



Appendix 2

Audited Financial Report

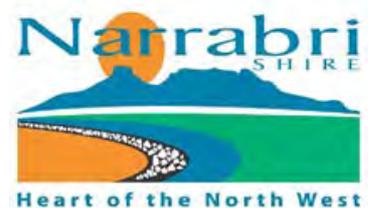


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Narrabri Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

“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 2015

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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 26 October 2015. 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 2015

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 2015.

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 change for the year 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 2015

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 20 October 2015.



Conrad Bolton
MAYOR



Catherine Redding
COUNCILLOR



Stewart Todd
GENERAL MANAGER



Tim McClellan
RESPONSIBLE ACCOUNTING OFFICER

Narrabri Shire Council

Income Statement

for the financial year ended 30 June 2015

Budget ¹			Actual	Actual
2015	\$ '000	Notes	2015	2014
Income from Continuing Operations				
Revenue:				
17,980	Rates & Annual Charges	3a	17,847	16,724
4,573	User Charges & Fees	3b	8,349	10,862
852	Interest & Investment Revenue	3c	1,401	1,701
2,309	Other Revenues	3d	2,263	2,531
10,091	Grants & Contributions provided for Operating Purposes	3e,f	11,172	11,799 ²
5,934	Grants & Contributions provided for Capital Purposes	3e,f	12,268	9,413
Other Income:				
-	Net gains from the disposal of assets	5	-	57
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	24	41
41,739	Total Income from Continuing Operations		53,324	53,128
Expenses from Continuing Operations				
14,251	Employee Benefits & On-Costs	4a	15,667	14,990
687	Borrowing Costs	4b	676	913
11,822	Materials & Contracts	4c	9,916	15,453
10,173	Depreciation & Amortisation	4d	9,867	10,131
-	Impairment	4d	-	-
3,765	Other Expenses	4e	4,161	4,471
348	Net Losses from the Disposal of Assets	5	610	-
41,046	Total Expenses from Continuing Operations		40,897	45,958
693	Operating Result from Continuing Operations		12,427	7,170
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
693	Net Operating Result for the Year		12,427	7,170
693	Net Operating Result attributable to Council		12,427	7,170
-	Net Operating Result attributable to Non-controlling Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
(5,241)			159	(2,243)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting one off timing differences due to a change in how the grant was paid in prior years - refer Note 3 (e)

Narrabri Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		12,427	7,170
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	857	188,311
Total Items which will not be reclassified subsequently to the Operating Result		857	188,311
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		857	188,311
Total Comprehensive Income for the Year		13,284	195,481
Total Comprehensive Income attributable to Council		13,284	195,481
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Narrabri Shire Council

Statement of Financial Position
as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	12,158	13,668
Investments	6b	33,012	26,346
Receivables	7	9,439	5,480
Inventories	8	3,483	3,395
Other	8	-	81
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		58,092	48,970
Non-Current Assets			
Investments	6b	-	-
Receivables	7	427	403
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	399,703	393,613
Interest in an Associated Entity	19	185	161
Investment Property	14	-	-
Intangible Assets	25	-	-
Total Non-Current Assets		400,315	394,177
TOTAL ASSETS		458,407	443,147
LIABILITIES			
Current Liabilities			
Payables	10	8,357	3,782
Borrowings	10	865	3,107
Provisions	10	2,977	2,418
Total Current Liabilities		12,199	9,307
Non-Current Liabilities			
Payables	10	10	-
Borrowings	10	9,464	10,329
Provisions	10	142	203
Total Non-Current Liabilities		9,616	10,532
TOTAL LIABILITIES		21,815	19,839
Net Assets		436,592	423,308
EQUITY			
Retained Earnings	20	189,164	176,737
Revaluation Reserves	20	247,428	246,571
Council Equity Interest		436,592	423,308
Non-controlling Equity Interests		-	-
Total Equity		436,592	423,308

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 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		176,737	246,571	423,308	-	423,308
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/14)		176,737	246,571	423,308	-	423,308
c. Net Operating Result for the Year		12,427	-	12,427	-	12,427
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	857	857	-	857
Other Comprehensive Income		-	857	857	-	857
Total Comprehensive Income (c&d)		12,427	857	13,284	-	13,284
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		189,164	247,428	436,592	-	436,592

\$ '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

Narrabri Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
17,980	Rates & Annual Charges		17,767	16,561
4,573	User Charges & Fees		8,462	8,154
852	Investment & Interest Revenue Received		1,369	1,350
16,025	Grants & Contributions		22,161	22,308
-	Bonds, Deposits & Retention amounts received		-	40
2,309	Other		2,626	4,188
Payments:				
(14,251)	Employee Benefits & On-Costs		(15,371)	(14,888)
(11,822)	Materials & Contracts		(12,186)	(17,488)
(687)	Borrowing Costs		(591)	(810)
-	Bonds, Deposits & Retention amounts refunded		(3)	-
(3,765)	Other		(331)	(4,528)
11,214	Net Cash provided (or used in) Operating Activities	11b	23,903	14,887
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		57,200	75,227
-	Sale of Real Estate Assets		302	746
285	Sale of Infrastructure, Property, Plant & Equipment		349	253
Payments:				
-	Purchase of Investment Securities		(64,000)	(92,078)
(12,229)	Purchase of Infrastructure, Property, Plant & Equipment		(16,050)	(6,005)
-	Purchase of Real Estate Assets		(8)	(164)
(11,944)	Net Cash provided (or used in) Investing Activities		(22,207)	(22,021)
Cash Flows from Financing Activities				
Receipts:				
19	Proceeds from Borrowings & Advances		-	-
Payments:				
(1,283)	Repayment of Borrowings & Advances		(3,181)	(1,778)
-	Repayment of Finance Lease Liabilities		(25)	(55)
(1,264)	Net Cash Flow provided (used in) Financing Activities		(3,206)	(1,833)
(1,994)	Net Increase/(Decrease) in Cash & Cash Equivalents		(1,510)	(8,967)
3,032	plus: Cash & Cash Equivalents - beginning of year	11a	13,668	22,635
1,038	Cash & Cash Equivalents - end of the year	11a	12,158	13,668
Additional Information:				
	plus: Investments on hand - end of year	6b	33,012	26,346
Total Cash, Cash Equivalents & Investments			45,170	40,014

Please refer to Note 11 for additional cash flow information

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

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Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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n/a - not applicable

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act 1993 (LGA) & Regulation, 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 year, the following accounting standards became mandatory and have been adopted by Council:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

(iv) Early adoption of Accounting Standards

Council has elected not to apply any Standards before their operative date in the annual reporting period beginning 1 July 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
- (iii) certain classes of non-current assets (eg. Infrastructure, Property, Plant & Equipment) that are accounted for at fair valuation.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 to it 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, **(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 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 for which the contributions were required;

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 yearend) and **(ii)** all the related operating results.

Detailed information relating to entities that Council controls can be found at Note 19 (a).

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.

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(iii) Joint Arrangements

Joint Operations (controlled assets & operations)

JOs represent operational arrangements where the joint control parties have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Council is a member of the Namoi Joint Organisation that is one of five pilot programs currently underway in NSW. To date there is no material effect to Council from a financial perspective.

Joint Ventures

Joint Ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in Joint Ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings & reserves are recognised in the balance sheet.

