

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

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20/02/13 and covers the period ended 30/06/13.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government

Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2013 was \$180,124.

The amount of additional contributions included in the total employer contribution advised above is \$69,959.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$325,262 as at 30 June 2013.

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 30/6/13.

(y) Self insurance

Council does not self insure.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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 2013.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)

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

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

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

comprehensive income if they relate to equity investments that are not held for trading.

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

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

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

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

AASB 13 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;

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting

Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014).

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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)

This revised standard on accounting for employee benefits requires the recognition of all re-measurements of defined benefit liabilities/assets

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 paragraph (x) (iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

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 2013

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
	2013	2013	2012	2013	2013	2012	2013	2013	2012	2013	2012	2013	2012
Governance	12	10	10	997	837	917	(985)	(827)	(907)	-	-	77	159
Administration	1,161	885	480	5,322	3,786	3,417	(4,161)	(2,901)	(2,937)	103	97	26,347	31,951
Public Order & Safety	274	545	329	867	728	580	(593)	(183)	(251)	15	5	1,405	1,639
Health	156	41	43	289	25	9	(133)	16	34	120	136	-	-
Environment	-	2,514	2,348	106	2,966	2,702	(106)	(452)	(354)	-	-	-	-
Community Services & Education	11	35	15	106	99	86	(95)	(64)	(71)	31	15	1,753	2,969
Housing & Community Amenities	3,859	1,428	1,370	2,641	870	694	1,218	558	676	84	55	11,693	10,452
Water Supplies	2,782	3,771	2,921	2,813	2,550	1,999	(31)	1,221	922	36	37	22,093	20,928
Sewerage Services	2,347	3,058	2,309	2,806	2,051	1,924	(459)	1,007	385	32	33	23,278	22,776
Recreation & Culture	1,737	2,011	2,641	6,066	6,620	6,224	(4,329)	(4,609)	(3,583)	218	1,181	27,044	23,324
Mining, Manufacturing & Construction	268	292	282	1,719	473	1,505	(1,451)	(181)	(1,223)	-	-	2,567	2,610
Transport & Communication	8,908	14,292	8,017	18,478	20,192	18,885	(9,570)	(5,900)	(10,868)	7,926	2,747	126,196	127,794
Economic Affairs	421	515	439	1,487	1,607	1,326	(1,066)	(1,092)	(887)	8	33	4,123	5,817
Total Functions & Activities	21,936	29,397	21,204	43,697	42,804	40,268	(21,761)	(13,407)	(19,064)	8,573	4,339	246,576	250,419
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	3	7	-	-	-	-	3	7	-	-	120	117
General Purpose Income ¹	16,523	17,359	18,144	-	-	-	16,523	17,359	18,144	5,694	7,291	-	-
Operating Result from Continuing Operations	38,459	46,759	39,355	43,697	42,804	40,268	(5,238)	3,955	(913)	14,267	11,630	246,696	250,536

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 2013

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.

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 2013

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		3,468	3,396
Farmland		5,576	5,402
Mining		640	480
Business		1,164	1,042
Total Ordinary Rates		10,848	10,320
Special Rates			
Drainage		2	1
Tourism		48	47
Total Special Rates		50	48
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		1,838	1,813
Water Supply Services		1,246	1,166
Sewerage Services		2,186	1,885
Total Annual Charges		5,270	4,864
TOTAL RATES & ANNUAL CHARGES		16,168	15,232

Council has used 2011 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 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		35	-
Water Supply Services		1,484	1,256
Sewerage Services		150	109
Waste Management Services (non-domestic)		179	5
Total User Charges		1,848	1,370
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		354	291
Private Works - Section 67		151	17
Regulatory/ Statutory Fees		21	26
Registration Fees		53	22
Total Fees & Charges - Statutory/Regulatory		579	356
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		360	265
Caravan Park		74	63
Cemeteries		200	229
Contribution to Works		792	45
Leaseback Fees - Council Vehicles		111	100
Quarry Revenues		114	148
RMS (formerly RTA) Charges (State Roads not controlled by Council)		4,776	1,956
Saleyards		186	167
Swimming Centres		196	94
Trade Waste		49	51
Waste Disposal Tipping Fees		8	102
Other		454	444
Total Fees & Charges - Other		7,320	3,664
TOTAL USER CHARGES & FEES		9,747	5,390

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		119	123
- Interest earned on Investments (interest & coupon payment income)		1,218	1,150
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		285	35
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>1,622</u>	<u>1,308</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		119	123
General Council Cash & Investments		698	533
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		26	2
Water Fund Operations		521	448
Sewerage Fund Operations		258	202
<u>Total Interest & Investment Revenue Recognised</u>		<u>1,622</u>	<u>1,308</u>
(d) Other Revenues			
Rental Income - Other Council Properties		176	209
Fines		74	46
Legal Fees Recovery - Rates & Charges (Extra Charges)		108	85
Crossing Theatre		1,562	1,420
Diesel Rebate		81	67
Distribution Reuse Farm		57	55
Insurance Claim Recoveries		245	190
Recoverable Expenses		306	304
Sales - General		243	321
RFS		103	-
Other		149	17
<u>TOTAL OTHER REVENUE</u>		<u>3,104</u>	<u>2,714</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	3,563	4,603	-	-
Financial Assistance - Local Roads Component	2,042	2,599	-	-
Pensioners' Rates Subsidies - General Component	89	89	-	-
Total General Purpose	5,694	7,291	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	36	37	-	-
- Sewerage	32	32	-	-
- Domestic Waste Management	35	36	-	-
Bushfire & Emergency Services	217	213	132	62
Community Events	1	12	-	-
Flood Restoration	5,850	3,353	-	-
Heritage & Cultural	-	3	-	-
Library	50	60	-	-
Noxious Weeds	120	130	-	6
Street Lighting	53	52	-	-
Transport (Roads to Recovery)	-	-	1,528	-
Transport (Other Roads & Bridges Funding)	35	-	3	43
Tourism	8	18	-	-
Flood Studies	-	25	-	-
Pools	149	-	-	-
RMS Works - 3 x 3	163	-	-	-
Other	161	80	-	177
Total Specific Purpose	6,910	4,051	1,663	288
Total Grants	12,604	11,342	1,663	288
Grant Revenue is attributable to:				
- Commonwealth Funding	5,612	7,209	1,528	113
- State Funding	6,992	4,133	135	175
	12,604	11,342	1,663	288

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 93F - Contributions using Planning Agreements	-	350	520	1,190
S 94 - Contributions towards amenities/services	-	-	73	64
S 94A - Fixed Development Consent Levies	-	-	330	-
Total Developer Contributions	-	350	923	1,254
Other Contributions:				
RMS Contributions (Regional Roads, Block Grant)	906	1,024	-	400
Tourism	-	15	-	-
Other	-	31	19	-
Total Other Contributions	906	1,070	19	400
Total Contributions	906	1,420	942	1,654
TOTAL GRANTS & CONTRIBUTIONS	13,510	12,762	2,605	1,942

\$ '000	Actual 2013	Actual 2012
(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	2,889	1,600
add: Grants & contributions recognised in the current period but not yet spent:	1,570	17,553
less: Grants & contributions recognised in a previous reporting period now spent:	(1,909)	(16,264)
Net Increase (Decrease) in Restricted Assets during the Period	(339)	1,289
Unexpended and held as Restricted Assets	2,550	2,889
Comprising:		
- Specific Purpose Unexpended Grants	460	611
- Developer Contributions	1,839	1,970
- Other Contributions	251	308
	2,550	2,889

