



Appendix 3

Audited Financial Report



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Narrabri Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

“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 2014

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Overview

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

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

Council's Statutory Charter is 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 28 November 2014. Council has the power to amend and reissue these financial statements.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2014.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting & reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as "presenting fairly" the Council's financial results for the year, and are required to be adopted by Council - ensuring both responsibility for & ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Is a summary of Council's financial performance for the year, listing all income & expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant & Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

Records the overall change for the year (in dollars) of Council's "Net Wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance & position, and
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance & financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of statements to the Office of Local Government.

Narrabri Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2014

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

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

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

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

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

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

Signed in accordance with a resolution of Council made on 18 November 2014.



Conrad Bolton
MAYOR



Catherine Redding
COUNCILLOR



Diane Hood
GENERAL MANAGER



Tim McClellan
RESPONSIBLE ACCOUNTING OFFICER

Narrabri Shire Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
16,584	Rates & Annual Charges	3a	16,724	16,168
4,520	User Charges & Fees	3b	10,418	7,737
851	Interest & Investment Revenue	3c	1,701	1,622
3,037	Other Revenues	3d	3,264	3,001
11,131	Grants & Contributions provided for Operating Purposes	3e,f	11,799 ²	13,510
7,464	Grants & Contributions provided for Capital Purposes	3e,f	9,857	2,708
Other Income:				
-	Net gains from the disposal of assets	5	57	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	41	3
43,587	Total Income from Continuing Operations		53,861	44,749
Expenses from Continuing Operations				
12,819	Employee Benefits & On-Costs	4a	14,990	13,376
902	Borrowing Costs	4b	913	1,070
12,876	Materials & Contracts	4c	16,186	15,063
10,013	Depreciation & Amortisation	4d	10,131	8,472
-	Impairment	4d	-	-
4,686	Other Expenses	4e	4,471	4,717
-	Interest & Investment Losses	3c	-	-
360	Net Losses from the Disposal of Assets	5	-	106
41,656	Total Expenses from Continuing Operations		46,691	42,804
1,931	Operating Result from Continuing Operations		7,170	1,945
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
1,931	Net Operating Result for the Year		7,170	1,945
1,931	Net Operating Result attributable to Council		7,170	1,945
-	Net Operating Result attributable to Non-controlling Interests		-	-
(5,533)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(2,687)	(763)

¹ Original Budget as approved by Council - refer Note 16

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

Narrabri Shire Council

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

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		7,170	1,945
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	188,311	(4,433)
Total Items which will not be reclassified subsequently to the Operating Result		188,311	(4,433)
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Other Movements in reserves (enter details here)	20b (ii)	-	-
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		-	-
Total Other Comprehensive Income for the year		188,311	(4,433)
Total Comprehensive Income for the Year		195,481	(2,488)
Total Comprehensive Income attributable to Council		195,481	(2,488)
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Narrabri Shire Council

Statement of Financial Position
as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	13,668	22,635
Investments	6b	26,346	9,080
Receivables	7	5,480	1,814
Inventories	8	3,395	3,990
Other	8	81	54
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		48,970	37,573
Non-Current Assets			
Investments	6b	-	224
Receivables	7	403	406
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	393,613	209,586
Interest in an Associated Entity	19	161	120
Investment Property	14	-	-
Intangible Assets	25	-	-
Non-current assets classified as "held for sale"	22	-	-
Other	8	-	-
Total Non-Current Assets		394,177	210,336
TOTAL ASSETS		443,147	247,909
LIABILITIES			
Current Liabilities			
Payables	10	3,677	2,394
Borrowings	10	3,107	3,841
Provisions	10	2,523	2,373
Total Current Liabilities		9,307	8,608
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	10,329	11,316
Provisions	10	203	158
Total Non-Current Liabilities		10,532	11,474
TOTAL LIABILITIES		19,839	20,082
Net Assets		423,308	227,827
EQUITY			
Retained Earnings	20	176,737	169,567
Revaluation Reserves	20	246,571	58,260
Council Equity Interest		423,308	227,827
Non-controlling Interests		-	-
Total Equity		423,308	227,827

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

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Narrabri Shire Council

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		168,354	58,260	226,614	-	226,614
a. Correction of Prior Period Errors	20 (c)	1,213	-	1,213	-	1,213
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		169,567	58,260	227,827	-	227,827
c. Net Operating Result for the Year		7,170	-	7,170	-	7,170
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	188,311	188,311	-	188,311
Other Comprehensive Income		-	188,311	188,311	-	188,311
Total Comprehensive Income (c&d)		7,170	188,311	195,481	-	195,481
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		176,737	246,571	423,308	-	423,308

\$ '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)	3,223	-	3,223	-	3,223
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		167,622	62,693	230,315	-	230,315
c. Net Operating Result for the Year		1,945	-	1,945	-	1,945
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	(4,433)	(4,433)	-	(4,433)
Other Comprehensive Income		-	(4,433)	(4,433)	-	(4,433)
Total Comprehensive Income (c&d)		1,945	(4,433)	(2,488)	-	(2,488)
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		169,567	58,260	227,827	-	227,827

Narrabri Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
16,584	Rates & Annual Charges		16,561	16,260
4,520	User Charges & Fees		8,154	8,534
851	Investment & Interest Revenue Received		1,350	1,247
11,131	Grants & Contributions		22,308	17,367
-	Bonds, Deposits & Retention amounts received		40	-
3,037	Other		4,188	5,254
Payments:				
(12,819)	Employee Benefits & On-Costs		(14,888)	(13,108)
(12,876)	Materials & Contracts		(17,488)	(17,799)
(902)	Borrowing Costs		(810)	(950)
-	Bonds, Deposits & Retention amounts refunded		-	(64)
(4,686)	Other		(4,528)	(6,635)
4,840	Net Cash provided (or used in) Operating Activities	11b	14,887	10,106
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		75,227	54,495
300	Sale of Real Estate Assets		746	-
555	Sale of Infrastructure, Property, Plant & Equipment		253	411
Payments:				
-	Purchase of Investment Securities		(92,078)	(58,013)
(18,587)	Purchase of Infrastructure, Property, Plant & Equipment		(6,005)	(9,489)
-	Purchase of Real Estate Assets		(164)	-
(17,732)	Net Cash provided (or used in) Investing Activities		(22,021)	(12,596)
Cash Flows from Financing Activities				
Receipts:				
7,119	Proceeds from Borrowings & Advances		-	-
-	Proceeds from Finance Leases		-	140
Payments:				
(4,058)	Repayment of Borrowings & Advances		(1,778)	(1,651)
-	Repayment of Finance Lease Liabilities		(55)	(6)
3,061	Net Cash Flow provided (used in) Financing Activities		(1,833)	(1,517)
(9,831)	Net Increase/(Decrease) in Cash & Cash Equivalents		(8,967)	(4,007)
22,000	plus: Cash & Cash Equivalents - beginning of year	11a	22,635	26,642
12,169	Cash & Cash Equivalents - end of the year	11a	13,668	22,635
Additional Information:				
	plus: Investments on hand - end of year	6b	26,346	9,304
Total Cash, Cash Equivalents & Investments			40,014	31,939

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 2014

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n/a - not applicable

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these 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 statements are general purpose financial statements prepared in accordance with;

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act 1993 (LGA) & Local Government (General) Regulation (2005), and
- the Local Government Code of Accounting Practice and Financial Reporting.

In 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 Australian content and prescription that is specific to the not-for-profit sector and are not in compliance with IFRS's, or
- (b) specifically exclude application by not-for-profit entities.

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

Under the LGA, Regulations and Local Government Code of Accounting Practice & Financial Reporting,

it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

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

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected assets or liabilities which are measured at fair value, however it provides detailed guidance on how to measure fair value. It also introduces the concept of highest and best use for non-financial assets.

Levels of disclosure regarding fair value have increased significantly and have been included in the financial statements at Note 27.

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

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

(iv) Early adoption of Accounting Standards

Council has elected not to apply any Standards before their operative date in this annual reporting period beginning 30 June 2014.

(v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted); and

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

- (iii) certain classes of non-current assets (eg. Infrastructure, Property, Plant & Equipment) that are accounted for at fair valuation.

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

(vi) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (to conform to AASBs).

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

Critical accounting estimates and assumptions

Council makes estimates & assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates & assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include estimated fair values of infrastructure, property, plant and equipment.

Critical judgements in applying 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 s94 Commitments - Council has used significant judgement in determining future s94 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 and specific criteria are met for each of the activities below.

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

Revenue is measured at fair value of consideration received or receivable on the following major income categories:

Rates, Annual Charges, Grants and Contributions

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

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be used for the purposes in which the contributions were required; however Council may apply contributions according to priorities.

Note 17 provides more information in relation to developer contributions.

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and entities or operations

that it controls (at year end) and (ii) all the related operating results.

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

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 s409(1) of the LGA, 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*

The following committees, entities or operations have been excluded from consolidation due to their immaterial value:

- *Narrabri Heritage Committee*
- *Friends of the Theatre*
- *Newtown Park Incorporated*
- *Gwabegar Community Centre Advisory Committee*
- *Oval Management Committee*
- *Park Management Committee*

(ii) The Trust Fund

In accordance with the provisions of s411 of the LGA, a separate and distinct Trust Fund is maintained to account for all money and property received by 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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

(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

Interests in Joint Venture Entities & Partnerships are accounted for using the equity method and are carried at cost. The share of profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings 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. Council is deemed to have "significant influence" over the other entity's operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of a County Council.

(vi) Additional Information

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

(d) Leases

Leases entered into are reviewed and classified on inception as either a Finance or Operating Lease.

Finance Leases

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

Finance leases are capitalised at their 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 as finance leases are depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

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

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(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.

Council 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 Council provides money, goods or services directly to a debtor with no intention (or 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 Council has the positive intention and ability to hold to maturity.

These investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and Council 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 Council 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.

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 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 Council has

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

transferred substantially all the risks and rewards of ownership.

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake investment of monies in accordance with s625 of the LGA, s212 of the LG Regulation and Ministerial Investment Order. Investments are placed and managed in accordance with this Policy.

Council holds some investments that are no longer prescribed under the Ministerial Order; however they

have been retained under grandfathering provisions. They will be disposed of when most financially advantageous.

(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), 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 Council for similar financial instruments.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(h) Receivables

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 relating to receivables is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of each receivable.

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

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

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

(i) Inventories

Raw Materials and Stores

Raw materials and stores 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.

(j) Infrastructure, Property, Plant and Equipment (IPP&E)

Acquisition of assets

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

- **Water & Sewerage Networks** (External Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (approx. depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (External Valuation)
- **Drainage Assets** (External Valuation)
- **Bulk Earthworks** (External Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (approx. depreciated historical cost)
- **Other Structures** (approx. depreciated historical cost)
- **Other Assets** (approx. depreciated historical cost)

Initial Recognition

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

A full revaluation of Council's infrastructure assets was undertaken this financial year.

Capitalisation Thresholds

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

Land

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

Plant & Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$1,000
Building	
- Construction / Extensions	100% Capitalised
- Renovations	> \$10,000
Other Structures	> \$2,000

Water & Sewer Assets

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

Stormwater Assets

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

Transport Assets

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

Depreciation

Depreciation on Council's IPP&E assets is calculated using the straight line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's IPP&E include:

Plant & Equipment

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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	18 to 25 years
- Sealed Roads: Structure	90 years
- Natural Surface Roads	Infinite
- Gravel Surface Roads	30 years
- Unsealed Roads	30 years
- Causeways	100 years
- Bridges	80 to 100 years
- Kerb, Gutter & Paths	20 to 90 years
Water & Sewer Assets	
- Dams and Reservoirs	100 years
- Bores	30 years
- Reticulation Pipes: PVC	80 years
- Reticulation Pipes: Other	50 to 100 years
- Pumps and Telemetry	15 years
Other Infrastructure Assets	
- Bulk earthworks	Infinite

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount - refer Note 1(n) 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 LGA 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) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets. 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 in the Income Statement.

(n) Impairment of assets

All IPP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 (eg. Infrastructure Assets) and would be replaced if 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 that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

(o) Payables

These amounts represent liabilities and include goods and services provided to 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.