Detailed information relating to Council's Joint Ventures can be found at Note 19 (b).

(iv) Associates

Council has no material interest in any Associates.

(v) County Councils

Council is not a member of a County Council.

(vi) Unconsolidated Structured Entities

Council has no material interest in any Unconsolidated Structured Entities.

(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 include;

- 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 2015

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 management intends to hold them for the medium to long term.

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

They are generally included in non-current assets unless 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 2015

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 its investment of money 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 2015

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 stated at the lower of cost and net realisable value.

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

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

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

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

Land Held for Resale / Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

- **Water and Sewerage Networks** (External Valuation)

- **Swimming Pools** (External Valuation)

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 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 by the NSW Department of Primary Industries (Water).

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 with an effective date of 30 June 2014.

Capitalisation Thresholds

Items of infrastructure, property, plant & 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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Transport Assets

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

Bridge construction & reconstruction	> \$1,000
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Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000

Other Infrastructure	> \$10,000
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- 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
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Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's 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

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

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(s) on Asset Impairment.

Disposal and De-recognition

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

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

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the 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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 of the Council.

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

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

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

(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 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 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;

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

- it is more 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-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 the Council are entitled to benefits on retirement, disability or death.

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value. However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

obligations to defined contribution plans – ie. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under 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 2015 this amounted to \$112,448.

The last valuation of the Scheme was performed by Mercer Consulting Pty Ltd and covers the period ended 30/06/15. The scheme is monitored annually and the Actuary has estimated that as at 30 June 2015 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.

Council's share of the deficit cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

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

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

Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable.

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, 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 30/06/15.

(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.

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 2015

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
	2015	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014
Governance	17	-	12	870	451	762	(853)	(451)	(750)	-	194	1,705	1,890
Administration	1,606	3,138	1,305	5,841	6,319	3,787	(4,235)	(3,181)	(2,482)	43	25	46,222	38,027
Public Order & Safety	363	372	493	897	984	713	(534)	(612)	(220)	316	458	1,506	1,511
Health	80	-	30	133	-	-	(53)	-	30	-	-	-	-
Environment	3,223	3,151	2,811	2,490	3,128	2,984	733	23	(173)	351	200	-	-
Community Services & Education	-	1	1	-	4	4	-	(3)	(3)	1	1	970	1,115
Housing & Community Amenities	810	8,006	749	1,599	968	1,067	(789)	7,038	(318)	53	88	10,738	10,489
Water Supplies	3,455	3,821	4,973	2,585	2,644	3,120	870	1,177	1,853	226	36	37,381	36,332
Sewerage Services	2,800	3,279	3,673	2,360	2,983	3,123	440	296	550	31	32	44,882	44,538
Recreation & Culture	1,907	1,958	5,860	6,148	6,175	7,396	(4,241)	(4,217)	(1,536)	310	79	23,858	24,224
Mining, Manufacturing & Construction	360	428	378	1,187	695	2,036	(827)	(267)	(1,658)	-	-	935	2,206
Transport & Communication	7,436	10,114	15,950	15,822	14,935	19,231	(8,386)	(4,821)	(3,281)	6,784	6,567	284,781	278,931
Economic Affairs	703	745	1,691	1,114	1,611	1,735	(411)	(866)	(44)	36	-	5,244	3,723
Total Functions & Activities	22,760	35,013	37,926	41,046	40,897	45,958	(18,286)	(5,884)	(8,032)	8,151	7,680	458,222	442,986
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	24	41	-	-	-	-	24	41	-	-	185	161
General Purpose Income ¹	18,979	18,287	15,161	-	-	-	18,979	18,287	15,161	6,417	3,242	-	-
Operating Result from Continuing Operations	41,739	53,324	53,128	41,046	40,897	45,958	693	12,427	7,170	14,568	10,922	458,407	443,147

1. Includes: Rates & Annual Charges, Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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 and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

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

ENVIRONMENT

Noxious plants 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, other community amenities.

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, RMS works, other.

ECONOMIC AFFAIRS

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		3,819	3,665
Farmland		5,858	5,758
Mining		831	662
Business		1,103	1,075
Total Ordinary Rates		11,611	11,160
Special Rates			
Drainage		2	2
Tourism		57	54
Total Special Rates		59	56
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		2,138	1,908
Water Supply Services		1,544	1,395
Sewerage Services		2,495	2,205
Total Annual Charges		6,177	5,508
TOTAL RATES & ANNUAL CHARGES		17,847	16,724

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 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		6	25
Water Supply Services		2,028	2,392
Sewerage Services		530	169
Waste Management Services (non-domestic)		413	226
Total User Charges		2,977	2,812
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		253	275
Private Works - Section 67		83	334
Regulatory/ Statutory Fees		31	36
Registration Fees		13	17
Total Fees & Charges - Statutory/Regulatory		380	662
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		283	290
Caravan Park		80	89
Cemeteries		209	207
Contribution to Works		49	1,689
Leaseback Fees - Council Vehicles		110	114
Quarry Revenues		123	197
RMS (formerly RTA) Charges (State Roads not controlled by Council)		2,686	3,374
Saleyards		263	287
Swimming Centres		383	389
Trade Waste		62	209
Waste Disposal Tipping Fees		-	9
Mining Tonnage Charges		591	435
Gravel Tonnage Charges		120	9
Other		33	90
Total Fees & Charges - Other		4,992	7,388
TOTAL USER CHARGES & FEES		8,349	10,862

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		106	106
- Interest earned on Investments (interest & coupon payment income)		1,432	1,404
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		(137)	191
TOTAL INTEREST & INVESTMENT REVENUE		<u>1,401</u>	<u>1,701</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		106	106
General Council Cash & Investments		130	653
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		523	264
Water Fund Operations		392	439
Sewerage Fund Operations		227	239
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		23	-
Total Interest & Investment Revenue Recognised		<u>1,401</u>	<u>1,701</u>
(d) Other Revenues			
Rental Income - Other Council Properties		234	217
Fines		30	43
Legal Fees Recovery - Rates & Charges (Extra Charges)		54	65
Crossing Theatre		1,156	1,481
Diesel Rebate		110	89
Distribution Reuse Farm		-	79
Insurance Claim Recoveries		158	197
Recoverable Expenses		9	50
Sales - General		388	250
Other		124	60
TOTAL OTHER REVENUE		<u>2,263</u>	<u>2,531</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1 4,094	2,016	-	-
Financial Assistance - Local Roads Component	1 2,237	1,136	-	-
Pensioners' Rates Subsidies - General Component	86	90	-	-
Total General Purpose	6,417	3,242	-	-

¹ The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.