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Employee Benefits & On-Costs			
Salaries and Wages		9,980	8,654
Travelling		90	106
Employee Leave Entitlements (ELE)		868	1,097
Superannuation		836	965
Workers' Compensation Insurance		615	335
Fringe Benefit Tax (FBT)		174	171
Training Costs (other than Salaries & Wages)		245	220
Protective Clothing		34	42
Other		534	459
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>13,376</u>	<u>12,049</u>
Number of "Equivalent Full Time" Employees at year end		152	139
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		161	148
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		940	586
Interest on Advances		-	-
Charges relating to Finance Leases		5	-
Other Debts		-	-
<u>Total Interest Bearing Liability Costs</u>		<u>945</u>	<u>586</u>
less: Capitalised Costs		-	-
<u>Total Interest Bearing Liability Costs Expensed</u>		<u>945</u>	<u>586</u>
(ii) Other Borrowing Costs			
Interest applicable on Interest Free (& favourable) Loans to Council		125	136
<u>Total Other Borrowing Costs</u>		<u>125</u>	<u>136</u>
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>1,070</u>	<u>722</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Raw Materials & Consumables		13,259	12,313
Contractor & Consultancy Costs			
- Contractor & Consultancy Costs		637	901
- Management Fees		31	276
- Waste Collection		818	808
- Other		14	8
Auditors Remuneration ⁽¹⁾		44	57
Legal Expenses:			
- Legal Expenses: Planning & Development		32	15
- Legal Expenses: Debt Recovery		78	68
- Legal Expenses: Other		150	193
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>15,063</u>	<u>14,639</u>
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		44	57
Total Auditor Remuneration		<u>44</u>	<u>57</u>

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	907	903
Office Equipment		-	-	112	126
Furniture & Fittings		-	-	94	102
Land Improvements (depreciable)		-	-	55	55
Buildings - Non Specialised		-	-	231	230
Buildings - Specialised		-	-	104	104
Other Structures		-	-	434	434
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	5,723	5,610
- Stormwater Drainage		-	-	152	152
- Water Supply Network		-	-	302	285
- Sewerage Network		-	-	358	351
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>-</u>	<u>-</u>	<u>8,472</u>	<u>8,352</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		96	139
Bad & Doubtful Debts		5	13
Bank Charges		69	63
Cleaning		151	118
Contributions/Levies to Other Levels of Government			
- NSW Fire Brigade Levy		312	318
Councillor Expenses - Mayoral Fee		22	22
Councillor Expenses - Councillors' Fees		121	124
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		99	100
Donations, Contributions & Assistance to other organisations (Section 356)		53	70
- Donations, Contributions & Assistance		289	237
Electricity & Heating		759	568
Fire Control Expenses		189	72
Insurance		537	535
Office Expenses (including computer expenses)		381	369
Postage		25	24
Printing & Stationery		62	60
Recoverable Expenses		402	323
Street Lighting		334	260
Subscriptions & Publications		339	298
Telephone & Communications		189	167
Tourism Expenses (excluding employee costs)		221	207
Valuation Fees - Assets		11	130
Valuation Fees - Rates		51	48
Other		-	2
<u>TOTAL OTHER EXPENSES</u>		<u>4,717</u>	<u>4,267</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2013	Actual 2012
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	-
less: Carrying Amount of Property Assets Sold / Written Off		(41)	-
Net Gain/(Loss) on Disposal		(41)	-
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		411	1,446
less: Carrying Amount of P&E Assets Sold / Written Off		(476)	(1,689)
Net Gain/(Loss) on Disposal		(65)	(243)
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		54,495	65,727
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(54,495)	(65,723)
Net Gain/(Loss) on Disposal		-	4
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(106)	(239)
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		-	4
Net Gain/(Loss) on Disposal of Financial Instruments		-	4

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	2013	2013	2012	2012
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		5,579	-	23,556	-
Cash-Equivalent Assets ¹					
- Deposits at Call		17,056	-	1,076	-
Total Cash & Cash Equivalents		22,635	-	24,632	-
Investments (Note 6b)					
- Long Term Deposits		9,000	-	4,000	-
- NCD's, FRN's (with Maturities > 3 months)		80	-	504	-
- CDO's		-	224	-	997
Total Investments		9,080	224	4,504	997
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		31,715	224	29,136	997

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"		22,635	-	24,632	-
----------------------------------------------	--	---------------	----------	---------------	----------

Investments

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

- "Held for Trading"	6(b-i)	80	224	504	997
b. "Held to Maturity"	6(b-ii)	9,000	-	4,000	-
Investments		9,080	224	4,504	997

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6b. Investments (continued)

\$ '000	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 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	504	997	1,750	1,516
Revaluations (through the Income Statement)	285	-	11	24
Additions	-	-	9,748	-
Disposals (sales & redemptions)	(709)	(773)	(11,475)	(73)
Transfers between Current/Non Current	-	-	470	(470)
Balance at End of Year	80	224	504	997
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	80	-	504	-
- CDO's	-	224	-	997
Total	80	224	504	997
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	4,000	-	11,000	-
Additions	58,013	-	47,175	-
Disposals (sales & redemptions)	(53,013)	-	(54,175)	-
Balance at End of Year	9,000	-	4,000	-
Comprising:				
- Long Term Deposits	9,000	-	4,000	-
- Other Long Term Financial Assets	-	-	-	-
Total	9,000	-	4,000	-
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 2013

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

\$ '000	2013	2013	2012	2012
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	31,715	224	29,136	997
attributable to:				
External Restrictions (refer below)	17,982	224	16,089	997
Internal Restrictions (refer below)	13,414	-	13,043	-
Unrestricted	319	-	4	-
	31,715	224	29,136	997

2013	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	810	-	(69)	741
External Restrictions - Included in Liabilities	810	-	(69)	741

External Restrictions - Other

Developer Contributions - General (D)	1,970	949	(1,080)	1,839
RMS (formerly RTA) Contributions (E)	308	1,069	(1,126)	251
Specific Purpose Unexpended Grants (F)	611	-	(151)	460
Water Supplies (G)	8,804	1,010	-	9,814
Sewerage Services (G)	3,862	772	-	4,634
Domestic Waste Management (G)	721	2,287	(2,541)	467
External Restrictions - Other	16,276	6,087	(4,898)	17,465
Total External Restrictions	17,086	6,087	(4,967)	18,206

- 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** RMS 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 2013

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

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	1,319	4,524	(3,703)	2,140
Employees Leave Entitlement	411	268	-	679
Carry Over Works	1,587	-	(817)	770
Cultural Centre	35	-	(33)	2
Deposits, Retentions & Bonds	92	-	(65)	27
Depot	160	80	(79)	161
Contributions and Donations	3	-	(3)	-
Housing	778	-	(65)	713
Library	51	-	-	51
Office Equipment	25	-	-	25
Parks & Gardens	21	-	-	21
Quarries	507	2,484	(1,675)	1,316
Restricted Funding	73	-	(19)	54
RTA Single Invitation Contract	100	-	-	100
Section 355 Committee Funds	78	32	(20)	90
Swimming Pools	5,155	-	(4,340)	815
Wee Waa WWSI	22	-	(22)	-
Aerodrome	1,489	-	(207)	1,282
Shannon Estate Tree Planting	7	-	-	7
Administration Building	100	100	(18)	182
Kamilaroi Highway Group	7	26	(5)	28
Gweabegar Infrastructure	-	175	-	175
CDO	-	2,294	(1,453)	841
Heritage (Old Goal)	-	30	(3)	27
FAG	-	2,955	-	2,955
Other	1,023	-	(70)	953
Total Internal Restrictions	13,043	12,968	(12,597)	13,414
TOTAL RESTRICTIONS	30,129	19,055	(17,564)	31,620

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		629	313	667	365
Interest & Extra Charges		141	70	127	63
User Charges & Fees		626	59	649	31
Contributions to Works		-	4	-	4
Accrued Revenues					
- Interest on Investments		138	-	66	-
- Other Income Accruals		137	-	435	-
Government Grants & Subsidies		190	-	682	-
Net GST Receivable		-	-	169	-
Total		1,861	446	2,795	463
less: Provision for Impairment					
Rates & Annual Charges		-	(25)	-	(23)
Interest & Extra Charges		-	(15)	-	(12)
User Charges & Fees		(47)	-	(47)	-
Total Provision for Impairment - Receivables		(47)	(40)	(47)	(35)
<u>TOTAL NET RECEIVABLES</u>		<u>1,814</u>	<u>406</u>	<u>2,748</u>	<u>428</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		8	-	8	2
- Rates & Availability Charges		289	2	264	-
- Other		2	-	5	-
Sewerage Services					
- Rates & Availability Charges		149	2	144	2
Total External Restrictions		448	4	421	4
Internally Restricted Receivables					
- Internally Restricted Receivables		-	-	1,921	-
Internally Restricted Receivables		-	-	1,921	-
Unrestricted Receivables		1,366	402	406	424
<u>TOTAL NET RECEIVABLES</u>		<u>1,814</u>	<u>406</u>	<u>2,748</u>	<u>428</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 10.00% (2012 11.00%).
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 2013