(p) 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.

(q) Borrowing costs

Borrowing costs are expensed.

(r) Provisions

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

- Council has a legal or constructive obligation as a result of past events;
- it is likely 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 Council'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.

(s) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables. These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

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

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

(ii) Other Long Term Obligations

The liability for all long service and annual leave (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value. 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 - ie. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan known as the "Local Government Superannuation Scheme - Pool B". This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

There is insufficient information 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 amount of employer contributions to the defined benefit section of the scheme are recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a). For the year ending 30 June 2014 this amounted to \$244,857.

The last valuation of the Scheme was performed by Mercer Consulting Pty Ltd and covers the period ended 30/06/14. The scheme is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

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

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

The share of the deficit that is broadly attributed to Council is estimated at \$549,248 at 30 June 2014. However, the deficiency cannot be accurately

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

(iv) Employee Benefit On-Costs

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

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

(t) 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.

(u) 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.

Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST.

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 in 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.

(v) Rounding of amounts

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

(w) 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.

(x) 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 2014

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	10	12	10	848	762	837	(838)	(750)	(827)	194	103	1,890	1,290
Administration	966	1,305	885	5,544	3,787	3,786	(4,578)	(2,482)	(2,901)	25	103	38,027	26,347
Public Order & Safety	362	493	545	780	713	728	(418)	(220)	(183)	458	15	1,511	1,405
Health	77	30	41	9	-	25	68	30	16	-	120	-	-
Environment	2,396	2,811	2,514	2,102	2,984	2,966	294	(173)	(452)	200	-	-	-
Community Services & Education	-	1	35	151	4	99	(151)	(3)	(64)	1	31	1,115	1,753
Housing & Community Amenities	1,177	749	1,428	869	1,067	870	308	(318)	558	88	84	10,489	11,693
Water Supplies	2,873	4,973	3,771	2,386	3,120	2,550	487	1,853	1,221	36	36	36,332	22,093
Sewerage Services	2,503	3,673	3,058	2,165	3,123	2,051	338	550	1,007	32	32	44,538	23,278
Recreation & Culture	2,196	6,593	2,011	6,788	8,129	6,620	(4,592)	(1,536)	(4,609)	79	218	24,224	27,044
Mining, Manufacturing & Construction	398	378	292	1,277	2,036	473	(879)	(1,658)	(181)	-	-	2,206	2,567
Transport & Communication	12,924	15,950	12,282	17,251	19,231	20,192	(4,327)	(3,281)	(7,910)	6,567	7,926	278,931	126,196
Economic Affairs	631	1,691	515	1,486	1,735	1,607	(855)	(44)	(1,092)	-	8	3,723	4,123
Total Functions & Activities	26,513	38,659	27,387	41,656	46,691	42,804	(15,143)	(8,032)	(15,417)	7,680	8,676	442,986	247,789
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	41	3	-	-	-	-	41	3	-	-	161	120
General Purpose Income ¹	17,074	15,161	17,359	-	-	-	17,074	15,161	17,359	3,242	5,694	-	-
Operating Result from Continuing Operations	43,587	53,861	44,749	41,656	46,691	42,804	1,931	7,170	1,945	10,922	14,370	443,147	247,909

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 2014

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

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

GOVERNANCE

Costs relating to elections, members' fees & 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, enforcement of local government regulations, emergency services, other.

HEALTH

Inspection, 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, 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,

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

MINING, MANUFACTURING & CONSTRUCTION

Building control, quarries & pits, other.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, RMS works, other.

ECONOMIC AFFAIRS

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

Narrabri Shire Council

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

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		3,665	3,468
Farmland		5,758	5,576
Mining		662	640
Business		1,075	1,164
Total Ordinary Rates		11,160	10,848
Special Rates			
Drainage		2	2
Tourism		54	48
Total Special Rates		56	50
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		1,908	1,838
Water Supply Services		1,395	1,246
Sewerage Services		2,205	2,186
Total Annual Charges		5,508	5,270
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>16,724</u>	<u>16,168</u>

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 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		25	35
Water Supply Services		2,392	1,484
Sewerage Services		169	150
Waste Management Services (non-domestic)		226	179
Total User Charges		2,812	1,848
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		275	354
Private Works - Section 67		334	151
Regulatory/ Statutory Fees		36	21
Registration Fees		17	53
Total Fees & Charges - Statutory/Regulatory		662	579
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		290	360
Caravan Park		89	74
Cemeteries		207	200
Contribution to Works		1,689	792
Leaseback Fees - Council Vehicles		114	111
Quarry Revenues		197	114
RMS (formerly RTA) Charges (State Roads not controlled by Council)		3,374	2,766
Saleyards		287	186
Swimming Centres		389	196
Trade Waste		209	49
Waste Disposal Tipping Fees		9	8
Other		90	454
Total Fees & Charges - Other		6,944	5,310
TOTAL USER CHARGES & FEES		10,418	7,737

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		106	119
- Interest earned on Investments (interest & coupon payment income)		1,404	1,218
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		191	285
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>1,701</u>	<u>1,622</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		106	119
General Council Cash & Investments		653	698
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		264	26
Water Fund Operations		439	521
Sewerage Fund Operations		239	258
<u>Total Interest & Investment Revenue Recognised</u>		<u>1,701</u>	<u>1,622</u>
(d) Other Revenues			
Rental Income - Other Council Properties		217	176
Fines		43	74
Legal Fees Recovery - Rates & Charges (Extra Charges)		65	108
Crossing Theatre		2,214	1,562
Diesel Rebate		89	81
Distribution Reuse Farm		79	57
Insurance Claim Recoveries		197	245
Recoverable Expenses		50	306
Sales - General		250	243
Other		60	149
<u>TOTAL OTHER REVENUE</u>		<u>3,264</u>	<u>3,001</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	2,016	3,563	-	-
Financial Assistance - Local Roads Component	1,136	2,042	-	-
Pensioners' Rates Subsidies - General Component	90	89	-	-
Total General Purpose	3,242	5,694	-	-
¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.				
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	36	36	-	-
- Sewerage	32	32	-	-
- Domestic Waste Management	33	35	-	-
Bushfire & Emergency Services	293	217	141	235
Community Events	1	1	-	-
Flood Restoration	4,577	5,850	-	-
Heritage & Cultural	-	-	35	-
Library	49	50	-	-
Noxious Weeds	167	120	-	-
Pools	8	149	14	-
Pools - LIRS Subsidy	194	-	-	-
RMS Works - 3 x 3	400	163	-	-
Street Lighting	53	53	-	-
Transport (Roads to Recovery)	1,590	-	-	1,528
Transport (Other Roads & Bridges Funding)	-	35	-	3
Tourism	-	8	-	-
Other	50	161	7	-
Total Specific Purpose	7,483	6,910	197	1,766
Total Grants	10,725	12,604	197	1,766
Grant Revenue is attributable to:				
- Commonwealth Funding	4,935	5,612	-	1,631
- State Funding	5,790	6,992	197	135
	10,725	12,604	197	1,766

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 93F - Contributions using Planning Agreements	-	-	8,728	520
S 94 - Contributions towards amenities/services	-	-	497	73
S 94A - Fixed Development Consent Levies	-	-	-	330
Other Developer Contributions	-	-	435	-
Total Developer Contributions	-	-	9,660	923
Other Contributions:				
RMS Contributions (Regional Roads, Block Grant)	1,073	906	-	-
Other	1	-	-	19
Total Other Contributions	1,074	906	-	19
Total Contributions	1,074	906	9,660	942
TOTAL GRANTS & CONTRIBUTIONS	11,799	13,510	9,857	2,708

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

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

Unexpended at the Close of the Previous Reporting Period	2,549	2,888
add: Grants & contributions recognised in the current period but not yet spent:	13,483	1,570
less: Grants & contributions recognised in a previous reporting period now spent:	(2,549)	(1,909)
Net Increase (Decrease) in Restricted Assets during the Period	10,934	(339)
Unexpended and held as Restricted Assets	13,483	2,549
Comprising:		
- Specific Purpose Unexpended Grants	1,211	460
- Developer Contributions	11,749	1,838
- Other Contributions	523	251
	13,483	2,549

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		10,895	9,980
Travelling		56	90
Employee Leave Entitlements (ELE)		894	868
Superannuation		1,091	836
Workers' Compensation Insurance		885	615
Fringe Benefit Tax (FBT)		220	174
Training Costs (other than Salaries & Wages)		248	245
Protective Clothing		41	34
Other		660	534
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>14,990</u>	<u>13,376</u>
Number of "Equivalent Full Time" Employees at year end		148	152
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		155	161
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		795	940
Charges relating to Finance Leases		6	5
Total Interest Bearing Liability Costs Expensed		801	945
(ii) Other Borrowing Costs			
Interest applicable on Interest Free (& favourable) Loans to Council		112	125
Total Other Borrowing Costs		112	125
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>913</u>	<u>1,070</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts			
Raw Materials & Consumables		14,038	13,259
Contractor & Consultancy Costs			
- Contractor & Consultancy Costs		804	637
- Management Fees		18	31
- Waste Collection		1,023	818
- Other		8	14
Auditors Remuneration ⁽¹⁾		47	44
Legal Expenses:			
- Legal Expenses: Planning & Development		147	32
- Legal Expenses: Debt Recovery		48	78
- Legal Expenses: Other		53	150
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>16,186</u>	<u>15,063</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):

Audit and Other Assurance Services

Audit & review of financial statements: Council's Auditor	47	44
Remuneration for audit and other assurance services	<u>47</u>	<u>44</u>

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,138	907
Office Equipment		-	-	103	112
Furniture & Fittings		-	-	101	94
Land Improvements (depreciable)		-	-	55	55
Buildings - Non Specialised		-	-	671	231
Buildings - Specialised		-	-	176	46
Other Structures		-	-	469	397
Infrastructure:					
- Roads		-	-	4,457	5,347
- Bridges		-	-	289	289
- Footpaths		-	-	87	87
- Stormwater Drainage		-	-	121	152
- Water Supply Network		-	-	877	302
- Sewerage Network		-	-	1,452	358
- Swimming Pools		-	-	135	95
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>-</u>	<u>-</u>	<u>10,131</u>	<u>8,472</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		47	96
Bad & Doubtful Debts		116	5
Bank Charges		72	69
Cleaning		154	151
Contributions/Levies to Other Levels of Government			
- NSW Fire Brigade Levy		343	312
Councillor Expenses - Mayoral Fee		23	22
Councillor Expenses - Councillors' Fees		115	121
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		120	99
Donations, Contributions & Assistance to other organisations (Section 356)		43	53
- Donations, Contributions & Assistance		190	289
Electricity & Heating		740	759
Fire Control Expenses		180	189
Insurance		551	537
Office Expenses (including computer expenses)		318	381
Postage		21	25
Printing & Stationery		53	62
Recoverable Expenses		402	402
Street Lighting		281	334
Subscriptions & Publications		286	339
Telephone & Communications		169	189
Tourism Expenses (excluding employee costs)		155	221
Valuation Fees - Assets		38	11
Valuation Fees - Rates		54	51
Total Other Expenses		4,471	4,717
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		4,471	4,717

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	-
less: Carrying Amount of Property Assets Sold / Written Off		-	(41)
Net Gain/(Loss) on Disposal		-	(41)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		253	411
less: Carrying Amount of P&E Assets Sold / Written Off		(458)	(476)
Net Gain/(Loss) on Disposal		(205)	(65)
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(353)	-
Net Gain/(Loss) on Disposal		(353)	-
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		746	-
less: Carrying Amount of Real Estate Assets Sold / Written Off		(131)	-
Net Gain/(Loss) on Disposal		615	-
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		75,227	54,495
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(75,227)	(54,495)
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		57	(106)

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	2014	2014	2013	2013
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		5,945	-	5,579	-
Cash-Equivalent Assets ¹					
- Deposits at Call		4,723	-	17,056	-
- NCD's, FRN's		3,000	-	-	-
Total Cash & Cash Equivalents		13,668	-	22,635	-
Investments (Note 6b)					
- Long Term Deposits		26,000	-	9,000	-
- CDO's		346	-	80	224
Total Investments		26,346	-	9,080	224
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		40,014	-	31,715	224