Specific Purpose

Pensioners' Rates Subsidies:

- Water	35	36	-	-
- Sewerage	32	32	-	-
- Domestic Waste Management	37	33	-	-
Water Supplies	-	-	191	-
Bushfire & Emergency Services	300	293	16	141
Community Events	1	1	-	-
Employment & Training Programs	43	25	-	-
Environmental Protection	-	-	100	-
Flood Restoration	1,149	4,577	-	-
Heritage & Cultural	29	-	-	35
Library	50	49	-	-
Library - special projects	16	-	-	-
Noxious Weeds	214	167	-	-
Pools - LIRS Subsidy	189	194	-	-
Recreation & Culture	8	-	14	-
Street Lighting	53	53	-	-
Transport (Roads to Recovery)	1,055	1,590	-	-
Transport (Other Roads & Bridges Funding)	50	-	4,129	-
Pools	-	8	-	14
RMS Works - 3 x 3	400	400	-	-
Other	4	25	36	7
Total Specific Purpose	3,665	7,483	4,486	197
Total Grants	10,082	10,725	4,486	197

Grant Revenue is attributable to:

- Commonwealth Funding	7,386	4,935	-	-
- State Funding	2,696	5,790	4,486	197
	10,082	10,725	4,486	197

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 93F - Contributions using Planning Agreements	-	-	7,569	8,719
S 94 - Contributions towards amenities/services	-	-	20	12
S 94A - Fixed Development Consent Levies	-	-	57	485
Total Developer Contributions	-	-	7,646	9,216
Other Contributions:				
RMS Contributions (Regional Roads, Block Grant)	1,090	1,073	-	-
Sewerage (excl. Section 64 contributions)	-	-	136	-
Other	-	1	-	-
Total Other Contributions	1,090	1,074	136	-
Total Contributions	1,090	1,074	7,782	9,216
TOTAL GRANTS & CONTRIBUTIONS	11,172	11,799	12,268	9,413

\$ '000	Actual 2015	Actual 2014
(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	13,039	2,549
add: Grants & contributions recognised in the current period but not yet spent:	8,414	13,039
less: Grants & contributions recognised in a previous reporting period now spent:	(6,075)	(2,549)
Net Increase (Decrease) in Restricted Assets during the Period	2,339	10,490
Unexpended and held as Restricted Assets	15,378	13,039
Comprising:		
- Specific Purpose Unexpended Grants	267	1,211
- Developer Contributions	15,111	11,305
- Other Contributions	-	523
	15,378	13,039

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		11,394	11,192
Travelling		62	56
Employee Leave Entitlements (ELE)		1,827	894
Superannuation		1,096	1,091
Workers' Compensation Insurance		783	885
Fringe Benefit Tax (FBT)		123	220
Training Costs (other than Salaries & Wages)		226	248
Protective Clothing		41	41
Other		646	660
Total Employee Costs		16,198	15,287
less: Capitalised Costs		(531)	(297)
TOTAL EMPLOYEE COSTS EXPENSED		15,667	14,990
Number of "Equivalent Full Time" Employees at year end		162	148
NB. The number of EFT Employees is taken from the last pay run of the year and may vary from year to year.			
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		571	795
Charges relating to Finance Leases		6	6
Total Interest Bearing Liability Costs Expensed		577	801
(ii) Other Borrowing Costs			
Interest applicable on Interest Free (& favourable) Loans to Council		99	112
Total Other Borrowing Costs		99	112
TOTAL BORROWING COSTS EXPENSED		676	913

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Materials & Contracts			
Raw Materials & Consumables		7,923	13,305
Contractor & Consultancy Costs			
- Contractor & Consultancy Costs		724	804
- Management Fees		9	18
- Waste Collection		1,105	1,023
- Other		3	8
Auditors Remuneration ⁽¹⁾		59	47
Legal Expenses:			
- Legal Expenses: Planning & Development		16	147
- Legal Expenses: Debt Recovery		44	48
- Legal Expenses: Other		33	53
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>9,916</u>	<u>15,453</u>
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		59	47
Remuneration for audit and other assurance services		<u>59</u>	<u>47</u>

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,155	1,138
Office Equipment		-	-	76	103
Furniture & Fittings		-	-	61	101
Land Improvements (depreciable)		-	-	118	55
Buildings - Non Specialised		-	-	433	671
Buildings - Specialised		-	-	138	176
Other Structures		-	-	421	469
Infrastructure:					
- Roads		-	-	4,458	4,457
- Bridges		-	-	289	289
- Footpaths		-	-	87	87
- Stormwater Drainage		-	-	121	121
- Water Supply Network		-	-	877	877
- Sewerage Network		-	-	1,453	1,452
- Swimming Pools		-	-	180	135
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>-</u>	<u>-</u>	<u>9,867</u>	<u>10,131</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		52	47
Bad & Doubtful Debts		55	116
Bank Charges		82	72
Cleaning		156	154
Contributions/Levies to Other Levels of Government			
- NSW Fire Brigade Levy		311	343
Councillor Expenses - Mayoral Fee		23	23
Councillor Expenses - Councillors' Fees		118	115
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		108	120
Donations, Contributions & Assistance to other organisations (Section 356)		87	43
- Donations, Contributions & Assistance		115	190
Electricity & Heating		674	740
Fire Control Expenses		192	180
Insurance		549	551
Office Expenses (including computer expenses)		299	318
Postage		22	21
Printing & Stationery		56	53
Recoverable Expenses		210	402
Street Lighting		250	281
Subscriptions & Publications		371	286
Telephone & Communications		162	169
Tourism Expenses (excluding employee costs)		191	155
Valuation Fees - Assets		22	38
Valuation Fees - Rates		56	54
<u>TOTAL OTHER EXPENSES</u>		<u>4,161</u>	<u>4,471</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2015	Actual 2014
Property (excl. Investment Property)			
Proceeds from Disposal - Property		20	-
less: Carrying Amount of Property Assets Sold / Written Off		(29)	-
Net Gain/(Loss) on Disposal		(9)	-
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		199	253
less: Carrying Amount of P&E Assets Sold / Written Off		(453)	(458)
Net Gain/(Loss) on Disposal		(254)	(205)
Infrastructure			
Proceeds from Disposal - Infrastructure		130	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(468)	(353)
Net Gain/(Loss) on Disposal		(338)	(353)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		302	746
less: Carrying Amount of Real Estate Assets Sold / Written Off		(314)	(131)
Net Gain/(Loss) on Disposal		(12)	615
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		57,200	75,227
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(57,197)	(75,227)
Net Gain/(Loss) on Disposal		3	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(610)	57
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		3	-
Net Gain/(Loss) on Disposal of Financial Instruments		3	-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	2015	2015	2014	2014
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		3,158	-	5,945	-
Cash-Equivalent Assets ¹					
- Deposits at Call		9,000	-	4,723	-
- NCD's, FRN's		-	-	3,000	-
Total Cash & Cash Equivalents		12,158	-	13,668	-
Investments (Note 6b)					
- Long Term Deposits		33,000	-	26,000	-
- CDO's		12	-	346	-
Total Investments		33,012	-	26,346	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		45,170	-	40,014	-

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"		12,158	-	13,668	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	12	-	346	-
b. "Held to Maturity"	6(b-ii)	33,000	-	26,000	-
Investments		33,012	-	26,346	-

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 2015

Note 6b. Investments (continued)

\$ '000	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 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	346	-	80	224
Revaluations (through the Income Statement)	(137)	-	191	-
Additions	-	-	78	-
Disposals (sales & redemptions)	(197)	-	(227)	-
Transfers between Current/Non Current	-	-	224	(224)
Balance at End of Year	12	-	346	-
Comprising:				
- CDO's	12	-	346	-
Total	12	-	346	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	26,000	-	9,000	-
Additions	64,000	-	92,000	-
Disposals (sales & redemptions)	(57,000)	-	(75,000)	-
Balance at End of Year	33,000	-	26,000	-
Comprising:				
- Long Term Deposits	33,000	-	26,000	-
Total	33,000	-	26,000	-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	2015	2015	2014	2014
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	45,170	-	40,014	-
attributable to:				
External Restrictions (refer below)	36,259	-	31,912	-
Internal Restrictions (refer below)	6,711	-	7,369	-
Unrestricted	2,200	-	733	-
	45,170	-	40,014	-