Note 8. Inventories & Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		238	-	203	-
Trading Stock		1,618	-	1,676	-
Total Inventories		1,856	-	1,879	-
Other Assets					
Prepayments		54	-	247	-
Total Other Assets		54	-	247	-
TOTAL INVENTORIES / OTHER ASSETS		1,910	-	2,126	-

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
- Trading Stock	-	322

(b) Inventory Write Downs

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

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2012					Asset Movements during the Reporting Period						as at 30/6/2013				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Other Movements	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value							Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	5,631	-	-	-	5,631	4,744	-	-	13	-	-	10,388	-	-	-	10,388
Plant & Equipment	-	12,285	3,664	-	8,621	1,435	(476)	(907)	-	-	551	-	12,984	3,760	-	9,224
Office Equipment	-	1,052	602	-	450	55	-	(112)	-	-	-	-	1,107	714	-	393
Furniture & Fittings	-	1,133	742	-	391	160	-	(94)	8	-	-	-	1,293	828	-	465
Land:																
- Operational Land	-	6,919	-	-	6,919	-	-	-	-	-	1,804	-	8,723	-	-	8,723
- Community Land	-	4,200	-	-	4,200	-	-	-	7	-	-	-	4,207	-	-	4,207
Land Improvements - depreciable	-	3,123	792	-	2,331	-	-	(55)	8	-	-	-	3,131	847	-	2,284
Buildings - Non Specialised	-	36,139	14,690	-	21,449	710	(33)	(231)	(15)	(4,573)	-	-	31,404	14,097	-	17,307
Buildings - Specialised	-	10,065	3,189	-	6,876	73	(8)	(104)	(4)	(2,215)	-	-	11,156	6,538	-	4,618
Other Structures	-	17,215	5,747	-	11,468	547	-	(434)	40	-	-	-	17,825	6,204	-	11,621
Infrastructure:																
- Roads, Bridges, Footpaths	-	239,114	126,476	-	112,638	1,221	-	(5,723)	3	-	-	-	240,334	132,195	-	108,139
- Stormwater Drainage	-	9,652	4,496	-	5,156	-	-	(152)	(1)	-	-	-	9,652	4,649	-	5,003
- Water Supply Network	-	27,111	15,930	-	11,181	-	-	(302)	(61)	-	-	-	27,036	16,218	-	10,818
- Sewerage Network	-	46,595	28,922	-	17,673	-	-	(358)	2	-	-	-	46,596	29,279	-	17,317
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	5,631	414,603	205,250	-	214,984	8,945	(517)	(8,472)	-	(6,788)	2,355	10,388	415,448	215,329	-	210,507

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$1,319) and New Assets (\$1,232). 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 2013

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

\$ '000	Actual				Actual			
	2013				2012			
Class of Asset	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	481	-	-	481	40	-	-	40
Plant & Equipment	-	239	161	78	-	239	148	91
Office Equipment	-	6	5	1	-	6	5	1
Land								
- Operational Land	-	245	-	245	-	202	-	202
Buildings	-	233	68	165	-	233	66	167
Other Structures	-	78	54	24	-	78	53	25
Infrastructure	-	27,036	16,218	10,818	-	27,036	15,916	11,120
Total Water Supply	481	27,837	16,506	11,812	40	27,794	16,188	11,646
Sewerage Services								
WIP	99	-	-	99	2	-	-	2
Plant & Equipment	-	103	100	3	-	104	100	4
Furniture & Fittings	-	3	3	-	-	3	2	1
Land								
- Operational Land	-	906	-	906	-	709	-	709
Buildings	-	467	142	325	-	467	139	328
Other Structures	-	68	28	40	-	68	25	43
Infrastructure	-	46,596	29,279	17,317	-	46,595	28,922	17,673
Total Sewerage Services	99	48,143	29,552	18,690	2	47,946	29,188	18,760
Domestic Waste Management								
WIP	38	-	-	38	-	77	-	77
Plant & Equipment	-	33	11	22	-	14	7	7
Land								
- Operational Land'	-	-	-	-	-	243	-	243
- Improvements - depreciable	-	876	515	361	-	876	491	385
Buildings	-	249	176	73	-	185	92	93
Other Assets	-	545	137	408	-	441	124	317
Total DWM	38	1,703	839	902	-	1,836	714	1,122
TOTAL RESTRICTED I,PP&E	618	77,683	46,897	31,404	42	77,576	46,090	31,528

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 2013

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1	-	79	-
Goods & Services - capital expenditure		77	-	621	-
Payments Received In Advance		261	-	159	-
Accrued Expenses:					
- Borrowings		52	-	57	-
- Salaries & Wages		396	-	371	-
- Other Expenditure Accruals		1,244	-	3,057	-
Security Bonds, Deposits & Retentions		28	-	92	-
ATO - Net GST Payable		168	-	-	-
Department of Commerce - Call Payments		136	-	136	-
Other		31	-	35	-
Total Payables		2,394	-	4,607	-
Borrowings					
Loans - Secured ¹		3,815	11,208	1,526	15,023
Finance Lease Liabilities		26	108	-	-
Total Borrowings		3,841	11,316	1,526	15,023
Provisions					
Employee Benefits;					
Annual Leave		874	-	718	-
Sick Leave		251	-	245	-
Long Service Leave		1,213	158	1,129	167
Other Leave		35	-	29	-
Total Provisions		2,373	158	2,121	167
Total Payables, Borrowings & Provisions		8,608	11,474	8,254	15,190
(i) Liabilities relating to Restricted Assets					
		2013		2012	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		104	8	169	8
Sewer		275	653	663	761
Liabilities relating to externally restricted assets		379	661	832	769
Internally Restricted Assets					
Bonds & Deposits		-	-	96	-
Liabilities relating to internally restricted assets		-	-	96	-
Total Liabilities relating to restricted assets		379	661	928	769
Total Liabilities relating to Unrestricted Assets		8,229	10,813	7,326	14,421
TOTAL PAYABLES, BORROWINGS & PROVISIONS		8,608	11,474	8,254	15,190

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 2013

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

\$ '000	Actual 2013	Actual 2012
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(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	1,768	1,525
	<u>1,768</u>	<u>1,525</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2012		2013			
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/13
Annual Leave	718	1,005	(849)	-	-	874
Sick Leave	245	333	(327)	-	-	251
Long Service Leave	1,296	293	(218)	-	-	1,371
Other Leave	29	12	(6)	-	-	35
TOTAL	2,288	1,643	(1,400)	-	-	2,531

- 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 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	22,635	24,632
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		22,635	24,632
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		3,955	(913)
Adjust for non cash items:			
Depreciation & Amortisation		8,472	8,352
Net Losses/(Gains) on Disposal of Assets		106	239
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(285)	(35)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Valued		125	136
Share of Net (Profits) or Losses of Associates/Joint Ventures		(3)	(7)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		951	(215)
Increase/(Decrease) in Provision for Doubtful Debts		5	13
Decrease/(Increase) in Inventories		23	(129)
Decrease/(Increase) in Other Assets		193	(24)
Increase/(Decrease) in Payables		(78)	(200)
Increase/(Decrease) in accrued Interest Payable		(5)	(2)
Increase/(Decrease) in other accrued Expenses Payable		(1,788)	2,376
Increase/(Decrease) in Other Liabilities		202	(11)
Increase/(Decrease) in Employee Leave Entitlements		243	234
NET CASH PROVIDED FROM/(USED IN)		12,116	9,814
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		12,116	9,814

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
(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		24	26
Total Financing Arrangements Utilised		24	26

(ii) Secured Loan Liabilities

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2013	Actual 2012
(a) Capital Commitments (exclusive of GST)			
Nil			
(b) Finance Lease Commitments			
(i) Commitments under Finance Leases at the Reporting Date are payable as follows:			
Within the next year		26	-
Later than one year and not later than 5 years		108	-
Total Minimum Lease Payments		134	-
less: Future Finance Charges		-	-
Amount Recognised as a Liability		134	-
(ii) Finance Lease Liability Recognised represent;			
Current Liabilities		26	-
Non-Current Liabilities		108	-
Total Finance Lease Liabilities Disclosed		134	-
(i) General Details			
Council Leases the following Property, Plant & Equipment under Finance Leases:			
	Term (Years)	Option to Purchase	Contingent Rent Clauses
Other Equipment/Assets	Y/N	Y/N	
			134
Total Carrying Value at Year End			134