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"		13,668	-	22,635	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	346	-	80	224
b. "Held to Maturity"	6(b-ii)	26,000	-	9,000	-
Investments		26,346	-	9,080	224

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6b. Investments (continued)

\$ '000	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 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	80	224	504	997
Revaluations (through the Income Statement)	191		285	-
Additions	78	-	-	-
Disposals (sales & redemptions)	(227)		(709)	(773)
Transfers between Current/Non Current	224	(224)	-	-
Balance at End of Year	346	-	80	224
Comprising:				
- CDO's	346	-	80	224
Total	346	-	80	224
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	9,000	-	4,000	-
Additions	92,000	-	58,013	-
Disposals (sales & redemptions)	(75,000)		(53,013)	-
Balance at End of Year	26,000	-	9,000	-
Comprising:				
- Long Term Deposits	26,000	-	9,000	-
Total	26,000	-	9,000	-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	40,014	-	31,715	224
attributable to:				
External Restrictions (refer below)	32,356	-	17,981	224
Internal Restrictions (refer below)	6,925	-	13,414	-
Unrestricted	733	-	320	-
	40,014	-	31,715	224

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

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	741	-	(164)	577
External Restrictions - Included in Liabilities	741	-	(164)	577

External Restrictions - Other

Developer Contributions - General (D)	1,838	9,924	(13)	11,749
RMS (formerly RTA) Contributions (E)	251	1,073	(801)	523
Specific Purpose Unexpended Grants (F)	460	751	-	1,211
Water Supplies (G)	9,814	2,074	-	11,888
Sewerage Services (G)	4,634	1,737	-	6,371
Domestic Waste Management (G)	467	2,458	(2,888)	37
External Restrictions - Other	17,464	18,017	(3,702)	31,779
Total External Restrictions	18,205	18,017	(3,866)	32,356

- 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 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	2,140	4,377	(4,601)	1,916
Employees Leave Entitlement	679	139	-	818
Carry Over Works	770	189	(770)	189
Deposits, Retentions & Bonds	27	43	(2)	68
Administration Building	182	-	-	182
Aerodrome	1,282	289	(659)	912
CDO	841	-	(484)	357
Cultural Centre	2	-	(2)	-
Depot	161	-	(29)	132
Financial Assistance Grant (FAG)	2,955	-	(2,955)	-
Gweabegar Infrastructure	175	-	(124)	51
Heritage (Old Gaol)	27	5	(7)	25
Housing	713	53	(74)	692
Kamilaroi Highway Group	28	-	(28)	-
Library	51	-	-	51
Office Equipment	25	-	-	25
Parks & Gardens	21	-	-	21
Quarries	1,316	2,577	(2,568)	1,325
Restricted Funding	54	-	-	54
RMS Single Invitation Contract	100	-	-	100
Section 355 Committee Funds	90	-	(90)	-
Shannon Estate Tree Planting	7	-	-	7
Swimming Pools	815	-	(815)	-
Other	953	-	(953)	-
Total Internal Restrictions	13,414	7,672	(14,161)	6,925
TOTAL RESTRICTIONS	31,619	25,689	(18,027)	39,281

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		736	369	629	313
Interest & Extra Charges		148	74	141	70
User Charges & Fees		3,251	-	626	59
Contributions to Works		-	-	-	4
Accrued Revenues					
- Interest on Investments		287	-	138	-
- Other Income Accruals		722	-	137	-
Government Grants & Subsidies		403	-	190	-
Net GST Receivable		95	-	-	-
Total		5,642	443	1,861	446
less: Provision for Impairment					
Rates & Annual Charges		-	(25)	-	(25)
Interest & Extra Charges		-	(15)	-	(15)
User Charges & Fees		(162)	-	(47)	-
Total Provision for Impairment - Receivables		(162)	(40)	(47)	(40)
<u>TOTAL NET RECEIVABLES</u>		<u>5,480</u>	<u>403</u>	<u>1,814</u>	<u>406</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		-	-	8	-
- Rates & Availability Charges		203	102	289	2
- Other		4	-	2	-
Sewerage Services					
- Rates & Availability Charges		109	55	149	2
Total External Restrictions		316	157	448	4
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		5,164	246	1,366	402
<u>TOTAL NET RECEIVABLES</u>		<u>5,480</u>	<u>403</u>	<u>1,814</u>	<u>406</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 9.00% (2013 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		2,167	-	2,134	-
Stores & Materials		281	-	238	-
Trading Stock		947	-	1,618	-
Total Inventories		3,395	-	3,990	-
Other Assets					
Prepayments		81	-	54	-
Total Other Assets		81	-	54	-
TOTAL INVENTORIES / OTHER ASSETS		3,476	-	4,044	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

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

Residential		2,167	-	2,134	-
Total Real Estate for Resale		2,167	-	2,134	-

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

Represented by:

Acquisition Costs		-	-	-	-
Development Costs		2,167	-	2,134	-
Total Real Estate for Resale		2,167	-	2,134	-

Movements:

Real Estate assets at beginning of the year		2,134	-	2,134	-
- Purchases and other costs		164	-	-	-
- WDV of Sales (exp)	5	(131)	-	-	-
Total Real Estate for Resale		2,167	-	2,134	-

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

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

	2014	2013
Real Estate for Resale	2,092	2,059

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

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period						as at 30/6/2014				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Revaluation 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	9,751	-	-	-	9,751	1,275	-	-	(7,459)	-	-	3,567	-	-	-	3,567
Plant & Equipment	-	12,984	3,760	-	9,224	1,856	(458)	(1,138)	126	-	-	-	14,361	4,751	-	9,610
Office Equipment	-	1,107	714	-	393	42	-	(103)	-	-	-	-	1,148	816	-	332
Furniture & Fittings	-	1,293	828	-	465	10	-	(101)	-	-	-	-	1,272	898	-	374
Land:																
- Operational Land	-	8,439	-	-	8,439	-	-	-	-	-	-	-	8,439	-	-	8,439
- Community Land	-	4,207	-	-	4,207	-	-	-	-	-	-	-	4,207	-	-	4,207
Land Improvements - depreciable	-	3,131	847	-	2,284	236	-	(55)	-	-	11	-	3,315	839	-	2,476
Buildings - Non Specialised	-	31,404	14,097	-	17,307	185	(152)	(671)	-	(231)	-	-	27,688	11,250	-	16,438
Buildings - Specialised	-	5,071	380	-	4,691	240	(1)	(176)	-	-	220	-	7,686	2,712	-	4,974
Other Structures	-	13,677	4,791	-	8,886	439	(128)	(469)	1,297	(118)	-	-	14,985	5,078	-	9,907
Infrastructure:																
- Roads	-	208,284	120,611	-	87,673	2,179	-	(4,457)	575	-	63,341	-	227,561	78,250	-	149,311
- Bridges	-	26,755	9,848	-	16,907	8	-	(289)	-	-	-	-	26,763	10,137	-	16,626
- Footpaths	-	5,295	1,736	-	3,559	-	(43)	(87)	-	-	-	-	5,252	1,823	-	3,429
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	-	91,617	-	91,617	-	-	91,617
- Stormwater Drainage	-	9,652	4,649	-	5,003	3	-	(121)	-	-	567	-	9,678	4,226	-	5,452
- Water Supply Network	-	27,036	16,218	-	10,818	137	(25)	(877)	154	-	12,253	-	52,685	30,225	-	22,460
- Sewerage Network	-	46,596	29,279	-	17,317	48	(4)	(1,452)	85	-	20,651	-	88,033	51,388	-	36,645
- Swimming Pools	-	5,011	2,349	-	2,662	-	-	(135)	5,222	-	-	-	10,233	2,484	-	7,749
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	9,751	409,942	210,107	-	209,586	6,658	(811)	(10,131)	-	(349)	188,660	3,567	594,923	204,877	-	393,613

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$2,272) and New Assets (\$1,803). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Actual				Actual			
	2014				2013			
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	1,040	-	-	1,040	481	-	-	481
Plant & Equipment	-	244	175	69	-	239	161	78
Office Equipment	-	6	5	1	-	6	5	1
Land								
- Operational Land	-	245	-	245	-	245	-	245
Buildings	-	144	66	78	-	233	68	165
Other Structures	-	26	9	17	-	78	54	24
Infrastructure	-	52,685	30,225	22,460	-	27,036	16,218	10,818
Total Water Supply	1,040	53,350	30,480	23,910	481	27,837	16,506	11,812
Sewerage Services								
WIP	89	-	-	89	99	-	-	99
Plant & Equipment	-	113	101	12	-	103	100	3
Furniture & Fittings	-	3	3	-	-	3	3	-
Land								
- Operational Land	-	906	-	906	-	906	-	906
Buildings	-	394	123	271	-	467	142	325
Other Structures	-	68	30	38	-	68	28	40
Infrastructure	-	88,033	51,388	36,645	-	46,596	29,279	17,317
Total Sewerage Services	89	89,517	51,645	37,961	99	48,143	29,552	18,690
Domestic Waste Management								
WIP	-	-	-	-	38	-	-	38
Plant & Equipment	-	33	14	19	-	33	11	22
Land								
- Improvements - depreciable	-	1,110	539	571	-	876	515	361
Buildings	-	215	32	183	-	249	176	73
Other Structures	-	496	152	344	-	545	137	408
Total DWM	-	1,854	737	1,117	38	1,703	839	902
TOTAL RESTRICTED I,PP&E	1,129	144,721	82,862	62,988	618	77,683	46,897	31,404

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 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		114	-	1	-
Goods & Services - capital expenditure		730	-	77	-
Payments Received In Advance		240	-	261	-
Accrued Expenses:					
- Borrowings		43	-	52	-
- Salaries & Wages		486	-	396	-
- Other Expenditure Accruals		1,848	-	1,244	-
Security Bonds, Deposits & Retentions		68	-	28	-
ATO - Net GST Payable		-	-	168	-
Department of Commerce - Call Payments		136	-	136	-
Other		12	-	31	-
Total Payables		3,677	-	2,394	-
Borrowings					
Loans - Secured ¹		3,082	10,275	3,815	11,208
Finance Lease Liabilities		25	54	26	108
Total Borrowings		3,107	10,329	3,841	11,316
Provisions					
Employee Benefits;					
Annual Leave		750	-	874	-
Sick Leave		288	-	251	-
Long Service Leave		1,444	203	1,213	158
Other Leave		41	-	35	-
Total Provisions		2,523	203	2,373	158
Total Payables, Borrowings & Provisions		9,307	10,532	8,608	11,474
(i) Liabilities relating to Restricted Assets					
		2014		2013	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		76	-	104	8
Sewer		328	399	275	653
Liabilities relating to externally restricted assets		404	399	379	661
Internally Restricted Assets					
Bonds & Deposits		25	-	-	-
Liabilities relating to internally restricted assets		25	-	-	-
Total Liabilities relating to restricted assets		429	399	379	661
Total Liabilities relating to Unrestricted Assets		8,878	10,133	8,229	10,813
TOTAL PAYABLES, BORROWINGS & PROVISIONS		9,307	10,532	8,608	11,474

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 2014

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

\$ '000	Actual 2014	Actual 2013
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	1,843	1,768
Payables - Security Bonds, Deposits & Retentions	25	-
	<u>1,868</u>	<u>1,768</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2013		2014			
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Annual Leave	874	470	(594)	-	-	750
Sick Leave	251	54	(17)	-	-	288
Long Service Leave	1,371	317	(41)	-	-	1,647
Other Leave	35	70	(64)	-	-	41
TOTAL	2,531	911	(716)	-	-	2,726