2015 \$ '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)	577	-	(8)	569
External Restrictions - Included in Liabilities	577	-	(8)	569

External Restrictions - Other

Developer Contributions - General (D)	11,305	8,169	(4,363)	15,111
RMS (formerly RTA) Contributions (E)	523	1,090	(1,613)	-
Specific Purpose Unexpended Grants (F)	1,211	-	(944)	267
Water Supplies (G)	11,888	858	-	12,746
Sewerage Services (G)	6,371	1,158	-	7,529
Domestic Waste Management (G)	37	-	-	37
External Restrictions - Other	31,335	11,275	(6,920)	35,690
Total External Restrictions	31,912	11,275	(6,928)	36,259

- 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 2015

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

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	1,916	1,656	(1,185)	2,387
Employees Leave Entitlement	818	88	-	906
Carry Over Works	189	242	(189)	242
Deposits, Retentions & Bonds	68	-	(3)	65
Shannon Estate Tree Planting	7	-	-	7
Buildings Infrastructure	182	681	(209)	654
Kamilaroi Highway Group	-	33	-	33
Gwabegar Infrastructure (Toilet Block)	51	-	-	51
CDO	357	-	-	357
Heritage (Old Gaol)	25	-	(2)	23
Aerodrome	912	-	(912)	-
RMS Single Invitation Contract (Warranty)	100	-	-	100
Restricted Funding	54	-	-	54
Quarries	1,325	131	(1,400)	56
Parks & Gardens	21	-	(21)	-
Office Equipment	25	138	(9)	154
Library	51	-	-	51
Housing	692	22	-	714
Depot	132	-	-	132
Mining Tonnage Contributions	435	592	(650)	377
Gravel Tonnage Contributions (Upgrade)	-	121	(112)	9
Gravel Tonnage Contributions (Maintenance)	9	22	-	31
Risk Management	-	55	(10)	45
Staff Wellness Program	-	62	(37)	25
Election Costs	-	60	-	60
Statutory Planning Reserve	-	50	-	50
Parks & Gardens (Bulk Water Sale Reserve)	-	128	-	128
Total Internal Restrictions	7,369	4,081	(4,739)	6,711
TOTAL RESTRICTIONS	39,281	15,356	(11,667)	42,970

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		794	391	736	369
Interest & Extra Charges		153	76	148	74
User Charges & Fees		3,884	-	3,251	-
Accrued Revenues					
- Interest on Investments		449	-	287	-
- Other Income Accruals		1,963	-	722	-
Government Grants & Subsidies		1,857	-	403	-
Net GST Receivable		484	-	95	-
Other Debtors		68	-	-	-
Total		9,652	467	5,642	443
less: Provision for Impairment					
Rates & Annual Charges		-	(25)	-	(25)
Interest & Extra Charges		-	(15)	-	(15)
User Charges & Fees		(213)	-	(162)	-
Total Provision for Impairment - Receivables		(213)	(40)	(162)	(40)
<u>TOTAL NET RECEIVABLES</u>		<u>9,439</u>	<u>427</u>	<u>5,480</u>	<u>403</u>
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		226	113	203	102
- Other		2	-	4	-
Sewerage Services					
- Rates & Availability Charges		122	61	109	55
- Other		92	-	-	-
Total External Restrictions		442	174	316	157
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		8,997	253	5,164	246
TOTAL NET RECEIVABLES		9,439	427	5,480	403

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 8.50% (2014 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		1,861	-	2,167	-
Stores & Materials		387	-	281	-
Trading Stock		1,235	-	947	-
Total Inventories		3,483	-	3,395	-
Other Assets					
Prepayments		-	-	81	-
Total Other Assets		-	-	81	-
TOTAL INVENTORIES / OTHER ASSETS		3,483	-	3,476	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

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

Residential		1,861	-	2,167	-
Total Real Estate for Resale		1,861	-	2,167	-

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

Represented by:

Development Costs		1,861	-	2,167	-
Total Costs		1,861	-	2,167	-
Total Real Estate for Resale		1,861	-	2,167	-

Movements:

Real Estate assets at beginning of the year		2,167	-	2,134	-
- Purchases and other costs		8	-	164	-
- WDV of Sales (exp)	5	(314)	-	(131)	-
Total Real Estate for Resale		1,861	-	2,167	-

(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;

	2015	2014
Real Estate for Resale	1,489	2,092
	1,489	2,092

(c) Inventory Write Downs

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

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014				Asset Movements during the Reporting Period					as at 30/6/2015			
	At	At	Accum	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Revaluation Increments to Equity (ARR)	At	At	Accum	Carrying
	Cost	Fair Value	Dep'n	Value						Cost	Fair Value	Dep'n	Value
Capital Work in Progress	3,567	-	-	3,567	12,263	-	-	(1,337)	-	14,493	-	-	14,493
Plant & Equipment	-	14,361	4,751	9,610	1,178	(453)	(1,155)	7	-	-	15,094	5,907	9,187
Office Equipment	-	1,148	816	332	-	-	(76)	-	-	-	1,149	893	256
Furniture & Fittings	-	1,272	898	374	7	-	(61)	2	-	-	1,277	955	322
Land:													
- Operational Land	-	8,439	-	8,439	-	(29)	-	-	-	-	8,410	-	8,410
- Community Land	-	4,207	-	4,207	-	-	-	-	-	-	4,207	-	4,207
Land Improvements - depreciable	-	3,315	839	2,476	130	-	(118)	82	-	-	3,527	957	2,570
Buildings - Non Specialised	-	27,688	11,250	16,438	11	(110)	(433)	3	-	-	27,592	11,683	15,909
Buildings - Specialised	-	7,686	2,712	4,974	195	-	(138)	-	-	-	7,881	2,850	5,031
Other Structures	-	14,985	5,078	9,907	408	-	(421)	-	-	-	15,393	5,499	9,894
Infrastructure:													
- Roads	-	227,561	78,250	149,311	1,456	-	(4,458)	1,198	-	-	230,215	82,708	147,507
- Bridges	-	26,763	10,137	16,626	86	(358)	(289)	-	-	-	26,491	10,426	16,065
- Footpaths	-	5,252	1,823	3,429	-	-	(87)	-	-	-	5,252	1,910	3,342
- Bulk Earthworks (non-depreciable)	-	91,617	-	91,617	-	-	-	-	-	-	91,617	-	91,617
- Stormwater Drainage	-	9,678	4,226	5,452	-	-	(121)	-	-	-	9,678	4,347	5,331
- Water Supply Network	-	52,685	30,225	22,460	137	-	(877)	45	326	-	53,659	31,568	22,091
- Sewerage Network	-	88,033	51,388	36,645	179	-	(1,453)	-	531	-	89,534	53,632	35,902
- Swimming Pools	-	10,233	2,484	7,749	-	-	(180)	-	-	-	10,233	2,664	7,569
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	3,567	594,923	204,877	393,613	16,050	(950)	(9,867)	-	857	14,493	601,209	215,999	399,703