(c) Operating Lease Commitments (Non Cancellable)

Nil

(d) Investment Property Commitments

Nil

(e) Investment in Associates / Joint Ventures - Commitments

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

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

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

\$ '000	Amounts	Indicator	Prior Periods	
	2013	2013	2012	2011
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>17,009</u>	2.63 : 1	2.97	3.24
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>6,461</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>2,602</u>	7.16%	5.11%	10.86%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	<u>36,338</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>16,168</u>	34.58%	38.70%	35.98%
Income from Continuing Operations	<u>46,759</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>1,113</u>	6.33%	7.19%	6.73%
Rates, Annual & Extra Charges Collectible	<u>17,582</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>1,319</u>	19.20%	38.83%	40.24%
Depreciation, Amortisation & Impairment	<u>6,870</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 2013

Note 13a(ii). Local Government Industry Indicators - 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>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> <tr> <td>2013</td> <td>2.63</td> </tr> </tbody> </table>	Year	Ratio : 1	2010	1.93	2011	3.24	2012	2.97	2013	2.63	<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 2012/13 Result</p> <p>2012/13 Ratio 2.63 : 1</p> <p>Council considers this an acceptable level, considering the growth within the shire.</p>
Year	Ratio : 1											
2010	1.93											
2011	3.24											
2012	2.97											
2013	2.63											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <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> <tr> <td>2013</td> <td>7.16%</td> </tr> </tbody> </table>	Year	Ratio %	2010	16.40%	2011	10.86%	2012	5.11%	2013	7.16%	<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 2012/13 Result</p> <p>2012/13 Ratio 7.16%</p> <p>Council considers this an necessary level, considering the growth within the shire.</p>
Year	Ratio %											
2010	16.40%											
2011	10.86%											
2012	5.11%											
2013	7.16%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <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> <tr> <td>2013</td> <td>34.58%</td> </tr> </tbody> </table>	Year	Ratio %	2010	40.54%	2011	35.98%	2012	38.70%	2013	34.58%	<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 2012/13 Result</p> <p>2012/13 Ratio 34.58%</p> <p>Council considers this an acceptable level.</p>
Year	Ratio %											
2010	40.54%											
2011	35.98%											
2012	38.70%											
2013	34.58%											
<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>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> <tr> <td>2013</td> <td>6.33%</td> </tr> </tbody> </table>	Year	Ratio %	2010	6.77%	2011	6.73%	2012	7.19%	2013	6.33%	<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 2012/13 Result</p> <p>2012/13 Ratio 6.33%</p> <p>Council considers this an acceptable level, however is endeavoring to lower this percentage.</p>
Year	Ratio %											
2010	6.77%											
2011	6.73%											
2012	7.19%											
2013	6.33%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <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> <tr> <td>2013</td> <td>19.20%</td> </tr> </tbody> </table>	Year	Ratio %	2010	82.67%	2011	40.24%	2012	38.83%	2013	19.20%	<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 2012/13 Result</p> <p>2012/13 Ratio 19.20%</p> <p>Council considers this an necessary level, considering the level of flood damage works done within the year..</p>
Year	Ratio %											
2010	82.67%											
2011	40.24%											
2012	38.83%											
2013	19.20%											

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Water 2013	Sewer 2013	General ¹ 2013
Local Government Industry Indicators - by Fund			
1. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽¹⁾	97.24 : 1	17.39 : 1	2.63 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
prior period:	53.73 : 1	0.22 : 1	2.97 : 1
2. Debt Service Ratio			
Debt Service Cost	0.09%	3.50%	8.26%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)			
prior period:	0.10%	3.77%	5.76%
3. Rates & Annual Charges Coverage Ratio			
Rates & Annual Charges	34.73%	67.85%	32.01%
Income from Continuing Operations			
prior period:	39.92%	81.67%	35.69%
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual & Extra Charges Outstanding	22.21%	7.28%	4.73%
Rates, Annual & Extra Charges Collectible			
prior period:	22.64%	7.75%	5.78%
5. Building & Infrastructure Renewals Ratio			
Asset Renewals (Building & Infrastructure assets)	0.00%	0.00%	21.24%
Depreciation, Amortisation & Impairment			
prior period:	15.79%	17.09%	41.16%

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 2013

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	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	22,635	24,632	22,635	24,632
Investments				
- "Held for Trading"	304	1,501	304	1,501
- "Held to Maturity"	9,000	4,000	9,000	4,000
Receivables	2,220	3,176	2,220	3,017
Total Financial Assets	34,159	33,309	34,159	33,150
Financial Liabilities				
Payables	2,133	4,448	2,133	4,448
Loans / Advances	15,023	16,549	15,023	16,549
Total Financial Liabilities	17,290	20,997	17,156	20,997

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 2013

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 self manages the Cash & Investments.

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

The 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.

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2013				
Possible impact of a 10% movement in Market Values	200	200	(200)	(200)
Possible impact of a 1% movement in Interest Rates	30	30	(30)	(30)
2012				
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)

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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:

	2013	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	487	197	856
Past due by up to 30 days	58	155	75	43
Past due between 31 and 180 days	100	150	100	22
Past due between 181 and 365 days	459	510	200	105
Past due by more than 1 year	325	63	460	1,200
	942	1,365	1,032	2,226

(ii) Movement in Provision for Impairment of Receivables

	2013	2012
Balance at the beginning of the year	82	69
+ new provisions recognised during the year	5	11
- amounts provided for but recovered during the year	-	2
Balance at the end of the year	87	82

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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		
2013									
Trade/Other Payables	28	-	-	-	-	-	-	28	2,133
Loans & Advances	-	3,807	926	7,273	658	751	1,608	15,023	15,023
Lease Liabilities	-	32	32	32	38	-	-	134	134
Total Financial Liabilities	28	3,839	958	7,305	696	751	1,608	15,185	17,290
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

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:

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	2,133	0.0%	4,448	0.0%
Loans & Advances - Fixed Interest Rate	15,023	6.4%	16,549	6.5%
	<u>17,290</u>		<u>20,997</u>	

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 12/13 was adopted by the Council on 25 June 2013.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	15,946	16,168	222	1%	F
User Charges & Fees	3,390	9,747	6,357	188%	F
Council received Headworks charges and an increase in usage charges, plus the RMS charges relating to the previous financial year has been recognised in current year.					
Interest & Investment Revenue	744	1,622	878	118%	F
Interest rates were more favourable than budgeted					
Other Revenues	2,949	3,104	155	5%	F
Operating Grants & Contributions	13,743	13,510	(233)	(2%)	U
Council received less grants than expected.					
Capital Grants & Contributions	1,687	2,605	918	54%	F
Council received additional runds from R2R					
Share of Net Profits - Joint Ventures & Associates	-	3	3	0%	F

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	12,735	13,376	(641)	(5%)	U
Borrowing Costs	1,115	1,070	45	4%	F
Materials & Contracts	14,936	15,063	(127)	(1%)	U
Depreciation & Amortisation Due to Water, Sewer, Roads, Bridges & Drainage not being revalued	9,755	8,472	1,283	13%	F
Other Expenses	5,066	4,717	349	7%	F
Net Losses from Disposal of Assets Council reviewed it's fleet policy as such Council didn't sell budgeted Plant	90	106	(16)	(18%)	U

Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities Grants in excess of budget received.	4,731	12,116	7,385	156.1%	F
Cash Flows from Investing Activities Council had more to invest than expected.	(10,109)	(12,596)	(2,487)	24.6%	U
Cash Flows from Financing Activities Loans not taken up in year.	3,126	(1,517)	(4,643)	(148.5%)	U

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	
Roads	105	27	-	5	(23)	-	114	5	(5)	114	-
Parking	3	-	-	-	-	-	3	-	-	3	-
Open Space	13	6	-	1	-	-	20	5	(5)	20	-
Community Facilities	12	3	-	1	-	-	16	5	(5)	16	-
Bushfire	5	2	-	-	-	-	7	3	(3)	7	-
Other	-	35	-	1	-	-	36	-	-	36	-
S94 Contributions - under a Plan	138	73	-	8	(23)	-	196	18	(18)	196	-
S94A Levies - under a Plan	-	330	-	13	-	-	343				-
Total S94 Revenue Under Plans	138	403	-	21	(23)	-	539				-
S93F Planning Agreements	1,832	520	-	5	(1,057)	-	1,300				
Total Contributions	1,970	923	-	26	(1,080)	-	1,839	18	(18)	196	-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER

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	105	27	-	5	(23)	-	114	5	(5)	114	-
Parking	3	-	-	-	-	-	3	-	-	3	-
Open Space	13	6	-	1	-	-	20	5	(5)	20	-
Community Facilities	12	3	-	1	-	-	16	5	(5)	16	-
Bushfire	5	2	-	-	-	-	7	3	(3)	7	-
Other	-	35	-	1	-	-	36	-	-	36	-
Total	138	73	-	8	(23)	-	196	18	(18)	196	-

S94A LEVIES - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 2013

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	
Other	-	330	-	13	-	-	343	-	-		-
Total	-	330	-	13	-	-	343				-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

The share of this deficit broadly attributed to Council is in the order of \$325,262 as at 30 June 2013.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

As part of these Plans, Council 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.