- 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 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	13,668	22,635
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		13,668	22,635
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		7,170	1,945
Adjust for non cash items:			
Depreciation & Amortisation		10,131	8,472
Net Losses/(Gains) on Disposal of Assets		(57)	106
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(191)	(285)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Valued)		112	125
Share of Net (Profits) or Losses of Associates/Joint Ventures		(41)	(3)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(3,778)	951
Increase/(Decrease) in Provision for Doubtful Debts		115	5
Decrease/(Increase) in Inventories		628	23
Decrease/(Increase) in Other Assets		(27)	193
Increase/(Decrease) in Payables		113	(78)
Increase/(Decrease) in accrued Interest Payable		(9)	(5)
Increase/(Decrease) in other accrued Expenses Payable		694	(1,788)
Increase/(Decrease) in Other Liabilities		(168)	202
Increase/(Decrease) in Employee Leave Entitlements		195	243
NET CASH PROVIDED FROM/(USED IN)		14,887	10,106
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		14,887	10,106
(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		23	24
Total Financing Arrangements Utilised		23	24
(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 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(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		25	26
Later than one year and not later than 5 years		54	108
Later than 5 years		-	-
Total Minimum Lease Payments		79	134
less: Future Finance Charges		-	-
Amount Recognised as a Liability		79	134
(ii) Finance Lease Liability Recognised represent;			
Current Liabilities		25	26
Non-Current Liabilities		54	108
Total Finance Lease Liabilities Disclosed		79	134
(iii) General Details			
Council Leases the following Property, Plant & Equipment under Finance Leases:			
	Term (Years)	Option to Purchase	Contingent Rent Clauses
Other Equipment/Assets			
Total Carrying Value at Year End		79	134

Conditions relating to Finance Leases:

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

(c) Operating Lease Commitments (Non Cancellable)

Nil

(d) 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 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>(2,976)</u>	-6.81%	-2.26%	-7.11%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	43,715			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(less ALL Grants & Contributions)</u>	<u>31,916</u>	59.58%	63.52%	62.60%
Total continuing operating revenue ⁽¹⁾	53,572			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>14,206</u>	2.02 : 1	2.64	2.97
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>7,035</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>8,068</u>	2.94	3.15	3.63
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>2,746</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>1,287</u>	7.15%	6.33%	7.19%
Rates, Annual and Extra Charges Collectible	18,008			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>39,668</u>	12.04	9.44	10.41
Payments from cash flow of operating and financing activities	<u>3,296</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Water 2014	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	39.92%	15.04%	-15.76%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: 32.34%	32.93%	-8.76%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(less ALL Grants & Contributions)</u>	99.28%	99.13%	51.92%
Total continuing operating revenue ⁽¹⁾			
	prior period: 99.05%	98.95%	57.08%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions ⁽²⁾</u>	159.14 : 1	19.76 : 1	2.02 : 1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 97.24	17.39	2.64
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	0.00	53.84	1.17
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)			
	prior period: 513.33	16.23	2.12
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	21.85%	7.44%	5.68%
Rates, Annual and Extra Charges Collectible			
	prior period: 22.21%	7.28%	4.73%
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents including All Term Deposits			
<u>Payments from cash flow of operating and financing activities</u> x12	0.00	0.00	6.50
	prior period: 0.00	0.00	5.13

Notes

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 14. Investment Properties

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

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	13,668	22,635	13,668	22,635
Investments				
- "Held for Trading"	346	304	346	304
- "Held to Maturity"	26,000	9,000	26,000	9,000
Receivables	5,883	2,220	5,883	2,220
Total Financial Assets	45,897	34,159	45,897	34,159
Financial Liabilities				
Payables	3,437	2,133	3,437	2,133
Loans / Advances	13,357	15,023	13,357	15,023
Lease Liabilities	79	134	79	134
Total Financial Liabilities	16,873	17,290	16,873	17,290

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.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2014				
Possible impact of a 10% movement in Market Values	7	7	(7)	(7)
Possible impact of a 1% movement in Interest Rates	337	337	(337)	(337)
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)

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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:

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	91%	0%	36%
Overdue	100%	9%	100%	64%
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)	-	4,512	-	487
Overdue	1,105	468	942	878
	1,105	4,980	942	1,365
(iii) Movement in Provision for Impairment of Receivables			2014	2013
Balance at the beginning of the year			87	82
+ new provisions recognised during the year			115	5
Balance at the end of the year			202	87

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Trade/Other Payables	68	3,369	-	-	-	-	-	3,437	3,437
Loans & Advances	-	933	7,277	668	720	503	3,256	13,357	13,357
Lease Liabilities	-	25	26	25	26	6		108	79
Total Financial Liabilities	68	4,327	7,303	693	746	509	3,256	16,902	16,873
2013									
Trade/Other Payables	28	2,105	-	-	-	-	-	2,133	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	5,944	958	7,305	696	751	1,608	17,290	17,290

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	3,437	0.0%	2,133	0.0%
Loans & Advances - Fixed Interest Rate	13,357	6.2%	15,023	6.4%
Lease Liabilities	79		134	
	<u>16,873</u>		<u>17,290</u>	

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

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

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	16,584	16,724	140	1%	F
User Charges & Fees	4,520	10,418	5,898	130%	F
User Charges & Fees were grossly under-estimated.					
Interest & Investment Revenue	851	1,701	850	100%	F
Significant developer contributions received through the year provided extra funds to invest.					
Other Revenues	3,037	3,264	227	7%	F
Operating Grants & Contributions	11,131	11,799	668	6%	F
Capital Grants & Contributions	7,464	9,857	2,393	32%	F
Favourable result largely due to developer contributions received.					
Net Gains from Disposal of Assets	-	57	57	0%	F
Refer to "Net Losses from Disposal of Assets" below.					
Share of Net Profits - Joint Ventures & Associates	-	41	41	0%	F

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	12,819	14,990	(2,171)	(17%)	U
Employee costs were grossly under-estimated.					
Borrowing Costs	902	913	(11)	(1%)	U
Materials & Contracts	12,876	16,186	(3,310)	(26%)	U
Materials costs were grossly under-estimated. They are comparable to last year's result.					
Depreciation & Amortisation	10,013	10,131	(118)	(1%)	U
Other Expenses	4,686	4,471	215	5%	F
Net Losses from Disposal of Assets	360	-	360	100%	F
Proceeds from the sale of assets were greater that expected. There were also some land sales not budgeted.					

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	4,840	14,887	10,047	207.6%	F
This variation flows through from under estimating the budgets from major line items of the Income Statement.					
Cash Flows from Investing Activities	(17,732)	(22,021)	(4,289)	24.2%	U
This variation results from addition investment purchases from having extra developer contributions.					
Cash Flows from Financing Activities	3,061	(1,833)	(4,894)	(159.9%)	U
Council had budgeted for loan drawdowns that were not implemented.					

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	114	-	-	5	-	-	119	-	-	119	-
Parking	3	-	-	-	-	-	3	-	-	3	-
Open Space	20	5	-	-	-	-	25	3	-	28	-
Community Facilities	15	3	-	1	-	-	19	1	-	20	-
Bushfire	7	4	-	1	-	-	12	2	-	14	-
Other	36	-	-	1	-	-	37	-	-	37	-
S94 Contributions - under a Plan	195	12	-	8	-	-	215	6	-	221	-
S94A Levies - under a Plan	343	485	-	29	-	-	857				-
Total S94 Revenue Under Plans	538	497	-	37	-	-	1,072				-
S94 not under Plans	-	435	-	-	-	-	435	-	-	435	-
S93F Planning Agreements	1,300	8,728		227	(13)		10,242				
Total Contributions	1,838	9,660	-	264	(13)	-	11,749	6	-	656	-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	114	-	-	5	-	-	119			119	
Parking	3	-	-	-	-	-	3			3	
Open Space	20	5	-	-	-	-	25	3		28	
Community Facilities	15	3	-	1	-	-	19	1		20	
Bushfire	7	4	-	1	-	-	12	2		14	
Other	36	-	-	1	-	-	37			37	
Total	195	12	-	8	-	-	215	6	-	221	-

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	343	485	-	29	-	-	857				
Total	343	485	-	29	-	-	857				-

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
VPA Royalties	-	435	-	-	-	-	435			435	
Total	-	435	-	-	-	-	435	-	-	435	-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(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 2014

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

As part of these Plans, Council 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 2014

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 2014

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

\$ '000

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

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

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

Subsidiaries

Note 19(a)

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

Associated Entities & Joint Venture Entities

Note 19(b) (i)&(ii)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Joint Venture Operations

Note 19(c)

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

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and 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 2014	Actual 2013	Actual 2014	Actual 2013
Associated Entities	41	3	161	120
Joint Venture Entities	-	-	-	-
Total	41	3	161	120

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

(a) 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	2014	2013
Central Northern Libraries	Public Library Services	161	120
Total Carrying Amounts - Associated Entities		161	120

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Central Northern Libraries	15%	15%	15%	15%	15%	15%

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

	Central Northern Libraries	
	2014	2013
Opening Balance	120	117
Share in Operating Result	41	3
Council's Equity Share in the Associated Entity	161	120

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

2014	Assets	Liabilities	Net Assets	Revenues	Profit
Central Northern Libraries	161	-	161	467	41
Totals	161	-	161	467	41
2013	Assets	Liabilities	Net Assets	Revenues	Profit
Central Northern Libraries	120	-	120	191	3
Totals	120	-	120	191	3

(ii) Joint Venture Entities

Council has no interest in any Joint Venture Entities.

(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		168,354	164,399
a. Correction of Prior Period Errors	20 (c)	1,213	3,223
b. Net Operating Result for the Year		7,170	1,945
Balance at End of the Reporting Period		<u>176,737</u>	<u>169,567</u>

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	246,571	58,260
Total	<u>246,571</u>	<u>58,260</u>

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve		
- Opening Balance	58,260	62,693
- Revaluations for the year	188,311	(4,433)
- Balance at End of Year	<u>246,571</u>	<u>58,260</u>
TOTAL VALUE OF RESERVES	<u>246,571</u>	<u>58,260</u>

(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

Correction of errors disclosed in this year's financial statements:

Council had a number of land sales undertaken in previous years that were not accounted for in the financial statements.

They were included under Works in Progress in Note 9 as contra entries to capital expenditures yet to be completed and brought to account as Assets.

This entry reflects the value of Profit on Sale of Assets that was not brought to account in previous years.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(c) Correction of Error/s relating to a Previous Reporting Period			
Correction of errors as disclosed in last year's financial statements:			
The 2012/13 comparative for RMS Charges - Note 3(b)(ii) - was overstated by \$2,010K. This income belonged to the 2011/12 financial year.			
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/12 (relating to adjustments for the 30/6/12 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30/6/13 (relating to adjustments for the 30/6/13 year end)		1,213	2,010
Total Prior Period Adjustments - Prior Period Errors		1,213	2,010

(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 2014

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	1,396	2,205	13,123
User Charges & Fees	3,127	1,122	6,169
Interest & Investment Revenue	439	239	1,023
Other Revenues	-	78	3,186
Grants & Contributions provided for Operating Purposes	36	32	11,731
Grants & Contributions provided for Capital Purposes	-	-	9,857
Other Income			
Net Gains from Disposal of Assets	-	-	86
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	41
Total Income from Continuing Operations	4,998	3,676	45,216
Expenses from Continuing Operations			
Employee Benefits & on-costs	497	413	14,080
Borrowing Costs	8	38	867
Materials & Contracts	1,263	1,060	13,863
Depreciation & Amortisation	892	1,459	7,780
Impairment	-	-	-
Other Expenses	343	153	3,975
Net Losses from the Disposal of Assets	25	4	-
Total Expenses from Continuing Operations	3,028	3,127	40,565
Operating Result from Continuing Operations	1,970	549	4,651
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	1,970	549	4,651
Net Operating Result attributable to each Council Fund	1,970	549	4,651
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	1,970	549	(5,206)

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 2014

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

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	11,888	6,371	3,000
Investments	-	-	18,755
Receivables	207	109	5,164
Inventories	-	-	3,395
Other	-	-	81
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	12,095	6,480	30,395
Non-Current Assets			
Investments	-	-	-
Receivables	102	55	246
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	23,910	37,961	331,742
Investments Accounted for using the equity method	-	-	161
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	24,012	38,016	332,149
TOTAL ASSETS	36,107	44,496	362,544
LIABILITIES			
Current Liabilities			
Payables	76	198	3,403
Borrowings	-	130	2,977
Provisions	-	-	2,523
Total Current Liabilities	76	328	8,903
Non-Current Liabilities			
Payables	-	-	-
Borrowings	-	399	9,930
Provisions	-	-	203
Total Non-Current Liabilities	-	399	10,133
TOTAL LIABILITIES	76	727	19,036
Net Assets	36,031	43,769	343,508
EQUITY			
Retained Earnings	16,534	11,774	148,429
Revaluation Reserves	19,497	31,995	195,079
Total Equity	36,031	43,769	343,508

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 2014

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 Date

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

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

Accordingly, the "authorised for issue" date is 28/11/14.