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$8,494k) and New Assets (\$6,156k). 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 2015

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

\$ '000 Class of Asset	Actual 2015				Actual 2014			
	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	1,978	-	-	1,978	1,040	-	-	1,040
Plant & Equipment	-	244	188	56	-	244	175	69
Office Equipment	-	5	5	-	-	6	5	1
Land								
- Operational Land	-	245	-	245	-	245	-	245
Buildings	-	177	69	108	-	144	66	78
Other Structures	-	26	10	16	-	26	9	17
Infrastructure	-	53,659	31,568	22,091	-	52,685	30,225	22,460
Total Water Supply	1,978	54,356	31,840	24,494	1,040	53,350	30,480	23,910
Sewerage Services								
WIP	490	-	-	490	89	-	-	89
Plant & Equipment	-	114	103	11	-	113	101	12
Furniture & Fittings	-	3	3	-	-	3	3	-
Land								
- Operational Land	-	906	-	906	-	906	-	906
Buildings	-	394	129	265	-	394	123	271
Other Structures	-	68	33	35	-	68	30	38
Infrastructure	-	89,534	53,632	35,902	-	88,033	51,388	36,645
Total Sewerage Services	490	91,019	53,900	37,609	89	89,517	51,645	37,961
Domestic Waste Management								
WIP	64	-	-	64	-	-	-	-
Plant & Equipment	-	33	17	16	-	33	14	19
Land								
- Improvements - depreciable	-	1,219	569	650	-	1,110	539	571
Buildings	-	214	35	179	-	215	32	183
Other Structures	-	702	172	530	-	496	152	344
Total DWM	64	2,168	793	1,439	-	1,854	737	1,117
TOTAL RESTRICTED I,PP&E	2,532	147,543	86,533	63,542	1,129	144,721	82,862	62,988

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 2015

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services		274	-	114	-
Payments Received In Advance		530	-	240	-
Accrued Expenses:					
- Borrowings		29	-	43	-
- Salaries & Wages		473	-	486	-
- Employee Expense Oncosts		208	10	105	-
- Other Expenditure Accruals		6,766	-	2,578	-
Security Bonds, Deposits & Retentions		65	-	68	-
Department of Commerce - Call Payments		-	-	136	-
Other		12	-	12	-
Total Payables		8,357	10	3,782	-
Borrowings					
Loans - Secured ¹		839	9,436	3,082	10,275
Finance Lease Liabilities		26	28	25	54
Total Borrowings		865	9,464	3,107	10,329
Provisions					
Employee Benefits;					
Annual Leave		828	-	680	-
Sick Leave		325	-	273	-
Long Service Leave		1,686	139	1,373	203
Other Leave		43	-	39	-
ELE On-Costs		95	3	53	-
Total Provisions		2,977	142	2,418	203
Total Payables, Borrowings & Provisions		12,199	9,616	9,307	10,532
(i) Liabilities relating to Restricted Assets					
		2015		2014	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		160	-	76	-
Sewer		552	275	328	399
Liabilities relating to externally restricted assets		712	275	404	399
Internally Restricted Assets					
Bonds & Deposits		-	-	25	-
Liabilities relating to internally restricted assets		-	-	25	-
Total Liabilities relating to restricted assets		712	275	429	399
Total Liabilities relating to Unrestricted Assets		11,487	9,341	8,878	10,133
TOTAL PAYABLES, BORROWINGS & PROVISIONS		12,199	9,616	9,307	10,532

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 2015

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

\$ '000	Actual 2015	Actual 2014
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(ii) Current Liabilities not anticipated to be settled within the next 12 months

The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions - Employees Benefits	1,839	1,843
Payables - Security Bonds, Deposits & Retentions	21	25
	<u>1,860</u>	<u>1,868</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2014		2015			
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	680	849	(722)	21	-	828
Sick Leave	273	54	(9)	7	-	325
Long Service Leave	1,576	325	(110)	34	-	1,825
Other Leave	39	3	-	1	-	43
ELE On-Costs	53	45	-	-	-	98
TOTAL	2,621	1,276	(841)	63	-	3,119

- 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 2015

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	12,158	13,668
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		12,158	13,668
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		12,427	7,170
Adjust for non cash items:			
Depreciation & Amortisation		9,867	10,131
Net Losses/(Gains) on Disposal of Assets		610	(57)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		137	(191)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Valued)		99	112
Share of Net (Profits) or Losses of Associates/Joint Ventures		(24)	(41)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(4,034)	(3,778)
Increase/(Decrease) in Provision for Doubtful Debts		51	115
Decrease/(Increase) in Inventories		(394)	628
Decrease/(Increase) in Other Assets		81	(27)
Increase/(Decrease) in Payables		160	113
Increase/(Decrease) in accrued Interest Payable		(14)	(9)
Increase/(Decrease) in other accrued Expenses Payable		4,175	694
Increase/(Decrease) in Other Liabilities		264	(168)
Increase/(Decrease) in Employee Leave Entitlements		498	195
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		23,903	14,887
(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		28	23
Total Financing Arrangements Utilised		28	23
(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 2015

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
(a) Capital Commitments (exclusive of GST)			
Nil			
(b) Finance Lease Commitments			
(i) Commitments under Finance Leases at the Reporting Date are payable as follows:			
Within the next year		26	25
Later than one year and not later than 5 years		28	54
Later than 5 years		-	-
Total Minimum Lease Payments		54	79
less: Future Finance Charges		-	-
Amount Recognised as a Liability		54	79
(ii) Finance Lease Liability Recognised represent;			
Current Liabilities		26	25
Non-Current Liabilities		28	54
Total Finance Lease Liabilities Disclosed		54	79
(i) General Details			
Council Leases the following Property, Plant & Equipment under Finance Leases:			
	Term (Years)	Option to Purchase	Contingent Rent Clauses
Other Equipment/Assets			
			54
Total Carrying Value at Year End			54

Additional Details

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 Property Commitments

Nil

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014 2013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>882</u>	2.14%	-5.83%	-2.26%
Total continuing operating revenue ⁽¹⁾	41,169			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. ALL Grants & Contributions)</u>	<u>29,997</u>	56.14%	59.86%	63.52%
Total continuing operating revenue ⁽¹⁾	53,437			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>19,902</u>	2.07x	2.08	2.64
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>9,627</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	<u>11,425</u>	2.94x	3.10	3.15
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	<u>3,882</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>1,374</u>	7.12%	7.15%	6.33%
Rates, Annual and Extra Charges Collectible	<u>19,294</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	<u>45,158</u>	17.10	12.04	9.44
Payments from cash flow of operating and financing activities	<u>2,641</u>	mths		

Notes

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

⁽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 2015

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

\$ '000	Water 2015	Sewer 2015	General ⁵ 2015
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	24.08%	3.99%	-0.64%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: 39.92%	15.04%	-14.62%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. ALL Grants & Contributions)</u>	94.09%	94.27%	49.83%
Total continuing operating revenue ⁽¹⁾			
	prior period: 99.28%	99.13%	52.12%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽²⁾</u>	81.09x	14.03x	2.07x
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 159.14	19.76	2.08
4. Debt Service Cover Ratio			
<u>Operating Result⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation</u>	0.00	54.23x	2.06x
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)			
	prior period: 0.00	53.84	1.33
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	21.96%	7.53%	5.56%
Rates, Annual and Extra Charges Collectible			
	prior period: 21.85%	7.44%	5.68%
6. Cash Expense Cover Ratio			
<u>Current Year's Cash and Cash Equivalents + All Term Deposits</u>	0.00	0.00	14.52
Payments from cash flow of operating and financing activities			mths
	prior period: 0.00	0.00	6.50

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 2015

Note 14. Investment Properties

\$ '000

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

Note 15. Financial Risk Management

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	12,158	13,668	12,158	13,668
Investments				
- "Held for Trading"	12	346	12	346
- "Held to Maturity"	33,000	26,000	33,000	26,000
Receivables	9,866	5,883	9,798	5,883
Total Financial Assets	55,036	45,897	54,968	45,897
Financial Liabilities				
Payables	7,837	3,542	7,837	3,542
Loans / Advances	10,275	13,357	10,275	13,357
Lease Liabilities	54	79	54	79
Total Financial Liabilities	18,166	16,978	18,166	16,978

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 2015

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.