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.

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000

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 2013

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.

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 Statement of Financial Position.

(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 Statement of Financial Position.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Associated Entities	3	7	120	117
Joint Venture Entities	-	-	-	-
Total	3	7	120	117

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

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

Council has no interest in any Subsidiaries.

(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

(a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2013	2012
Central Northern Libraries	Public Library Services	120	117
Total Carrying Amounts - Associated Entities		120	117

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2013	2012	2013	2012	2013	2012
Central Northern Libraries	15%	15%	15%	15%	15%	15%

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

	Central Northern Libraries	
	2013	2012
Opening Balance	117	110
Share in Operating Result	3	7
Council's Equity Share in the Associated Entity	120	117

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

2013	Assets	Liabilities	Net Assets	Revenues	Profit
Central Northern Libraries	120	-	120	191	3
Totals	120	-	120	191	3
2012	Assets	Liabilities	Net Assets	Revenues	Profit
Central Northern Libraries	117	-	117	188	7
Totals	117	-	117	188	7

(ii) JOINT VENTURE ENTITIES

Council has no interest in any Joint Venture Entities.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		164,399	165,312
a. Net Operating Result for the Year		3,955	(913)
Balance at End of the Reporting Period		168,354	164,399
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		58,260	62,693
Total		58,260	62,693
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		62,693	62,693
- Revaluations for the year	9(a)	(4,433)	-
- Balance at End of Year		58,260	62,693
TOTAL VALUE OF RESERVES		58,260	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 2013

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	1,310	2,075	12,783
User Charges & Fees	1,904	633	7,210
Interest & Investment Revenue	521	258	843
Other Revenues	1	60	3,043
Grants & Contributions provided for Operating Purposes	36	32	13,442
Grants & Contributions provided for Capital Purposes	-	-	2,605
Other Income			
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	3
Total Income from Continuing Operations	3,772	3,058	39,929
Expenses from Continuing Operations			
Employee Benefits & on-costs	412	426	12,538
Borrowing Costs	10	90	970
Materials & Contracts	1,394	995	12,674
Depreciation & Amortisation	318	364	7,790
Impairment	-	-	-
Other Expenses	418	176	4,123
Interest & Investment Losses	-	-	-
Net Losses from the Disposal of Assets	-	-	106
Total Expenses from Continuing Operations	2,552	2,051	38,201
Operating Result from Continuing Operations	1,220	1,007	1,728
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	1,220	1,007	1,728
Net Operating Result attributable to each Council Fund	1,220	1,007	1,728
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	1,220	1,007	(877)

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 2013

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

Statement of Financial Position by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	9,814	4,634	8,187
Investments	-	-	9,080
Receivables	299	149	1,366
Inventories	-	-	1,856
Other	-	-	54
Total Current Assets	10,113	4,783	20,543
Non-Current Assets			
Investments	-	-	224
Receivables	2	2	402
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	11,812	18,690	180,005
Investments Accounted for using the equity method	-	-	120
Investment Property	-	-	-
Intangible Assets	-	-	-
Non-current assets classified as 'held for sale'	-	-	-
Total Non-Current Assets	11,814	18,692	180,751
TOTAL ASSETS	21,927	23,475	201,294
LIABILITIES			
Current Liabilities			
Payables	51	62	2,145
Borrowings	-	143	3,698
Provisions	53	70	2,250
Total Current Liabilities	104	275	8,093
Non-Current Liabilities			
Payables	-	136	-
Borrowings	-	514	10,802
Provisions	8	3	147
Total Non-Current Liabilities	8	653	10,949
TOTAL LIABILITIES	112	928	19,042
Net Assets	21,815	22,547	182,252
EQUITY			
Retained Earnings	14,564	11,225	142,565
Revaluation Reserves	7,251	11,322	39,687
Total Equity	21,815	22,547	182,252

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 2013

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 the Reporting Period

Events that occur between the end of the reporting period (ending 30 June 2013) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 03/09/13.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2013.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2013 and which are only indicative of conditions that arose after 30 June 2013.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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 30/6/13.

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 2013

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:

8.35am to 5pm
Monday to Friday
Detail Opening Hours here

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
GPO Box 7066
Sydney NSW 2001

Elected Members**MAYOR**

Conrad Bolton

COUNCILLORS

Bevon O'Reagan
Catherine Collyer
Lloyd Finlay
Leslie Knox
Maxine Booby
Robyn Faber
Ron Lowder

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 Statement of Financial Position as at 30 June 2013, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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

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Steer Assurance Partners

ABN 56 435 338 966

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

Independence

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

Basis for Qualified Auditor's Opinion

1. Note 9 discloses water supply network and sewerage network assets at carrying values of \$10.818 million and \$17.317 million respectively as at 30 June 2013. 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-97 and 98) which mandated that water and sewerage services assets required revaluation.
2. Note 9 discloses roads, bridges and footpaths and stormwater drainage at carrying values of \$108.139 million and \$5.003 million respectively as at 30 June 2013. 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-97 and 98) as a complete and comprehensive physical inspection of infrastructure assets had not been conducted.

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 29th day of October 2013

29 October 2013

The Mayor
Narrabri Shire Council
PO Box 261
NARRABRI NSW 2390

Mayor,

Audit Report - Year Ended 30 June 2013

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2013 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 are required to be carried 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;

1. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a surplus of \$3.955 million and compares with a deficit of \$913,000 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.

	2013 \$'000	% of Total	2012 \$'000	% of Total	Increase (Decrease) \$'000
Revenues before capital items					
Rates & annual charges	16,168	37%	15,232	41%	936
User charges, fees & other revenues	12,854	29%	8,111	22%	4,743
Grants & contributions provided for operating purposes	13,510	31%	12,762	34%	748
Interest & investment revenue	1,622	4%	1,308	3%	314
	44,154	100%	37,413	100%	6,741
Expenses					
Employee benefits & costs	13,376	31%	12,049	30%	1,327
Materials, contracts & other expenses	19,886	46%	19,145	48%	741
Depreciation, amortisation & impairment	8,472	20%	8,352	21%	120
Borrowing costs	1,070	2%	722	2%	348
	42,804	100%	40,268	100%	2,536
Surplus/(Deficit) before capital items	1,350		(2,855)		4,205
Grants & contributions provided for capital purposes	2,605		1,942		663
Net Surplus/(Deficit) for the year	3,955		(913)		4,868

As can be seen from the table above, the operating result improved by \$4.868 million and can be mainly attributed to increased user charges to RMS (\$2.82 million) and capital grants for transport (\$1.528 million).