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

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

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

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

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

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 30/6/14.

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

Note 27. Fair Value Measurement

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

- Infrastructure, Property, Plant and Equipment
- Financial Assets & Liabilities

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

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

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

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

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

Note 27 continued on next page

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Held for Trading"	30/06/14	-	-	346	346
Total Financial Assets		-	-	346	346
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/14	-	-	9,610	9,610
Office Equipment	30/06/14	-	-	332	332
Furniture & Fittings	30/06/14	-	-	374	374
Operational Land	30/06/14	-	-	8,439	8,439
Community Land	30/06/14	-	-	4,207	4,207
Land Improvements	30/06/14	-	-	2,476	2,476
Buildings - Non Specialised	30/06/14	-	-	16,438	16,438
Buildings - Specialised	30/06/14	-	-	4,974	4,974
Other Structures	30/06/14	-	-	9,907	9,907
Roads	30/06/14	-	-	149,311	149,311
Bridges	30/06/14	-	-	16,626	16,626
Footpaths	30/06/14	-	-	3,429	3,429
Bulk Earthworks	30/06/14	-	-	91,617	91,617
Stormwater Drainage	30/06/14	-	-	5,452	5,452
Water Supply Network	30/06/14	-	-	22,460	22,460
Sewerage Network	30/06/14	-	-	36,645	36,645
Swimming Pools	30/06/14	-	-	7,749	7,749
Total Infrastructure, Property, Plant & Equipment		-	-	390,046	390,046

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

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

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

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

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

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

Operational & Community Land

Operational & Community Land are based on either the Land Value provided by the Valuer General or an average unit rate based on the Land Value for similar properties where the Valuer General did not provide a Land Value having regard to the highest and best use for the land. Operational Land is based on the Valuer General's land value as these are representative of the actual market values in the Narrabri Shire LGA. As these rates were not considered to be observable market evidence they have been classified a Level 3.

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

Buildings - Non-Specialised & Specialised

Non-Specialised & Specialised Buildings are valued internally using the Rawlinson's Construction Guide in June 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the building into significant parts. While all buildings were physically inspected and the unit rates based on square metres from Rawlinson's Construction Guide no market based evidence (Level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs. While the costs were current and the impact of depreciation negligible, the building has been classified as Level 3 as they are immaterial in relation to the overall value of the asset type.

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

Other Structures

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Roads

Roads comprise road carriageway, roadside shoulders & kerb & gutter. Valuations for this asset class were undertaken as a part of Council's asset revaluation program for 2013/14. Refer to 4d for revaluation methodology. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

Bridges

Bridges were valued as a part of Council's asset revaluation program for 2013/14. Refer to 4d for revaluation methodology. While all bridges were physically inspected and unit rates based on square metres were used there was no reliable market evidence (Level 2) as other inputs (such as estimates of residual value and pattern of consumption) require extensive professional judgement that impacts significantly on the final determination of fair value.

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

Footpaths

Footpaths were valued as a part of Council's asset revaluation program for 2013/14. Refer to 4d for revaluation methodology. Footpaths are inspected annually and condition assessed.

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

Drainage Infrastructure

Assets within this class comprise pits and pipes.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

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

Water Supply Network

Assets within this class comprise reservoirs, pumping stations and water pipelines.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

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

Narrabri Shire Council

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

Note 27. Fair Value Measurement (continued)

Sewerage Network

Assets within this class comprise treatment works, pumping stations and sewerage mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

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

Swimming Pools

Assets within this class comprise Council's Aquatic Centre and other outdoor swimming pools.

Swimming pools were valued in-house by experienced staff using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

	P&E, Office Equip & Furniture	Land & Improves	Buildings & Other Structures	Transport Assets	Stormwater Drainage	Water Supply Network	Sewerage Network	Swimming Pools	Total
Adoption of AASB 13	10,082	15,214	30,884	108,139	5,003	10,818	17,317	2,662	200,119
Purchases (GBV)	2,034	236	2,161	2,762	3	291	133	5,222	12,842
Disposals (WDV)	(458)	-	(281)	(43)	-	(25)	(4)	-	(811)
Depreciation & Impairment	(1,366)	(55)	(1,316)	(4,833)	(121)	(877)	(1,452)	(135)	(10,155)
FV Gains - Other Comprehensive Income	24	(273)	(129)	154,958	567	12,253	20,651	-	188,051
Closing Balance - 30/6/14	10,316	15,122	31,319	260,983	5,452	22,460	36,645	7,749	390,046

Narrabri Shire Council

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

Note 27. Fair Value Measurement (continued)

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

b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

IPP&E

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Plant & Equipment	9,610	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset <ul style="list-style-type: none"> 5 to 20 years 0% to 40% 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Office Equipment	332	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value 	<ul style="list-style-type: none"> Varies significantly from asset to asset <ul style="list-style-type: none"> 5 to 10 years 0% to 5% 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Furniture / Fittings	374	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value 	<ul style="list-style-type: none"> Varies significantly from asset to asset <ul style="list-style-type: none"> 10 to 20 years 0% to 10% 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Operational Land	8,439	<ul style="list-style-type: none"> Land Value (price per m²) 	<ul style="list-style-type: none"> Varies 	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.
Community Land	4,207	<ul style="list-style-type: none"> Land Value (price per m²) 	<ul style="list-style-type: none"> Varies 	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.
Land Improvements	2,476	<ul style="list-style-type: none"> Gross Replacement Cost <ul style="list-style-type: none"> Asset Condition Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset <ul style="list-style-type: none"> Poor to Excellent 5 to 100 years 0% to 70% 	Significant changes in the gross replacement value, asset condition and pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Buildings - Non Specialised	16,438	<ul style="list-style-type: none"> Gross Replacement Cost <ul style="list-style-type: none"> Asset Condition Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset <ul style="list-style-type: none"> Poor to Excellent 20 to 100 years 0% to 70% 	Significant changes in the gross replacement value, asset condition and pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.

Narrabri Shire Council

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

Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Buildings - Specialised	4,974	<ul style="list-style-type: none"> Gross Replacement Cost <ul style="list-style-type: none"> Asset Condition Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset <ul style="list-style-type: none"> Poor to Excellent 20 to 100 years 0% to 70% 	Significant changes in the gross replacement value, asset condition and pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Other Structures	9,907	<ul style="list-style-type: none"> Gross Replacement Cost <ul style="list-style-type: none"> Asset Condition Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset <ul style="list-style-type: none"> Poor to Excellent 10 to 50 years 0% to 60% 	Significant changes in the gross replacement value, asset condition and pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Roads	149,311	<ul style="list-style-type: none"> Gross Replacement Cost <ul style="list-style-type: none"> Asset Condition Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset <ul style="list-style-type: none"> Poor to Excellent 18 years to Infinite 0% to 100% 	Significant changes in the gross replacement value, asset condition and pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Bridges	16,626	<ul style="list-style-type: none"> Gross Replacement Cost <ul style="list-style-type: none"> Asset Condition Remaining Useful Life 	<ul style="list-style-type: none"> Varies significantly from asset to asset <ul style="list-style-type: none"> Poor to Excellent 80 to 100 years 	Significant changes in the gross replacement value, asset condition and pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Footpaths	3,429	<ul style="list-style-type: none"> Gross Replacement Cost <ul style="list-style-type: none"> Asset Condition Remaining Useful Life 	<ul style="list-style-type: none"> Varies significantly from asset to asset <ul style="list-style-type: none"> Poor to Excellent 20 to 100 years 	Significant changes in the gross replacement value, asset condition and pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Bulk Earthworks	91,617	<ul style="list-style-type: none"> Gross Replacement Cost <ul style="list-style-type: none"> Asset Condition Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset <ul style="list-style-type: none"> Poor to Excellent Infinite 100% 	Significant changes in the gross replacement value, asset condition and pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Stormwater Drainage	5,452	<ul style="list-style-type: none"> Gross Replacement Cost <ul style="list-style-type: none"> Asset Condition Remaining Useful Life 	<ul style="list-style-type: none"> Varies significantly from asset to asset <ul style="list-style-type: none"> Poor to Excellent 80 years 	Significant changes in the gross replacement value, asset condition and pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Water Supply Network	22,460	<ul style="list-style-type: none"> Gross Replacement Cost <ul style="list-style-type: none"> Asset Condition Remaining Useful Life 	<ul style="list-style-type: none"> Varies significantly from asset to asset <ul style="list-style-type: none"> Poor to Excellent 15 to 100 years 	Significant changes in the gross replacement value, asset condition and pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.

Narrabri Shire Council

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

Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Sewerage Network	36,645	<ul style="list-style-type: none"> • Gross Replacement Cost <ul style="list-style-type: none"> • Asset Condition • Remaining Useful Life 	<ul style="list-style-type: none"> • Varies significantly from asset to asset <ul style="list-style-type: none"> • Poor to Excellent • 10 to 100 years 	Significant changes in the gross replacement value, asset condition and pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Swimming Pools	7,749	<ul style="list-style-type: none"> • Gross Replacement Cost <ul style="list-style-type: none"> • Asset Condition • Remaining Useful Life • Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset <ul style="list-style-type: none"> • Poor to Excellent • 5 to 60 years • 0% to 50% 	Significant changes in the gross replacement value, asset condition and pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.

c. The Valuation Process for Level 3 Fair Value Measurements

Council with the assistance and support of Jeff Roorda and Associates (JRA) and Acqua (LMB) has undertaken a revaluation of its infrastructure assets, effective from 30/6/14, in accordance with AASB116 and the Australian Infrastructure Financial Management Guidelines (AIFMG).

The carrying values of the opening balances of infrastructure assets were not 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.

Infrastructure assets are not usually traded in a market as such their fair value is determined by a level 3 hierarchy that being the Depreciated Replacement Cost (DRC). This is the cost of replacing the gross future economic benefits (service potential) of the existing asset and deducting the economic benefits that have been consumed. The approach to valuation is in accordance and guidance of the relevant Australian Accounting Standards and the NSW Local Government Code of Accounting Practice & Financial Reporting (Guidelines).

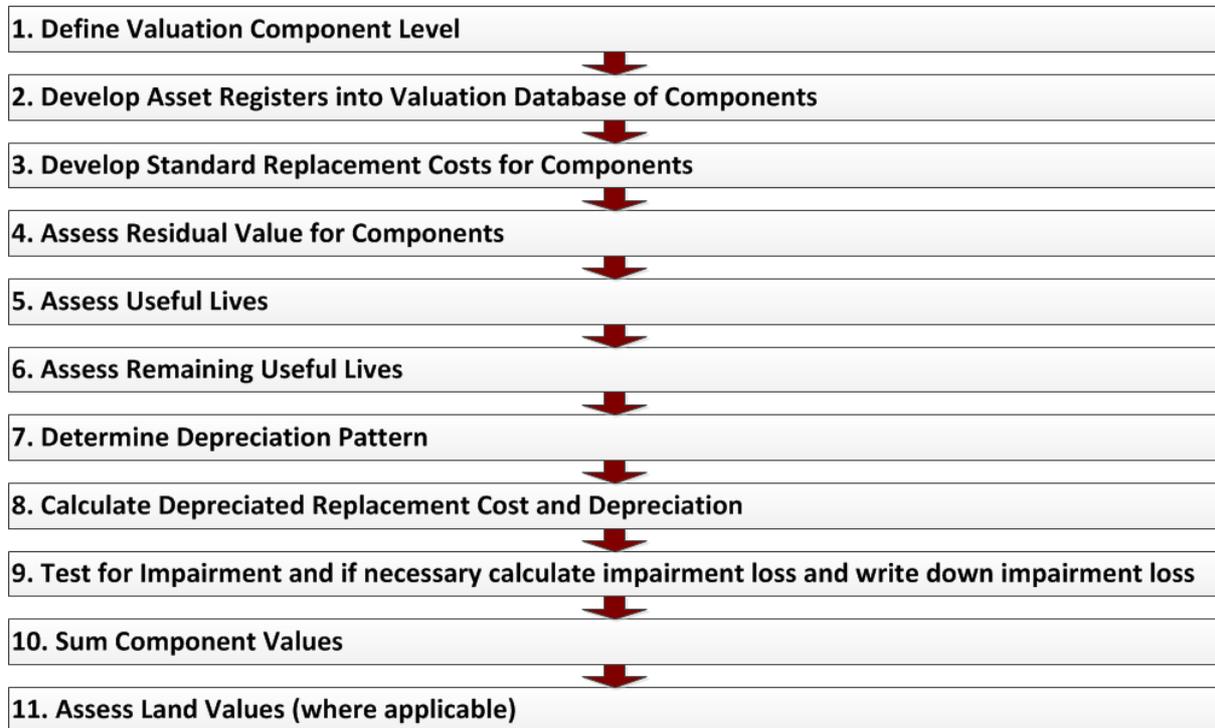
The figure on the next page shows the process used to determine the Depreciated Replacement Cost for each asset class revalued.