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

The 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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **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.

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
2015				
Possible impact of a 10% movement in Market Values	1	1	(1)	(1)
Possible impact of a 1% movement in Interest Rates	420	420	(420)	(420)
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)

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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.

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.

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:

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	67%	91%	67%	91%
Overdue	33%	9%	33%	9%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(ii) Ageing of Receivables - value				
Rates & Annual Charges				
Current	794	8,130	736	4,512
Overdue	391	804	369	468
	<u>1,185</u>	<u>8,934</u>	<u>1,105</u>	<u>4,980</u>

	2015	2014
(iii) Movement in Provision for Impairment of Receivables		
Balance at the beginning of the year	202	87
+ new provisions recognised during the year	51	115
Balance at the end of the year	<u>253</u>	<u>202</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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		
2015									
Trade/Other Payables	65	7,772	-	-	-	-	-	7,837	7,837
Loans & Advances	-	7,277	668	720	503	420	687	10,275	10,275
Lease Liabilities	-	26	26	2	-	-	-	54	54
Total Financial Liabilities	65	15,075	694	722	503	420	687	18,166	18,166
2014									
Trade/Other Payables	68	3,474	-	-	-	-	-	3,542	3,542
Loans & Advances	-	933	7,277	668	720	503	3,256	13,357	13,357
Lease Liabilities	-	25	26	26	2	-	-	79	79
Total Financial Liabilities	68	4,432	7,303	694	722	503	3,256	16,978	16,978

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:

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	7,837	0.0%	3,542	0.0%
Loans & Advances - Fixed Interest Rate	10,275	6.2%	13,357	6.2%
Lease Liabilities	54	0.0%	79	0.0%
	<u>18,166</u>		<u>16,978</u>	

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 2014/15 was adopted by the Council on 24 June 2014.

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	2015 Budget	2015 Actual	2015 ----- Variance* -----	
REVENUES				
Rates & Annual Charges	17,980	17,847	(133)	(1%) U
User Charges & Fees	4,573	8,349	3,776	83% F
State Roads contract works (\$1,797k) were incorrectly budgeted as Grant income. Income for these contracted works also exceeded budget by \$869k. Mining & Gravel Tonnage payments were not budgeted for (\$711k). Water & Sewer user charges also exceeded expectations.				
Interest & Investment Revenue	852	1,401	549	64% F
Additional Grants & Contributions boosted investments resulting in an extra \$459k of interest income. Fair value movements in investments was less than expected resulting in a gain of \$74k. Interest from overdue accounts was \$16k greater than expected.				
Other Revenues	2,309	2,263	(46)	(2%) U
Operating Grants & Contributions	10,091	11,172	1,081	11% F
Finalisation of flood restoration programs is largely responsible for this variance. The programs were expected to have been completed by June 2014, however there was some over-run that resulted in them being completed this year.				
Capital Grants & Contributions	5,934	12,268	6,334	107% F
Council was successful in gaining grants from the Restart NSW Resources for Regions program for three projects: Narrabri Airport Upgrade, Narrabri Water Augmentation and Timber Bridge Replacement. \$4,320k was recognised as income this financial year. Council's developer contributions also exceeded expectations by \$2,153k.				
Joint Ventures & Associates - Net Profits	-	24	24	0% F
Council does not include Net Profits from Joint Ventures & Associates in its original estimates as they are generally immaterial.				

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----	
EXPENSES				
Employee Benefits & On-Costs	14,251	15,667	(1,416)	(10%) U
Borrowing Costs	687	676	11	2% F
Materials & Contracts Council's original estimate was overstated.	11,822	9,916	1,906	16% F
Depreciation & Amortisation	10,173	9,867	306	3% F
Other Expenses Cleaning was overspent by \$83k as some functional areas were not included in the original budget. Contributions to the Rural Fire Service (236k) and NSW Fire Brigades (\$75k) were not also not included in the original budget.	3,765	4,161	(396)	(11%) U
Net Losses from Disposal of Assets The replacement of Harparary Bridge led to a loss of \$328k.	348	610	(262)	(75%) U

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

Cash Flows from Operating Activities	11,214	23,903	12,689	113.2% F
This variation flows through from the favourable variations in User Charges & Fees and Grants & Contributions.				
Cash Flows from Investing Activities	(11,944)	(22,207)	(10,263)	85.9% U
This variation results from additional investment purchases from the favourable variance in Cash Flows from Operating Activities.				
Cash Flows from Financing Activities	(1,264)	(3,206)	(1,942)	153.6% U
Council resolved to pay out a loan for the Crossing Theatre early using funds from a Voluntary Planning Agreement.				

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	119	-	-	4	-	-	123	-	-	123	-
Parking	3	14	-	1	-	-	18	-	-	18	-
Open Space	25	2	-	-	-	-	27	-	-	27	-
Community Facilities	19	1	-	1	-	-	21	-	-	21	-
Bushfire	12	3	-	-	-	-	15	-	-	15	-
Other	37	-	-	1	-	-	38	-	-	38	-
S94 Contributions - under a Plan	215	20	-	7	-	-	242	-	-	242	-
S94A Levies - under a Plan	857	57	-	29	-	-	943				-
Total S94 Revenue Under Plans	1,072	77	-	36	-	-	1,185				-
S93F Planning Agreements	10,233	7,569	-	487	(4,363)	-	13,926				
Total Contributions	11,305	7,646	-	523	(4,363)	-	15,111	-	-	242	-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	119	-	-	4	-	-	123	-	-	123	-
Parking	3	14	-	1	-	-	18	-	-	18	-
Open Space	25	2	-	-	-	-	27	-	-	27	-
Community Facilities	19	1	-	1	-	-	21	-	-	21	-
Bushfire	12	3	-	-	-	-	15	-	-	15	-
Other	37	-	-	1	-	-	38	-	-	38	-
Total	215	20	-	7	-	-	242	-	-	242	-

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	857	57	-	29	-	-	943	-	-		-
Total	857	57	-	29	-	-	943				-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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 Council's 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.

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

At reporting date, reliable estimates as to the value of any potential liability (& subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

(ii) Infringement Notices / Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Council's 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.