1.2 Funding Result

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

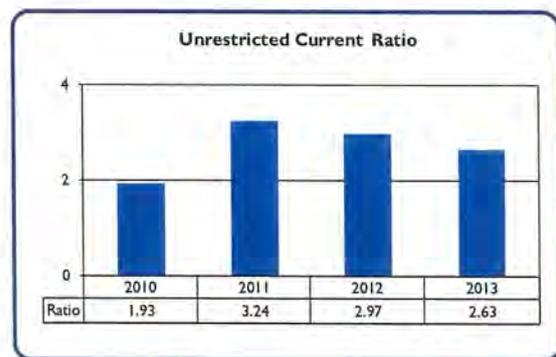
	2013	2012
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	3,955	(913)
Add back non funding items:-		
- Fair value adjustment to interest free loan	125	136
- Depreciation, amortisation & impairment	8,472	8,352
- Book value of non-current assets sold	517	1,689
- (Surplus)/Deficit in joint ventures	(3)	(7)
	<u>13,066</u>	<u>9,257</u>
Decrease/Redemption in Non-current Investments	773	519
New loan borrowings	0	7,250
Finance Leases	140	0
Transfers from internal reserves (net)	1,550	0
Net Changes in current/non-current assets & liabilities	201	266
	<u>15,730</u>	<u>17,292</u>
Funds were applied to:-		
Purchase and construction of assets	(8,945)	(10,345)
Principal repaid on loans	(1,651)	(1,047)
Finance lease instalments	(6)	0
Transfers to externally restricted assets (net)	(2,373)	(1,775)
Transfers to internal reserves (net)	0	(7,322)
	<u>(12,975)</u>	<u>(20,489)</u>
Increase/(Decrease) in Available Working Capital	2,755	(3,197)

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 \$10.548 million representing a factor of 2.63 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 \$1.608 million as detailed below;

	2013 \$'000	2012 \$'000	Change \$'000
Net Current Assets (Working Capital) as per Accounts	26,831	25,756	1,075
Add: Payables & provisions not expected to be realised in the next 12 months included above	1,768	1,525	243
Adjusted Net Current Assets	28,599	27,281	1,318
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	3,841	1,526	2,315
- Employees leave entitlements	605	596	9
- Deposits & retention moneys	28	92	(64)
- Deferred debtors	0	0	0
Less: Externally restricted assets	(18,051)	(15,678)	(2,373)
Less: Internally restricted assets	(13,414)	(14,964)	1,550
Available Working Capital as at 30 June	1,608	(1,147)	2,755

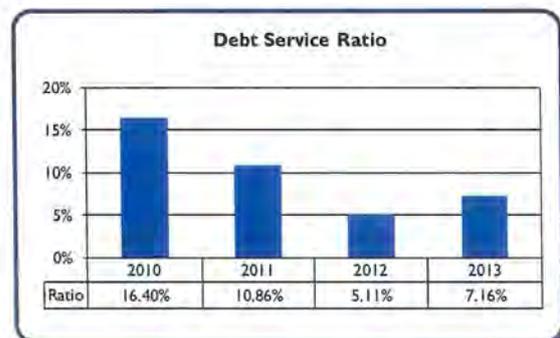
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside and that Council did not have sufficient cash to fund all of its Reserves, we are of the opinion that Available Working Capital as at 30 June 2013, despite improving this year, remains minimal. An optimal Available Working Capital balance, in our opinion, would have been in the vicinity of \$3.4 million.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 7.16%.

After repaying principal and interest of \$2.602 million, Council's debt as at 30 June 2013 amounted to \$15.157 million and included the balance of the interest free loan of \$2.1 million (revalued to a fair value of \$1.62 million).



2.4 Summary

Council's overall financial position, when taking into account the above financial indicators is, in our opinion, satisfactory. However, we recommend that future budgets be developed to restore the level of Available Working Capital in order to maintain the level of Internal Restrictions which are currently set aside to fund future works, services and liabilities.

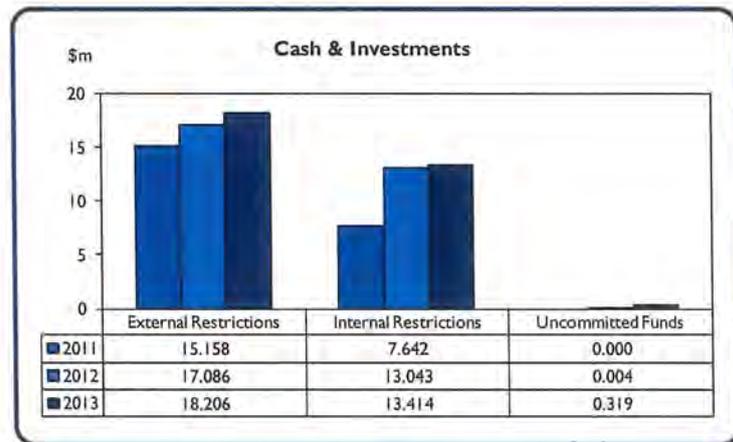
3. CASH ASSETS

3.1 Cash & Investments

Cash and investments totalled \$31.939 million at the close of the year as compared with \$30.133 in 2012 and \$22.8 million in 2011.

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 \$224,000 (2012 - \$997,000; 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 (\$741,000), grants and developer contributions (\$2.55 million), water funds (\$9.814 million), sewerage funds (\$4.634 million) and domestic waste management charges (\$467,000).

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 \$13.414 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$319,000.

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 decreased by \$1.997 million to \$22.635 million at the close of the year.

In addition to operating activities, which contributed net cash of \$12.116 million, were the proceeds from the sale of investment securities (\$54.495 million) and assets (\$411,000) and proceeds from finance leases (\$140,000). Cash outflows, other than operating activities, were the repayment of loans and leases (\$1.657 million), purchase of investment securities (\$58.013 million) and the purchase and construction of assets (\$9.489 million).

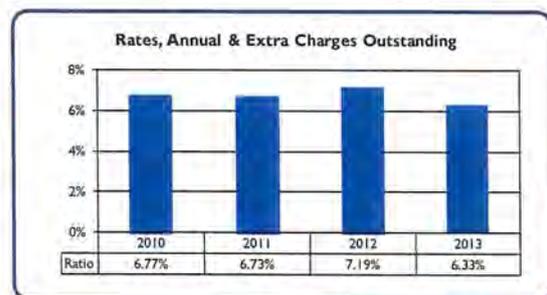
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$16.168 million and represented 34.58% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$17.177 million of which \$16.26 million (94.66%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$1.113 million at the end of the year and represented 6.33% of those receivables.



4.3 Other Receivables

Receivables (other than rates annual & extra charges) totalled \$1.154 million and included amounts due from government departments (\$190,000) and user charges and fees amounting to \$685,000. 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 on costs amounted to \$2.531 million. A cash reserve of \$679,000 was held at year end representing 27% 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 2013/13 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 \$28,000. A cash reserve of \$27,000 was held at year end representing 96% of this liability.

6. REVALUATION OF ASSETS

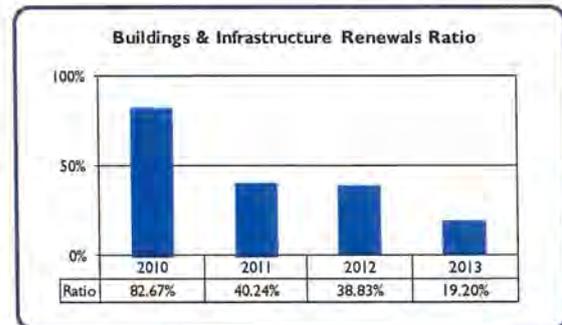
In previous years, Council's infrastructure, property, plant and equipment were revalued to replacement cost however insufficient records were available for us to assess whether an accurate and complete assessment of the condition of those assets was reflected in the asset registers.

Non compliance with the requirement to revalue water and sewerage network assets, roads, bridges, footpaths and drainage assets to demonstrate compliance with the evidentiary requirements of fair valuation 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. BUILDING AND INFRASTRUCTURE RENEWALS

Subject to the foregoing comments in paragraph 6 above, the Building and Infrastructure Renewals ratio is reported in Note 13 and measures the rate at which these assets are renewed against the rate at which they are depreciating.

The ratio indicates that asset renewals for 2013 represented 19% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



8. MANAGEMENT LETTER

A letter was issued to management on 30 April 2013 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. This letter also included our suggestions on possible ways to strengthen and/or improve procedures.

Hill Rogers
Spencer Steer

9. 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

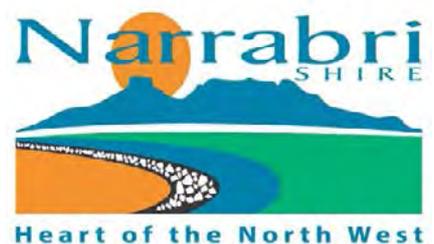


GARY MOTTAU
Partner

Narrabri Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

*“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 2013

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

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

- (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Narrabri Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

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:

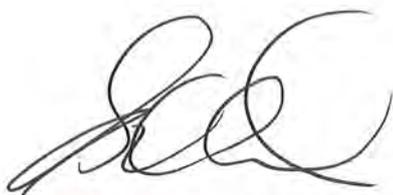
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- 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 03 September 2013.