Narrabri Shire Council

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

Note 27. Fair Value Measurement (continued)

Figure 1 – DRC Revaluation Process



This process was undertaken for all major infrastructure (excluding Buildings and Parks) and included the following asset types:

- Pavement - Sealed Roads
- Pavement – Unsealed Roads
- Sealed Roads - Surface
- All Bridges and Major Culverts
- Footpaths
- Kerb and Gutter
- Stormwater Drainage
- Water Mains
- Sewer mains
- Water Meters
- Sewer Treatment Plants
- Sewer Pump Stations
- Water Reservoirs
- Water Pump Stations and Bores

The revaluation updated the rates and useful lives using evidence based recommendations. Council staff with the assistance of JRA and LMB have conducted asset sampling of selected assets and made recommendations for the change to useful lives. Where possible unit rates have been updated with reasonable evidence based rates.

Narrabri Shire Council

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

Note 27. Fair Value Measurement (continued)

The revaluation basis was performed in accordance with AASB116 and AIFMG. The revaluation has been recorded at the depreciated replacement cost (DRC) and included a full set of financial calculations including:

- Current Replacement Cost = Unit Cost x Asset Dimension
- Depreciable Amount = Current Replacement Cost – Residual Value
- Accumulated Depreciation = Age x Annual Depreciation
- Written Down Value = Current Replacement Cost – Accumulated Depreciation
- Annual Depreciation = Depreciable Amount / Useful Life

Whilst buildings were not formally revalued an annual review of useful lives was undertaken. Parks was not included in the revaluation as there was insufficient information in the technical register. The exclusion of Parks Infrastructure from the revaluation is considered immaterial as its current replacement costs represents only a small proportion of Councils total asset value. It is anticipated a full revaluation of parks assets will be undertaken in the current financial year.

(5). Highest and best use

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

Narrabri Shire Council

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

Note 28. 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 5.00pm
Monday to Friday

Telephone: 02 6799 6881

Facsimile: 02 6799 6888

Internet: www.narrabri.nsw.gov.au

Email: council@narrabri.nsw.gov.au

Officers**GENERAL MANAGER**

Diane Hood

RESPONSIBLE ACCOUNTING OFFICER

Tim McClellan

PUBLIC OFFICER

Paul Wearne

AUDITORS

Hill Rogers Spencer Steer
GPO Box 7066
Sydney NSW 2001

Other Information

ABN: 95 717 801 656

Elected Members**MAYOR**

Conrad Bolton

COUNCILLORS

Maxine Booby
Catherine Collyer
Robyn Faber
Lloyd Finlay
Ken Flower
Leslie Knox
Ron Lowder
Bevan O'Regan
Catherine Redding
John Tough

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 2014, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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

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ABN 56 435 338 966

Council, as well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

Independence

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

Auditor's Opinion

In our opinion,

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

Emphasis of Matter

Without modifying our opinion, we draw attention to the opening balances of infrastructure assets disclosed in Note 9. As described in note 27(4)(c) the carrying values of the opening balances of infrastructure assets were not 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.

HILL ROGERS SPENCER STEER



GARY MOTTAU

Partner

Dated at Sydney this 28th day of November 2014

28 November 2014

The Mayor
Narrabri Shire Council
PO Box 261
NARRABRI NSW 2390

Mayor,

Audit Report - Year Ended 30 June 2014

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

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

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

I. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a surplus of \$7.170 million as compared with \$1.945 million in the previous year.

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

	2014	% of	2013	% of	Increase
	\$'000	Total	\$'000	Total	(Decrease)
					\$'000
Revenues before capital items					
Rates & annual charges	16,724	38%	16,168	38%	556
User charges, fees & other revenues	13,780	31%	10,741	26%	3,039
Grants & contributions provided for operating purposes	11,799	27%	13,510	32%	(1,711)
Interest & investment revenue	1,701	4%	1,622	4%	79
	44,004	100%	42,041	100%	1,963
Expenses					
Employee benefits & costs	14,990	32%	13,376	31%	1,614
Materials, contracts & other expenses	20,657	44%	19,886	46%	771
Depreciation, amortisation & impairment	10,131	22%	8,472	20%	1,659
Borrowing costs	913	2%	1,070	2%	(157)
	46,691	100%	42,804	100%	3,887
Surplus (Deficit) before capital items	(2,687)		(763)		(1,924)
Grants & contributions provided for capital purposes	9,857		2,708		7,149
Net Surplus (Deficit) for the year	7,170		1,945		5,225
Performance Measures					
Operating Performance		2014		2013	
		-6.81%		-2.26%	
Own Source Operating Revenue		59.58%		63.52%	

The above table shows an overall increase of \$5.225 million from the previous year and is mainly attributable to a net increase of grants and contributions (\$5.438 million) of which \$8.737 million relates to contributions received from developers.

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2014, this indicator was -6.81% and was below the benchmark of 0%.

Own Source Operating Revenue measures the degree of reliance on external funding sources such as grants and contributions. For 2014, this indicator was 59.58% and was below the benchmark of 60%.

1.2 Funding Result

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

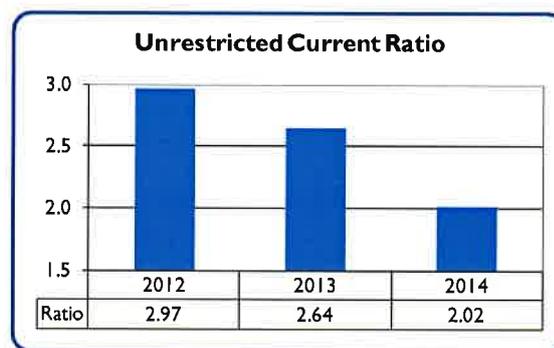
	2014	2013
	\$000	\$000
Funds were provided by:-		
Operating Result (as above)	7,170	1,945
Add back non funding items:-		
- Depreciation, amortisation & impairment	10,131	8,472
- Book value of non-current assets sold	811	517
- Fair value adjustment to interest free loan	112	125
- (Surplus)/Deficit in joint ventures	(41)	(3)
	18,183	11,056
Decrease/Redemption of non-current Investments	224	773
Finance Leases	0	140
Transfers from internal reserves (net)	6,489	1,550
Net Changes in current/non-current assets & liabilities	205	0
	25,101	13,519
Funds were applied to:-		
Purchase and construction of assets	(6,658)	(4,801)
Principal repaid on loans	(1,778)	(1,651)
Finance lease instalments	(55)	(6)
Transfers to externally restricted assets (net)	(14,217)	(2,373)
Net Changes in current/non current assets & liabilities	0	(1,858)
	(22,708)	(10,689)
Increase/(Decrease) in Available Working Capital	2,393	2,830

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$7.171 million representing a factor of 2.02 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$4.076 million as detailed below;

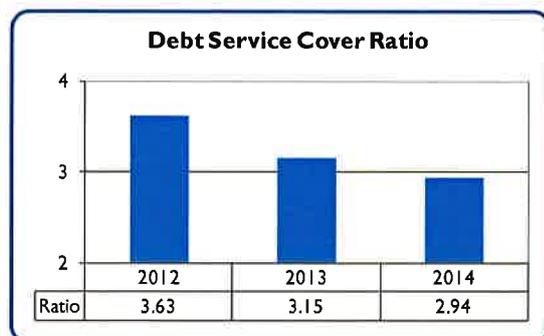
	2014	2013	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	39,663	28,965	10,698
Add Payables & provisions not expected to be realised in the next 12 months included above	(224)	(291)	67
Adjusted Net Current Assets	39,439	28,674	10,765
Add Budgeted & expected to pay in the next 12 months			
- Borrowings	3,107	3,841	(734)
- Employees leave entitlements	680	605	75
- Deposits & retention moneys	43	28	15
Less: Externally restricted assets	(32,268)	(18,051)	(14,217)
Less: Internally restricted assets	(6,925)	(13,414)	6,489
Available Working Capital as at 30 June	4,076	1,683	2,393

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end, despite improving again this year, remains minimal. An optimal Available Working Capital balance, in our opinion, would have been in the vicinity of \$6.5 million.

2.3 Debt

After repaying principal and interest of \$2.746 million, total debt as at 30 June 2014 stood at \$13.436 million (2013 - \$15.157 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2014, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 2.94 to 1.



2.4 Summary

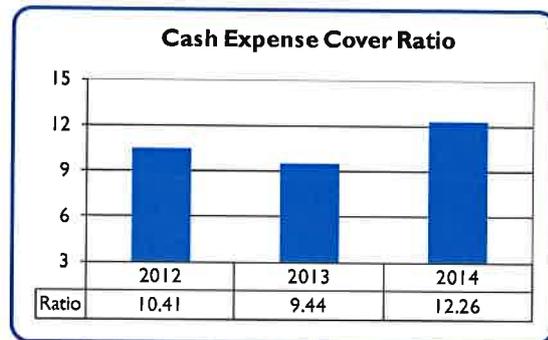
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, satisfactory.

3. CASH ASSETS

3.1 Cash Expense Cover Ratio

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

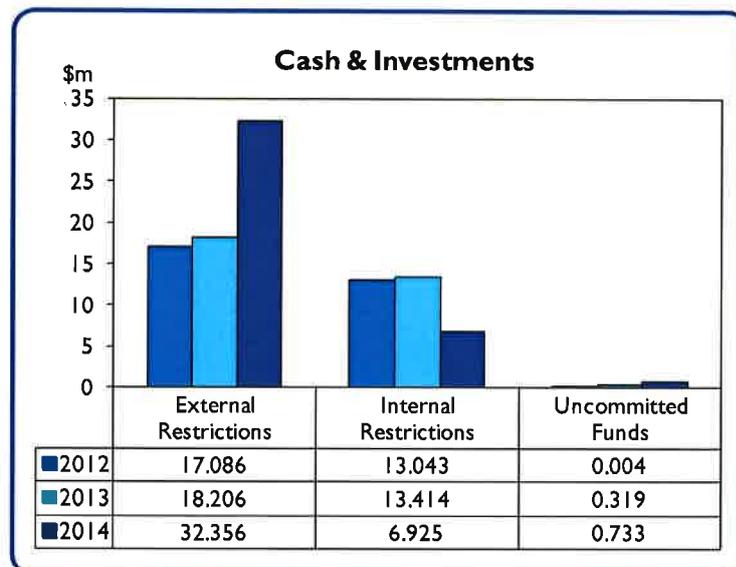
For 2014, this ratio stood at 12.26 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$40.014 million at 30 June 2014 as compared with \$31.939 million in 2013 and \$30.133 million in 2012.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended loans (\$577,000) and development contributions under Section 94 (\$11.749 million), water and sewer funds (\$18.259 million), domestic waste management charges (\$37,000) and specific purpose grants and contributions (\$1.734 million).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "Reserves". These Reserves totalled \$6.925 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$733,000, which is available to provide liquidity for day to day operations.

3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash decreased by \$8.967 million to \$13.668 million at the close of the year.

In addition to operating activities which contributed net cash of \$14.887 million were the proceeds from the sale of investment securities (\$75.227 million) and sale of assets (\$999,000). Cash outflows other than operating activities were used to purchase investment securities (\$92.078 million), repay loans and finance leases (\$1.833 million) and to purchase and construct assets (\$6.169 million).