(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 2015

Note 19. Interests in Other Entities

\$ '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;

Controlled Entities (Subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint Ventures & Associates

Note 19(b)

Joint Ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint Operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated Structured Entities

Note 19(d)

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, Joint Arrangements and Associates not recognised

Note 19(e)

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a) and Joint 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) Joint Ventures and Associates 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 2015	Actual 2014	Actual 2015	Actual 2014
Joint Ventures	-	-	-	-
Associates	24	41	185	161
Total	24	41	185	161

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council

Council has no interest in any Controlled Entities (Subsidiaries).

(b) Joint Ventures and Associates

Council has incorporated the following Joint Ventures and Associates into it's consolidated Financial Statements.

(a) Net Carrying Amounts - Council's Share

Name of Entity	Nature of Relationship	Measurement Method	2015	2014
Central Northern Libraries	Associate		185	161
Total Carrying Amounts - Material Joint Ventures and Associates			185	161

(b) Details

Name of Entity	Principal Activity	Place of Business
Central Northern Libraries	Public Library Services	Tamworth

(c) Relevant Interests & Fair Values

Name of Entity	Quoted Fair Value		Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2015	2014	2015	2014	2015	2014	2015	2014
Central Northern Libraries	185	161	15%	15%	15%	15%	15%	15%

(d) Summarised Financial Information for Joint Ventures & Associates

	Central Northern Libraries	
	2015	2014
Statement of Financial Position		
Current Assets		
Cash and Cash Equivalents	499	431
Total Current Assets	499	431
Non-Current Assets	734	645
Net Assets	1,233	1,076
Reconciliation of the Carrying Amount		
Opening Net Assets (1 July)	1,076	966
Profit/(Loss) for the period	157	110
Closing Net Assets	1,233	1,076
Council's share of Net Assets (%)	15.0%	15.0%
Council's share of Net Assets (\$)	185	161

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(c) Joint Operations

Council is involved in the Namoi Joint Organisation that is one of five pilot programs currently underway. To date there is no material effect to Council from a financial perspective.

(d) Unconsolidated Structured Entities

Council has no Unconsolidated Structured Entities

(e) Subsidiaries, Joint Arrangements & Associates not recognised

All Subsidiaries, Joint Arrangements and Associates have been recognised in this Financial Report.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		176,737	168,354
a. Correction of Prior Period Errors	20 (c)	-	1,213
b. Net Operating Result for the Year		12,427	7,170
Balance at End of the Reporting Period		<u>189,164</u>	<u>176,737</u>

(b) Reserves**(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		247,428	246,571
Total		<u>247,428</u>	<u>246,571</u>

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		246,571	58,260
- Revaluations for the year	9(a)	857	188,311
- Balance at End of Year		<u>247,428</u>	<u>246,571</u>
TOTAL VALUE OF RESERVES		<u>247,428</u>	<u>246,571</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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
(c) Correction of Error/s relating to a Previous Reporting Period			
Council made no correction of errors during the current reporting period.			
Correction of errors as disclosed in last 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.			
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 - 1/7/13 (relating to adjustments for the 30/6/13 reporting year end and prior periods)		-	1,213
- Adjustments to Closing Equity - 30/6/14 (relating to adjustments for the 30/6/14 year end)		-	-
Total Prior Period Adjustments - Prior Period Errors		-	1,213

(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 2015

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	1,544	2,430	13,873
User Charges & Fees	2,051	557	5,741
Interest & Investment Revenue	392	227	782
Other Revenues	-	3	2,260
Grants & Contributions provided for Operating Purposes	35	31	11,106
Grants & Contributions provided for Capital Purposes	191	136	11,941
Other Income			
Net Gains from Disposal of Assets	1	1	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	24
Total Income from Continuing Operations	4,214	3,385	45,727
Expenses from Continuing Operations			
Employee Benefits & on-costs	501	427	14,739
Borrowing Costs	-	30	646
Materials & Contracts	1,362	1,145	7,409
Depreciation & Amortisation	894	1,463	7,510
Impairment	-	-	-
Other Expenses	280	159	3,722
Net Losses from the Disposal of Assets	-	-	612
Total Expenses from Continuing Operations	3,037	3,224	34,638
Operating Result from Continuing Operations	1,177	161	11,089
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	1,177	161	11,089
Net Operating Result attributable to each Council Fund	1,177	161	11,089
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	986	25	(852)

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

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 2015

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

Statement of Financial Position by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	4,331	2,488	5,339
Investments	8,415	5,041	19,556
Receivables	226	183	9,028
Inventories	-	-	3,483
Other	2	-	-
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	12,974	7,712	37,406
Non-Current Assets			
Investments	-	-	-
Receivables	113	92	222
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	24,494	37,609	337,600
Investments Accounted for using the equity method	-	-	185
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	24,607	37,701	338,007
TOTAL ASSETS	37,581	45,413	375,413
LIABILITIES			
Current Liabilities			
Payables	160	417	7,780
Borrowings	-	135	730
Provisions	-	-	2,977
Total Current Liabilities	160	552	11,487
Non-Current Liabilities			
Payables	-	-	10
Borrowings	-	275	9,189
Provisions	-	-	142
Total Non-Current Liabilities	-	275	9,341
TOTAL LIABILITIES	160	827	20,828
Net Assets	37,421	44,586	354,585
EQUITY			
Retained Earnings	17,711	11,935	159,518
Revaluation Reserves	19,710	32,651	195,067
Total Equity	37,421	44,586	354,585

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

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 2015

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 2015) 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 26/10/15.

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 2015.

(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 2015 and which are only indicative of conditions that arose after 30 June 2015.

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 2015

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 30/6/15.

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

\$ '000

The 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).

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

2015	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"	30/06/15	-	-	12	12
Total Financial Assets		-	-	12	12
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/14	-	-	9,187	9,187
Office Equipment	30/06/14	-	-	256	256
Furniture & Fittings	30/06/14	-	-	322	322
Operational Land	30/06/14	-	-	8,410	8,410
Community Land	30/06/14	-	-	4,207	4,207
Land Improvements	30/06/14	-	-	2,570	2,570
Buildings - Non Specialised	30/06/14	-	-	15,909	15,909
Buildings - Specialised	30/06/14	-	-	5,031	5,031
Other Structures	30/06/14	-	-	9,894	9,894
Roads	30/06/14	-	-	147,507	147,507
Bridges	30/06/14	-	-	16,065	16,065
Footpaths	30/06/14	-	-	3,342	3,342
Bulk Earthworks	30/06/14	-	-	91,617	91,617
Stormwater Drainage	30/06/14	-	-	5,331	5,331
Water Supply Network	30/06/15	-	-	22,091	22,091
Sewerage Network	30/06/15	-	-	35,902	35,902
Swimming Pools	30/06/14	-	-	7,569	7,569
Total Infrastructure, Property, Plant & Equipment		-	-	385,210	385,210

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

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 2015

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 2015

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 2015

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 2015

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	5,427	22,481	36,649	7,749	390,046
Purchases (GBV)	1,194	212	617	2,740	-	182	179	-	5,124
Disposals (WDV)	(453)	(29)	(110)	(358)	-	-	-	-	(950)
Depreciation & Impairment	(1,292)	(118)	(992)	(4,834)	(121)	(877)	(1,453)	(180)	(9,867)
FV Gains - Other Comprehensive Income	-	-	-	-	-	326	531	-	857
Closing Balance - 30/6/15	9,765	15,187	30,834	258,531	5,306	22,112	35,906	7,569	385,210

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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.