Conrad Bolton
MAYOR



Cathy Redding
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 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	1,310	1,166
User charges	1,904	1,276
Fees	-	-
Interest	521	448
Grants and contributions provided for non capital purposes	36	37
Profit from the sale of assets	-	(6)
Other income	1	-
Total income from continuing operations	3,772	2,921
Expenses from continuing operations		
Employee benefits and on-costs	412	311
Borrowing costs	10	8
Materials and contracts	1,394	1,069
Depreciation and impairment	318	302
Water purchase charges	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	418	309
Total expenses from continuing operations	2,552	1,999
Surplus (deficit) from Continuing Operations before capital amounts	1,220	922
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	1,220	922
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,220	922
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(366)	(277)
SURPLUS (DEFICIT) AFTER TAX	854	645
plus Opening Retained Profits	13,344	12,422
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	366	277
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	14,564	13,344
Return on Capital %	10.4%	8.0%
Subsidy from Council	-	-
Calculation of dividend payable:		
Surplus (deficit) after tax	854	645
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	854	645
Potential Dividend calculated from surplus	427	323

Narrabri Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	2,075	1,885
User charges	633	134
Liquid Trade Waste charges	-	-
Fees	-	-
Interest	258	202
Grants and contributions provided for non capital purposes	32	32
Profit from the sale of assets	-	(1)
Other income	60	56
Total income from continuing operations	3,058	2,308
Expenses from continuing operations		
Employee benefits and on-costs	426	364
Borrowing costs	90	86
Materials and contracts	995	958
Depreciation and impairment	364	357
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	176	158
Total expenses from continuing operations	2,051	1,923
Surplus (deficit) from Continuing Operations before capital amounts	1,007	385
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	1,007	385
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,007	385
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(302)	(116)
SURPLUS (DEFICIT) AFTER TAX	705	270
plus Opening Retained Profits	10,218	9,833
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	302	116
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	11,225	10,218
Return on Capital %	5.9%	2.5%
Subsidy from Council	-	97
Calculation of dividend payable:		
Surplus (deficit) after tax	705	270
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	705	270
Potential Dividend calculated from surplus	352	135

Narrabri Shire Council

Statement of Financial Position - Council's Water Supply Business Activity
as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	9,814	8,804
Investments	-	-
Receivables	299	277
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	10,113	9,081
Non-Current Assets		
Investments	-	-
Receivables	2	2
Inventories	-	-
Infrastructure, property, plant and equipment	11,812	11,646
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	11,814	11,648
TOTAL ASSETS	21,927	20,729
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	51	79
Interest bearing liabilities	-	37
Provisions	53	53
Total Current Liabilities	104	169
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	8	8
Total Non-Current Liabilities	8	8
TOTAL LIABILITIES	112	177
NET ASSETS	21,815	20,552
EQUITY		
Retained earnings	14,564	13,344
Revaluation reserves	7,251	7,208
Council equity interest	21,815	20,552
Non-controlling interest	-	-
TOTAL EQUITY	21,815	20,552

Narrabri Shire Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	4,634	-
Investments	-	-
Receivables	149	144
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	4,783	144
Non-Current Assets		
Investments	-	3,862
Receivables	2	2
Inventories	-	-
Infrastructure, property, plant and equipment	18,690	18,760
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	18,692	22,624
TOTAL ASSETS	23,475	22,768
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	62	53
Interest bearing liabilities	143	540
Provisions	70	70
Total Current Liabilities	275	663
Non-Current Liabilities		
Payables	136	136
Interest bearing liabilities	514	622
Provisions	3	3
Total Non-Current Liabilities	653	761
TOTAL LIABILITIES	928	1,424
NET ASSETS	22,547	21,344
EQUITY		
Retained earnings	11,225	10,218
Revaluation reserves	11,322	11,126
Council equity interest	22,547	21,344
Non-controlling equity interest	-	-
TOTAL EQUITY	22,547	21,344

Narrabri Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

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 2013

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 is not a reporting not-for-profit entity.

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

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

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

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

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

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

National Competition Policy

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

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

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the 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 Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

Narrabri Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$406,000** of combined land values attracts **0%**. From \$406,001 to \$2,482,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,482,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$689,000.

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

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

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.77% at 30/6/13.

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 2013 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2013

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	13,611
(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]	427,000
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	136,110
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	2,176,300

2013 Surplus	854,000	2012 Surplus	645,400	2011 Surplus	676,900
		2012 Dividend	-	2011 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	136,110
(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]	YES
(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 2013

Note 2. Water Supply Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in **WHOLE DOLLARS** (unless otherwise indicated) **2013**

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	3,251
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)]	%	53.58%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	11,308
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,921
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	440
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)]	%	8.58%
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 2013

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2013

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	12,096
(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]	352,450
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	120,960
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	1,444,800

2013 Surplus	704,900	2012 Surplus	269,500	2011 Surplus	470,400
		2012 Dividend	-	2011 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	120,960
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	

3. Required outcomes for 4 Criteria

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

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	2,800
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	17,416
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	1,569
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	97
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)]	%	4.64%
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	6,051
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.12%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	537
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)]	%	6.16%
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 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

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)]	%	-31.09%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 1,880 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: - 686 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	2,229
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	68

- 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 Statement of Financial Position as at 30 June 2013, 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.

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 values of the water supply network and sewerage network assets have not been determined in accordance with paragraph 35 of the Local Government Code of Accounting Practice and Financial Reporting (pages A-97 and 98) which mandated that water and sewerage services assets required revaluation.

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 financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

HILL ROGERS SPENCER STEER



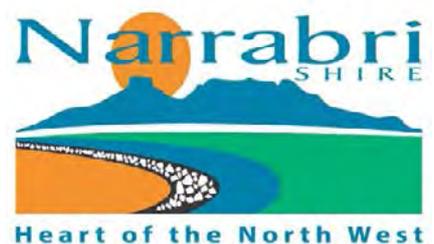
Gary Mottau
Partner

Dated at Sydney this 29th day of October 2013

Narrabri Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2013

*“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 2013

Contents

Page

Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	5
- Special Schedule No. 3	Water Supply - Income Statement	6
- Special Schedule No. 4	Water Supply - Statement of Financial Position	10
- Special Schedule No. 5	Sewerage Service - Income Statement	11
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	15
- Notes to Special Schedules No. 3 & 5		16
- Special Schedule No. 7	Condition of Public Works	17
- Special Schedule No. 8	Financial Projections	20

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 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Governance	837	10	-	(827)
Administration	3,786	885	-	(2,901)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	650	337	119	(194)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	27	70	-	43
Animal Control	51	19	-	(32)
Other	-	-	-	-
Total Public Order & Safety	728	426	119	(183)
Health	25	41	-	16
Environment				
Noxious Plants and Insect/Vermin Control	247	133	-	(114)
Other Environmental Protection	33	-	-	(33)
Solid Waste Management	2,498	2,364	-	(134)
Street Cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater Management	188	17	-	(171)
Total Environment	2,966	2,514	-	(452)
Community Services and Education				
Administration & Education	94	35	-	(59)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	5	-	-	(5)
Children's Services	-	-	-	-
Total Community Services & Education	99	35	-	(64)
Housing and Community Amenities				
Public Cemeteries	303	200	-	(103)
Public Conveniences	-	-	-	-
Street Lighting	334	53	-	(281)
Town Planning	135	279	-	144
Other Community Amenities	98	896	-	798
Total Housing and Community Amenities	870	1,428	-	558
Water Supplies	2,550	3,771	-	1,221
Sewerage Services	2,051	3,058	-	1,007