4. RECEIVABLES

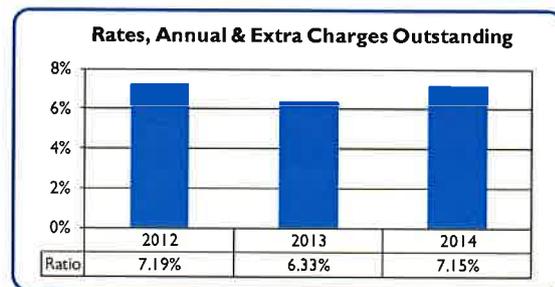
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$16.724 million and represented 31% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$17.641 million of which \$16.561 million (94%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$1.287 million at the end of the year and represented 7.15% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$4.758 million and included amounts due from government departments (\$403,000) and user charges and fees amounting to \$3.251 million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$162,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$2.726 million. Internally restricted cash and investments of \$818,000 was held representing 30% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

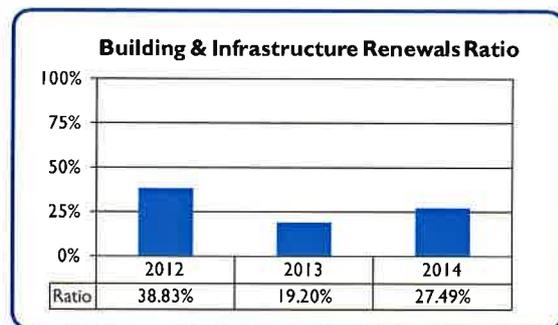
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$68,000 and were fully funded by internally restricted cash and investments.

6. BUILDING AND INFRASTRUCTURE RENEWALS

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

Special Schedule No. 7 discloses that asset renewals for 2014 represented 27% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 2 June 2014. This included our recommendations on possible ways to strengthen and/or improve procedures.

Hill Rogers
Spencer Steer

8. CONCLUSION

We wish to record our appreciation to your General Manager and her 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 2014

“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 2014

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Income Statement - Other Business Activities	n/a
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Statement of Financial Position - Other Business Activities	n/a
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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality & 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 2014

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

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Office 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 18 November 2014.



Conrad Bolton
MAYOR



Catherine Redding
COUNCILLOR



Diane Hood
GENERAL MANAGER



Tim McClellan
RESPONSIBLE ACCOUNTING OFFICER

Narrabri Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	1,396	1,310
User charges	3,127	1,904
Fees	-	-
Interest	439	521
Grants and contributions provided for non capital purposes	36	36
Profit from the sale of assets	-	-
Other income	-	1
Total income from continuing operations	4,998	3,772
Expenses from continuing operations		
Employee benefits and on-costs	497	412
Borrowing costs	8	10
Materials and contracts	1,263	1,394
Depreciation and impairment	892	318
Water purchase charges	-	-
Loss on sale of assets	25	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	343	418
Total expenses from continuing operations	3,028	2,552
Surplus (deficit) from Continuing Operations before capital amounts	1,970	1,220
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	1,970	1,220
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,970	1,220
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(591)	(366)
SURPLUS (DEFICIT) AFTER TAX	1,379	854
plus Opening Retained Profits	14,564	13,344
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	591	366
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	16,534	14,564
Return on Capital %	8.3%	10.4%
Subsidy from Council	-	-
Calculation of dividend payable:		
Surplus (deficit) after tax	1,379	854
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	1,379	854
Potential Dividend calculated from surplus	690	427

Narrabri Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	2,205	2,075
User charges	1,122	633
Liquid Trade Waste charges	-	-
Fees	-	-
Interest	239	258
Grants and contributions provided for non capital purposes	32	32
Profit from the sale of assets	-	-
Other income	78	60
Total income from continuing operations	3,676	3,058
Expenses from continuing operations		
Employee benefits and on-costs	413	426
Borrowing costs	38	90
Materials and contracts	1,060	995
Depreciation and impairment	1,459	364
Loss on sale of assets	4	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	153	176
Total expenses from continuing operations	3,127	2,051
Surplus (deficit) from Continuing Operations before capital amounts	549	1,007
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	549	1,007
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	549	1,007
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(165)	(302)
SURPLUS (DEFICIT) AFTER TAX	384	705
plus Opening Retained Profits	11,225	10,218
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	165	302
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	11,774	11,225
Return on Capital %	1.5%	5.9%
Subsidy from Council	764	-
Calculation of dividend payable:		
Surplus (deficit) after tax	384	705
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	384	705
Potential Dividend calculated from surplus	192	352

Narrabri Shire Council

Statement of Financial Position - Council's Water Supply Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	11,888	9,814
Investments	-	-
Receivables	207	299
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	12,095	10,113
Non-Current Assets		
Investments	-	-
Receivables	102	2
Inventories	-	-
Infrastructure, property, plant and equipment	23,910	11,812
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	24,012	11,814
TOTAL ASSETS	36,107	21,927
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	76	51
Interest bearing liabilities	-	-
Provisions	-	53
Total Current Liabilities	76	104
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	8
Total Non-Current Liabilities	-	8
TOTAL LIABILITIES	76	112
NET ASSETS	36,031	21,815
EQUITY		
Retained earnings	16,534	14,564
Revaluation reserves	19,497	7,251
Council equity interest	36,031	21,815
Non-controlling equity interest	-	-
TOTAL EQUITY	36,031	21,815

Narrabri Shire Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	6,371	4,634
Investments	-	-
Receivables	109	149
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	6,480	4,783
Non-Current Assets		
Investments	-	-
Receivables	55	2
Inventories	-	-
Infrastructure, property, plant and equipment	37,961	18,690
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	38,016	18,692
TOTAL ASSETS	44,496	23,475
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	198	62
Interest bearing liabilities	130	143
Provisions	-	70
Total Current Liabilities	328	275
Non-Current Liabilities		
Payables	-	136
Interest bearing liabilities	399	514
Provisions	-	3
Total Non-Current Liabilities	399	653
TOTAL LIABILITIES	727	928
NET ASSETS	43,769	22,547
EQUITY		
Retained earnings	11,774	11,225
Revaluation reserves	31,995	11,322
Council equity interest	43,769	22,547
Non-controlling equity interest	-	-
TOTAL EQUITY	43,769	22,547

Narrabri Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

Contents of the Notes accompanying the Financial Statements

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

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

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

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

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

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

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

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

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

National Competition Policy

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

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

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

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

Declared Business Activities

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

Category 1 (where gross operating turnover is > \$2 million)

a. Narrabri Shire Council Water Supplies

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

b. Narrabri Shire Council Sewerage Service

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

Category 2 (where gross operating turnover is < \$2 million)

Nil

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.

(i) Taxation Equivalent Charges

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

statements as a cost of operations just like all other costs.

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

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

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

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

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

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

Income Tax

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

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

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

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

Since this taxation equivalent is notional - that is, it is payable to the “Council” as the owner of business operations, it represents an internal payment and has no effect on the operations of 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.

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

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 IPP&E as at 30 June

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

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

(iv) Dividends

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

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

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

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

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

Narrabri Shire Council

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

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2014

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	13,755
(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]	689,500
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	137,550
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	2,878,400

2014 Surplus	1,379,000	2013 Surplus	854,000	2012 Surplus	645,400
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	137,550
(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 2014

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

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

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	4,559
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)]	%	61.76%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	23,504
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	2,035
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	849
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	6.83%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

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

Narrabri Shire Council

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

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2014

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	12,072
(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]	192,150
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	120,720
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	1,358,700

2014 Surplus	384,300	2013 Surplus	704,900	2012 Surplus	269,500
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	120,720
(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 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	3,437
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	36,736
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	1,607
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	130
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	0.98%
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	7,967
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	0.85%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	979
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	3.24%
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 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

2014

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	<input type="text" value="-22.22%"/>
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): <input type="text" value="2,003"/> 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: <input type="text" value="- 640"/> Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		<input type="text" value="> 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	<input type="text" value="2,519"/>
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	<input type="text" value="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 2014, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Independence

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

Auditor's Opinion

In our opinion, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 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 Office 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 28th day of November 2014

Narrabri Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2014

“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 2014

Contents

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

Background

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

Narrabri Shire Council

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	762	12	-	(750)
Administration	3,787	1,305	-	(2,482)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	643	293	145	(205)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	4	37	-	33
Animal Control	66	18	-	(48)
Other	-	-	-	-
Total Public Order & Safety	713	348	145	(220)
Health	-	30	-	30
Environment				
Noxious Plants and Insect/Vermin Control	245	150	-	(95)
Other Environmental Protection	33	10	100	77
Solid Waste Management	2,549	2,533	-	(16)
Street Cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater Management	157	18	-	(139)
Total Environment	2,984	2,711	100	(173)
Community Services and Education				
Administration & Education	-	-	-	-
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	3	-	-	(3)
Children's Services	1	1	-	-
Total Community Services & Education	4	1	-	(3)
Housing and Community Amenities				
Public Cemeteries	299	208	-	(91)
Public Conveniences	-	-	35	35
Street Lighting	281	53	-	(228)
Town Planning	7	132	-	125
Other Community Amenities	480	52	269	(159)
Total Housing and Community Amenities	1,067	445	304	(318)
Water Supplies	3,120	4,973	-	1,853
Sewerage Services	3,123	3,673	-	550

Narrabri Shire Council

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	668	59	-	(609)
Museums	7	-	-	(7)
Art Galleries	-	-	-	-
Community Centres and Halls	2,874	1,477	7	(1,390)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	906	762	-	(144)
Sporting Grounds and Venues	68	-	-	(68)
Swimming Pools	1,614	481	3,314	2,181
Parks & Gardens (Lakes)	1,992	-	493	(1,499)
Other Sport and Recreation	-	-	-	-
Total Recreation and Culture	8,129	2,779	3,814	(1,536)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,857	181	-	(1,676)
Other Mining, Manufacturing & Construction	179	197	-	18
Total Mining, Manufacturing and Const.	2,036	378	-	(1,658)
Transport and Communication				
Urban Roads (UR) - Local	1,242	-	9	(1,233)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	1,387	39	-	(1,348)
Sealed Rural Roads (SRR) - Regional	1,379	-	-	(1,379)
Unsealed Rural Roads (URR) - Local	5,345	-	-	(5,345)
Unsealed Rural Roads (URR) - Regional	156	-	-	(156)
Bridges on UR - Local	10	-	435	425
Bridges on SRR - Local	3	-	-	(3)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	356	-	3,000	2,644
Parking Areas	-	-	-	-
Footpaths	68	-	-	(68)
Aerodromes	695	289	1,000	594
Other Transport & Communication	8,590	10,928	250	2,588
Total Transport and Communication	19,231	11,256	4,694	(3,281)
Economic Affairs				
Camping Areas & Caravan Parks	78	89	800	811
Other Economic Affairs	1,657	802	-	(855)
Total Economic Affairs	1,735	891	800	(44)
Totals – Functions	46,691	28,802	9,857	(8,032)
General Purpose Revenues ⁽²⁾		15,161		15,161
Share of interests - joint ventures & associates using the equity method	-	41		41
NET OPERATING RESULT ⁽¹⁾	46,691	44,004	9,857	7,170

(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 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-						-	-	-
Treasury Corporation	-	-	-						-	-	-
Other State Government	-	-	-						-	-	-
Public Subscription	-	-	-						-	-	-
Financial Institutions	3,815	11,208	15,023	-	1,778	-	-	795	3,082	10,163	13,245
Other	-	-	-						-	-	-
Total Loans	3,815	11,208	15,023	-	1,778	-	-	795	3,082	10,163	13,245
Other Long Term Debt											
Ratepayers Advances	-	-	-						-	-	-
Government Advances	-	-	-						-	-	-
Finance Leases	26	108	134	-	55	-	-	6	25	54	79
Deferred Payments	-	-	-						-	-	-
Total Long Term Debt	26	108	134	-	55	-	-	6	25	54	79
Total Debt	3,841	11,316	15,157	-	1,833	-	-	801	3,107	10,217	13,324

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 2014

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General			
Water	215	30	146
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals	215	30	146