Narrabri Shire Council

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

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from Continuing Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Recreation and Culture				
Public Libraries	617	27	-	(590)
Museums	2	-	-	(2)
Art Galleries	-	-	-	-
Community Centres and Halls	2,998	1,562	-	(1,436)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	82	-	-	(82)
Swimming Pools	1,174	377	-	(797)
Parks & Gardens (Lakes)	1,674	2	43	(1,629)
Other Sport and Recreation	73	-	-	(73)
Total Recreation and Culture	6,620	1,968	43	(4,609)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,171	178	-	(993)
Other Mining, Manufacturing & Construction	(698)	114	-	812
Total Mining, Manufacturing and Const.	473	292	-	(181)
Transport and Communication				
Urban Roads (UR) - Local	1,160	-	27	(1,133)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	1,248	-	-	(1,248)
Sealed Rural Roads (SRR) - Regional	2,170	-	-	(2,170)
Unsealed Rural Roads (URR) - Local	4,990	-	-	(4,990)
Unsealed Rural Roads (URR) - Regional	267	-	-	(267)
Bridges on UR - Local	7	-	-	(7)
Bridges on SRR - Local	305	-	-	(305)
Bridges on URR - Local	13	-	-	(13)
Bridges on Regional Roads	461	-	-	(461)
Parking Areas	-	-	-	-
Footpaths	39	-	35	(4)
Aerodromes	834	581	-	(253)
Other Transport & Communication	8,698	11,268	2,381	4,951
Total Transport and Communication	20,192	11,849	2,443	(5,900)
Economic Affairs				
Camping Areas & Caravan Parks	66	74	-	8
Other Economic Affairs	1,541	441	-	(1,100)
Total Economic Affairs	1,607	515	-	(1,092)
Totals – Functions	42,804	26,792	2,605	(13,407)
General Purpose Revenues⁽²⁾		17,359		17,359
Share of interests - joint ventures & associates using the equity method	-	3		3
NET OPERATING RESULT⁽¹⁾	42,804	44,154	2,605	3,955

(1) As reported in the Income Statement

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

Narrabri Shire Council

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

for the financial year ended 30 June 2013

\$'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	1,526	15,023	16,549	-	1,526	-	-	1,065	3,815	11,208	15,023
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	1,526	15,023	16,549	-	1,526	-	-	1,065	3,815	11,208	15,023
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	140	6	-	-	5	26	108	134
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	140	6	-	-	5	26	108	134
Total Debt	1,526	15,023	16,549	140	1,532	-	-	1,070	3,841	11,316	15,157

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 2013

\$'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	40	-
Water	215		
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals	255	40	-

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	40	-
Water	Quarries		02/08/00	10	01/07/10	6.94%	215		
Totals							255	40	-

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 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	571	519
b. Engineering and Supervision	166	119
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	120	80
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	4	7
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	263	182
i. Maintenance expenses	398	274
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	-	-
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	399	338
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	302	285
b. Plant and equipment	15	17
4. Miscellaneous expenses		
a. Interest expenses	3	3
b. Revaluation Decrements	-	-
c. Other expenses	309	176
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	2,550	2,000

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 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges		
a. Access (including rates)	1,310	1,166
b. Usage charges	1,512	1,219
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	20	6
8. Extra charges	-	-
9. Interest income	521	448
10. Other income	64	32
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	36	37
c. Other grants	-	-
12. Contributions		
a. Developer charges	309	20
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	3,772	2,928
14. Gain (or loss) on disposal of assets	-	(6)
15. Operating Result	1,222	922
15a. Operating Result (less grants for acquisition of assets)	1,222	922

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 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	35	45
c. Renewals	8	-
d. Plant and equipment	397	82
17. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	440	127
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)	3,681	3,670
b. Residential (unoccupied, ie. vacant lot)	140	132
c. Non-residential (occupied)	649	641
d. Non-residential (unoccupied, ie. vacant lot)	67	67
25. Number of ETs for which developer charges were received	- ET	6 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 35,918	\$ 36,684

Narrabri Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2013

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>
* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.			
However, disclosure of cross-subsidies is not required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.			

Narrabri Shire Council

Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2013

\$'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	9,814	-	9,814
31. Receivables			
a. Specific purpose grants	8	-	8
b. Rates and Availability Charges	289	2	291
c. User Charges	-	-	-
d. Other	2	-	2
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	11,308	11,308
b. Plant and equipment	-	504	504
34. Other assets	-	-	-
35. Total assets	10,113	11,814	21,927
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	51	-	51
38. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	53	8	61
40. Total liabilities	104	8	112
41. NET ASSETS COMMITTED	10,009	11,806	21,815
EQUITY			
42. Accumulated surplus			14,564
43. Asset revaluation reserve			7,251
44. TOTAL EQUITY			21,815
Note to system assets:			
45. Current replacement cost of system assets			27,526
46. Accumulated current cost depreciation of system assets			(16,218)
47. Written down current cost of system assets			11,308

Narrabri Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	36	35
b. Engineering and Supervision	140	53
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	208	177
b. Maintenance expenses	148	187
- Pumping Stations		
c. Operation expenses (excluding energy costs)	117	110
d. Energy costs	110	101
e. Maintenance expenses	95	109
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	592	556
g. Chemical costs	-	-
h. Energy costs	38	32
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	85	94
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	358	351
b. Plant and equipment	6	6
4. Miscellaneous expenses		
a. Interest expenses	90	86
b. Revaluation Decrements	-	-
c. Other expenses	28	27
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	2,051	1,924

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 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges (including rates)	2,075	1,885
7. Non-residential charges		
a. Access (including rates)	30	18
b. Usage charges	119	92
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	258	202
11. Other income	61	56
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	32	32
c. Other grants	-	-
13. Contributions		
a. Developer charges	483	25
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	3,058	2,310
15. Gain (or loss) on disposal of assets	-	(1)
16. Operating Result	1,007	385
16a. Operating Result (less grants for acquisition of assets)	1,007	385

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 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	97	50
c. Renewals	-	11
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	97	61
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)	3,224	3,201
b. Residential (unoccupied, ie. vacant lot)	241	214
c. Non-residential (occupied)	532	522
d. Non-residential (unoccupied, ie. vacant lot)	35	36
26. Number of ETs for which developer charges were received	- ET	6 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 31,970	\$ 32,497

Narrabri Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2013

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 29a. If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

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

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

Narrabri Shire Council

Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2013

\$'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	4,634	-	4,634
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	149	2	151
c. User Charges	-	-	-
d. Other	-	-	-
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	17,416	17,416
b. Plant and equipment	-	1,274	1,274
35. Other assets	-	-	-
36. Total Assets	4,783	18,692	23,475
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	62	136	198
39. Borrowings			
a. Loans	143	514	657
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	70	3	73
41. Total Liabilities	275	653	928
42. NET ASSETS COMMITTED	4,508	18,039	22,547
EQUITY			
42. Accumulated surplus			11,225
44. Asset revaluation reserve			11,322
45. TOTAL EQUITY			22,547
Note to system assets:			
46. Current replacement cost of system assets			46,695
47. Accumulated current cost depreciation of system assets			(29,279)
48. Written down current cost of system assets			17,416

Narrabri Shire Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2013

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading.
- Bad and doubtful debts.
- Other administrative/corporate support services.

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment Losses (item 4d & 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b Usage Charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) incl. capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

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

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

Narrabri Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual ⁽¹⁾ 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23
(i) OPERATING BUDGET											
Income from continuing operations	46,759	35,399	35,536	34,546	35,657	36,657	37,738	38,863	40,022	41,219	42,453
Expenses from continuing operations	42,804	41,807	42,606	43,437	44,357	45,658	46,681	47,814	48,934	50,146	51,383
Operating Result from Continuing Operations	3,955	(6,408)	(7,070)	(8,891)	(8,700)	(9,001)	(8,943)	(8,951)	(8,912)	(8,927)	(8,930)
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	2,014	13,185	1,933	7,480	674	570	462	376	71	66	72
Replacement/Refurbishment of Existing Assets	2,188	9,348	10,420	5,746	697	719	380	362	340	348	357
Total Capital Budget	4,202	22,533	12,353	13,226	1,371	1,289	842	738	411	414	429
Funded by:											
– Loans	-	7,100	-	-	-	-	-	-	-	-	-
– Asset sales	-	-	900	1,200	300	300	200	200	50	100	100
– Reserves	-	6,881	4,368	4,675	576	155	155	168	27	29	-
– Grants/Contributions	-	7,027	5,200	5,201	400	700	400	300	300	250	250
– Recurrent revenue	-	1,425	1,785	2,050	95	134	87	70	34	35	79
– Other	-	100	100	100	-	-	-	-	-	-	-
	-	22,533	12,353	13,226	1,371	1,289	842	738	411	414	429

Notes:

(1) From 12/13 Income Statement.

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

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.