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
Gwabegar Water	Other Water Sche		01/07/10	10	30/06/20	6.94%	140	20	95
Pilliga Water	Other Water Sche		01/07/10	10	30/06/20	6.94%	75	10	51
Totals							215	30	146

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 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	646	571
b. Engineering and Supervision	217	166
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	94	120
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	32	4
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	282	263
i. Maintenance expenses	358	398
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	-	-
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	406	399
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	876	302
b. Plant and equipment	16	15
4. Miscellaneous expenses		
a. Interest expenses	-	3
b. Revaluation Decrements	-	-
c. Other expenses	76	309
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	3,003	2,550

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges		
a. Access (including rates)	1,396	1,310
b. Usage charges	2,255	1,512
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	68	20
8. Extra charges	-	-
9. Interest income	439	521
10. Other income	68	64
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	36	36
c. Other grants	-	-
12. Contributions		
a. Developer charges	736	309
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	4,998	3,772
14. Gain (or loss) on disposal of assets	(25)	-
15. Operating Result	1,970	1,222
15a. Operating Result (less grants for acquisition of assets)	1,970	1,222

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	68	35
c. Renewals	107	8
d. Plant and equipment	674	397
17. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	849	440
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)	3,738	3,681
b. Residential (unoccupied, ie. vacant lot)	134	140
c. Non-residential (occupied)	647	649
d. Non-residential (unoccupied, ie. vacant lot)	66	67
25. Number of ETs for which developer charges were received	ET	- ET
26. Total amount of pensioner rebates (actual dollars)	\$ 35,697	\$ 35,918

Narrabri Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
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 2014

\$'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	11,888	-	11,888
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	203	102	305
c. User Charges	-	-	-
d. Other	4	-	4
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	23,504	23,504
b. Plant and equipment	-	406	406
34. Other assets	-	-	-
35. Total assets	12,095	24,012	36,107
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	76	-	76
38. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	76	-	76
41. NET ASSETS COMMITTED	12,019	24,012	36,031
EQUITY			
42. Accumulated surplus			16,527
43. Asset revaluation reserve			19,504
44. TOTAL EQUITY			36,031
Note to system assets:			
45. Current replacement cost of system assets			53,729
46. Accumulated current cost depreciation of system assets			(30,225)
47. Written down current cost of system assets			23,504

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 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	51	36
b. Engineering and Supervision	85	140
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	243	208
b. Maintenance expenses	179	148
- Pumping Stations		
c. Operation expenses (excluding energy costs)	130	117
d. Energy costs	93	110
e. Maintenance expenses	70	95
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	576	592
g. Chemical costs	-	-
h. Energy costs	41	38
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	128	85
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	11	-
3. Depreciation expenses		
a. System assets	1,452	358
b. Plant and equipment	7	6
4. Miscellaneous expenses		
a. Interest expenses	38	90
b. Revaluation Decrements	-	-
c. Other expenses	19	28
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	3,123	2,051

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges (including rates)	2,205	2,075
7. Non-residential charges		
a. Access (including rates)	13	30
b. Usage charges	156	119
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	239	258
11. Other income	78	61
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	953	483
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	3,676	3,058
15. Gain (or loss) on disposal of assets	(4)	-
16. Operating Result	549	1,007
16a. Operating Result (less grants for acquisition of assets)	549	1,007

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	130	97
c. Renewals	-	-
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	130	97
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)	3,263	3,224
b. Residential (unoccupied, ie. vacant lot)	217	241
c. Non-residential (occupied)	505	532
d. Non-residential (unoccupied, ie. vacant lot)	39	35
26. Number of ETs for which developer charges were received	ET	- ET
27. Total amount of pensioner rebates (actual dollars)	\$ 31,678	\$ 31,970

Narrabri Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 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 2014

\$'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	6,371	-	6,371
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	109	55	164
c. User Charges	-	-	-
d. Other	-	-	-
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	36,736	36,736
b. Plant and equipment	-	1,225	1,225
35. Other assets	-	-	-
36. Total Assets	6,480	38,016	44,496
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	198	-	198
39. Borrowings			
a. Loans	130	399	529
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	328	399	727
42. NET ASSETS COMMITTED	6,152	37,617	43,769
EQUITY			
42. Accumulated surplus			11,792
44. Asset revaluation reserve			31,977
45. TOTAL EQUITY			43,769
Note to system assets:			
46. Current replacement cost of system assets			88,124
47. Accumulated current cost depreciation of system assets			(51,388)
48. Written down current cost of system assets			36,736

Narrabri Shire Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2014

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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. 7 - Report on Infrastructure Assets
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Council Offices	-	70	30	1,853	0%	0%	91%	9%	0%
	Council Works Depot	-	25	43	2,151	0%	81%	10%	9%	0%
	Council Public Halls	519	21	8	1,024	0%	57%	31%	10%	2%
	Libraries	-	14	11	1,262	55%	0%	29%	16%	0%
	Cultural Facilities	-	48	70	6,474	0%	90%	10%	0%	0%
	Fire & Emergency Services	47	20	13	1,149	0%	79%	19%	2%	0%
	Council Houses	-	22	12	1,289	0%	19%	81%	0%	0%
	Parks & Gardens	99	50	49	3,463	4%	48%	42%	6%	0%
	Tourism	-	10	10	677	0%	86%	14%	0%	0%
	Caravan Parks	-	20	19	388	0%	36%	64%	0%	0%
	Other Business	-	13	1	772	0%	30%	69%	1%	0%
	Other	-	52	29	910	4%	58%	33%	5%	0%
	sub total		665	365	295	21,412	4.1%	58.1%	33.3%	4.4%
Other Structures	Other Structures	55	-	-	9,907	17%	41%	40%	2%	0%
	sub total	55	-	-	9,907	17.0%	41.0%	40.0%	2.0%	0.0%
Roads	Sealed Roads Surface	1,573	3,624	4,863	68,671	6%	53%	29%	12%	0%
	Sealed Roads Structure	-	-	-	91,617	36%	64%			0%
	Unsealed Roads	4,893	2,863	2,881	34,035	16%	77%	2%	2%	3%
	Bridges	1,615	197	184	16,625	12%	30%	41%	17%	0%
	Footpaths	-	45	82	3,429	77%	20%	2%	1%	0%
	Kerb and Gutter	844	-	-	46,606	23%	31%	44%	2%	0%
	sub total	8,925	6,729	8,010	260,983	22.2%	54.2%	18.4%	4.9%	0.4%

Narrabri Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Water Supply Network	Mains	-	216	188	15,829	28%	17%	51%	4%	0%
	Reservoirs	-	25	49	4,534	1%	72%	25%	2%	0%
	Pumping Stations	-	53	18	1,922	36%	32%	28%	4%	0%
	Water Meters	-	15	16	175	15%	2%	0%	83%	0%
	sub total	-	309	271	22,460	23.1%	29.3%	43.4%	4.2%	0.0%
Sewerage Network	Mains	-	213	179	24,170	19%	54%	15%	12%	0%
	Pumping Stations	-	95	70	4,959	17%	48%	7%	28%	0%
	Treatment	-	110	128	7,516	65%	12%	22%	1%	0%
	sub total	-	418	377	36,645	28.2%	44.6%	15.4%	11.9%	0.0%

Narrabri Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater Drainage	Stormwater Conduits	397	103	75	4,051	0%	40%	30%	29%	1%
	Inlet and Junction Pits	83			1,286	0%	29%	40%	30%	1%
	Head Walls	18			115	0%	5%	24%	70%	1%
	sub total	498	103	75	5,452	0.0%	36.7%	32.2%	30.1%	1.0%
Open Space/ Recreational Assets	Swimming Pools	-	28	41	7,749	75%	19%	4%	2%	0%
	sub total	-	28	41	7,749	75.0%	19.0%	4.0%	2.0%	0.0%
	TOTAL - ALL ASSETS	10,143	7,952	9,069	364,608	22.4%	50.5%	21.0%	5.8%	0.3%

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very Poor	Urgent renewal/upgrading required

Narrabri Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014
Infrastructure Asset Performance Indicators Consolidated		
1. Building and Infrastructure Renewals Ratio		
Asset Renewals (Building and Infrastructure) ⁽¹⁾	<u>2,272</u>	27.49%
Depreciation, Amortisation & Impairment	<u>8,265</u>	
2. Infrastructure Backlog Ratio		
Estimated Cost to bring Assets to a Satisfactory Condition	<u>10,143</u>	0.04
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>275,467</u>	
3. Asset Maintenance Ratio		
Actual Asset Maintenance	<u>9,069</u>	1.14
Required Asset Maintenance	<u>7,952</u>	
4. Capital Expenditure Ratio		
Annual Capital Expenditure	<u>5,847</u>	0.58
Annual Depreciation	<u>10,131</u>	

Notes

⁽¹⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

⁽²⁾ Written down value

Narrabri Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General ⁽¹⁾ 2014
Infrastructure Asset Performance Indicators By Fund			
1. Building and Infrastructure Renewals Ratio			
<u>Asset Renewals (Building and Infrastructure)⁽¹⁾</u>	0.00%	0.00%	38.27%
Depreciation, Amortisation & Impairment			
prior period:	0.00%	0.00%	0.00%
2. Infrastructure Backlog Ratio			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>			
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	0.00	0.00	0.05
prior period:	0.00	0.00	0.00
3. Asset Maintenance Ratio			
<u>Actual Asset Maintenance</u>			
Required Asset Maintenance	0.88	0.90	1.17
prior period:	0.00	0.00	0.00
4. Capital Expenditure Ratio			
<u>Annual Capital Expenditure</u>			
Annual Depreciation	0.95	0.09	0.63
prior period:	1.39	0.27	-0.07

Notes

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

⁽²⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

⁽³⁾ Written down value

Narrabri Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	53,861	35,805	38,578	39,596	40,711	39,860	41,045	42,267	43,527		
Expenses from continuing operations	46,691	41,045	42,685	43,676	44,681	45,728	46,882	47,952	49,189		
Operating Result from Continuing Operations	7,170	(5,240)	(4,107)	(4,080)	(3,970)	(5,868)	(5,837)	(5,685)	(5,662)	-	-
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	7,852	7,588	8,956	2,175	570	463	376	71	66		
Replacement/Refurbishment of Existing Assets	985	18,920	10,172	2,937	2,959	2,620	2,602	2,580	2,588		
Total Capital Budget	8,837	26,508	19,128	5,112	3,529	3,083	2,978	2,651	2,654	-	-
Funded by:											
– Loans	-	-	1,500	-	-	-	-	-	-		
– Asset sales	253	-	-	-	-	-	-	-	-		
– Reserves	2,992	8,866	487	490	506	368	374	49	53		
– Grants/Contributions	978	8,150	5,300	1,500							
– Recurrent revenue	4,614	9,382	11,841	3,122	3,023	2,715	2,604	2,602	2,601		
– Other	-	110	-	-	-	-	-	-	-		
	8,837	26,508	19,128	5,112	3,529	3,083	2,978	2,651	2,654	-	-

Notes:

(1) From 13/14 Income Statement.

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

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

Narrabri Shire Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	11,236	11,662
Plus or minus Adjustments ⁽²⁾	b	29	21
Notional General Income	c	11,265	11,683
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d		
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f		
less expiring Special variation amount	g		
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	383	269
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	11,648	11,952
plus (or minus) last year's Carry Forward Total	l	40	26
less Valuation Objections claimed in the previous year	m		-
sub-total	n = (l + m)	40	26
Total Permissible income	o = k + n	11,688	11,978
less Notional General Income Yield	p	11,662	11,969
Catch-up or (excess) result	q = o - p	26	9
plus Income lost due to valuation objections claimed ⁽⁴⁾	r		
less Unused catch-up ⁽⁵⁾	s		(9)
Carry forward to next year	t = q + r - s	26	(0)

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

NARRABRI SHIRE COUNCIL

SPECIAL SCHEDULE NO. 9

INDEPENDENT AUDITORS' REPORT

REPORT ON SPECIAL SCHEDULE NO. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Narrabri Shire Council for the year ending 30 June 2015.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

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In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Independence

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

Audit Opinion

In our opinion, Special Schedule No. 9 of Narrabri Shire Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

HILL ROGERS SPENCER STEER



GARY MOTTAU

Partner

Dated at Sydney this 28th day of November 2014