I,PP&E

Class	Fair Value (30/6/15) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Plant & Equipment	9,187	<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 • 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	256	<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 • 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	322	<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 • 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	8,410	<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	2,570	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life • Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 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	15,909	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life • Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 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 2015

Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/15) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Buildings - Specialised	5,031	<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	9,894	<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	147,507	<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	16,065	<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	3,342	<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	5,331	<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	22,091	<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 2015

Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/15) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Sewerage Network	35,902	<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	7,569	<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.

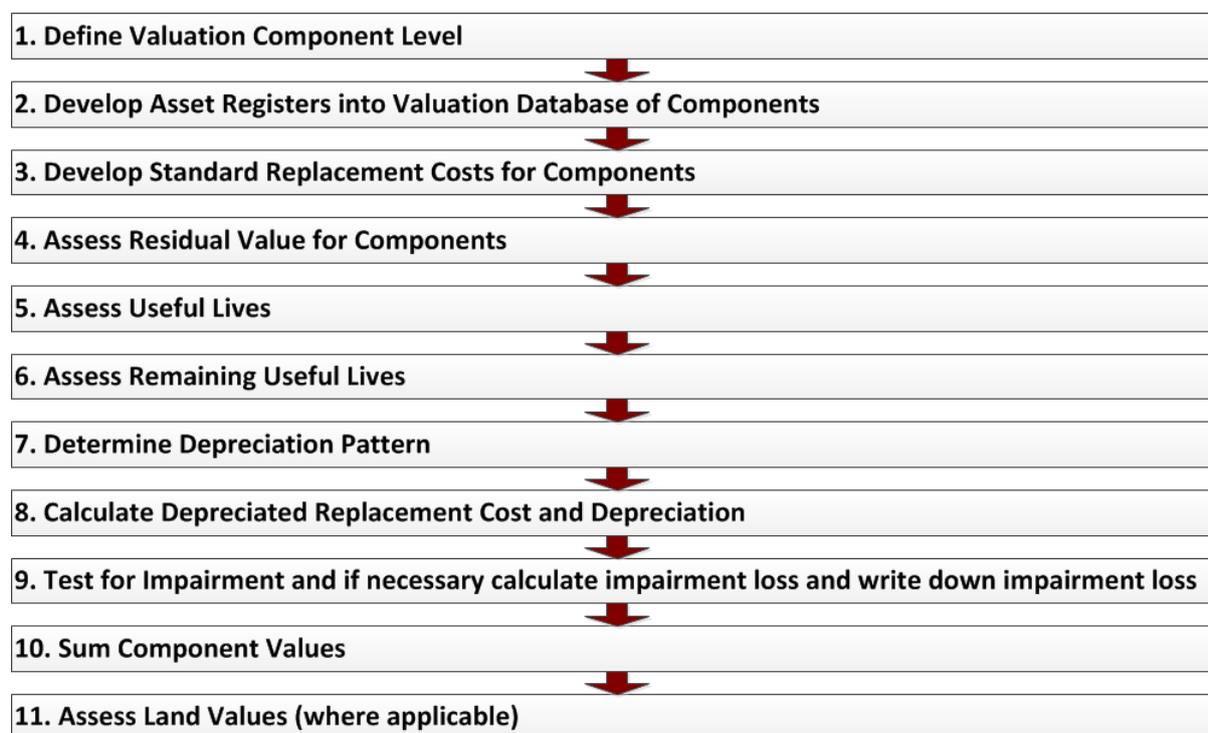
Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 2015

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.

(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 2015

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: <http://www.narrabri.nsw.gov.au>

Email: council@narrabri.nsw.gov.au

Officers**GENERAL MANAGER**

Stewart Todd

RESPONSIBLE ACCOUNTING OFFICER

Tim McClellan

PUBLIC OFFICER

Paul Wearne

AUDITORS

Crowe Horwath
2 Commercial Avenue
Dubbo NSW 2830

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

Other Information

ABN: 95 717 801 656

Bathurst Office**INDEPENDENT AUDITORS' REPORT TO NARRABRI SHIRE
COUNCIL (SECTION 417(2) – REPORT ON THE GENERAL
PURPOSE FINANCIAL STATEMENTS)****REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Narrabri Shire Council ('the Council'), which comprises of the statement of financial position as at 30 June 2015 and the 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 1 to 28 and the Statement by Councillors and Management of the Council. The financial statements and Council's statement are in the approved form as required by Section 413(2)(c) of the Local Government Act, 1993.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors and management of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 controls 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

We performed the procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting and Australian Accounting Standards, a view which is consistent with our understanding of the Council's financial position and of its performance.



Our audit responsibilities do not extend to the Original Budget figures disclosed in the income statement, cash flow statement, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules. Our audit opinion does not extend to cover the TCorp ratios in 13a (i) & 13a(ii) nor the projections data in Note 17 and accordingly, we express no opinion on them.

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

The audit opinion expressed in this report has been formed on the above basis.

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;
- b) the Council's financial statements:
 - have been properly prepared in accordance with the requirements of this Division;
 - are consistent with the Council's accounting records;
 - present fairly the Council's financial position and result of its operations; and
 - are in accordance with applicable Accounting Standards.
- c) all information relevant to the conduct of the audit has been obtained; and
- d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

Crowe Horwath Auswild
CROWE HORWATH AUSWILD

Clare Wagner
Clare Wagner
Audit Partner

Dated at the Dubbo office this 26th day of October 2015

Report on the Conduct of the Audit

Narrabri Shire Council

Year Ended 30 June 2015

26 October 2015

Mr Stewart Todd
General Manager
Narrabri Shire Council
PO Box 261
NARRABRI NSW 2390

Dear Stewart,

Having completed an audit examination of the books of account and associated records of the Narrabri Shire Council for the twelve months period ended 30 June 2015 we have pleasure in submitting our report on the conduct of the audit in accordance with Section 417 (3) of the Local Government Act 1993.

BACKGROUND

Council is required to prepare two sets of financial statements for audit each year, these being:

General Purpose Financial Statements

These financial statements present the actual financial position and performance of the Council. Council has prepared the general purpose financial statements in accordance with:

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

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

These financial statements have been prepared in much the same manner as those of the previous year.

Special Purpose Financial Statements

These financial statements have been prepared in accordance with the requirements of the National Competition Policy which requires separate financial statements for each declared business activity. Council's declared business activities for the 2015 financial year were:

- Water Supplies
- Sewerage Service

The principle differences between the general purpose financial statements and the special purpose certain taxes and other costs that would apply if these business activities were operating in the commercial sector have been imputed in the special purpose financial statements (ie income tax and land tax),

- the special purpose financial statements contain additional disclosures such as council subsidies, return on investments and dividends paid.

These financial statements have been prepared in much the same manner as those of the previous year.

Auditor's Responsibility

As part of our role as auditor of Council, Section 415 (3) of the Local Government Act 1993 and the Local Government (General) Regulation requires us to consider and provide comment on the material items affecting the general purpose financial statements and other matters pertinent to the audit. The following section of this report provides an understanding of Council's financial position as at 30 June 2015, its performance for the year then ended its cash flows and other material financial matters.

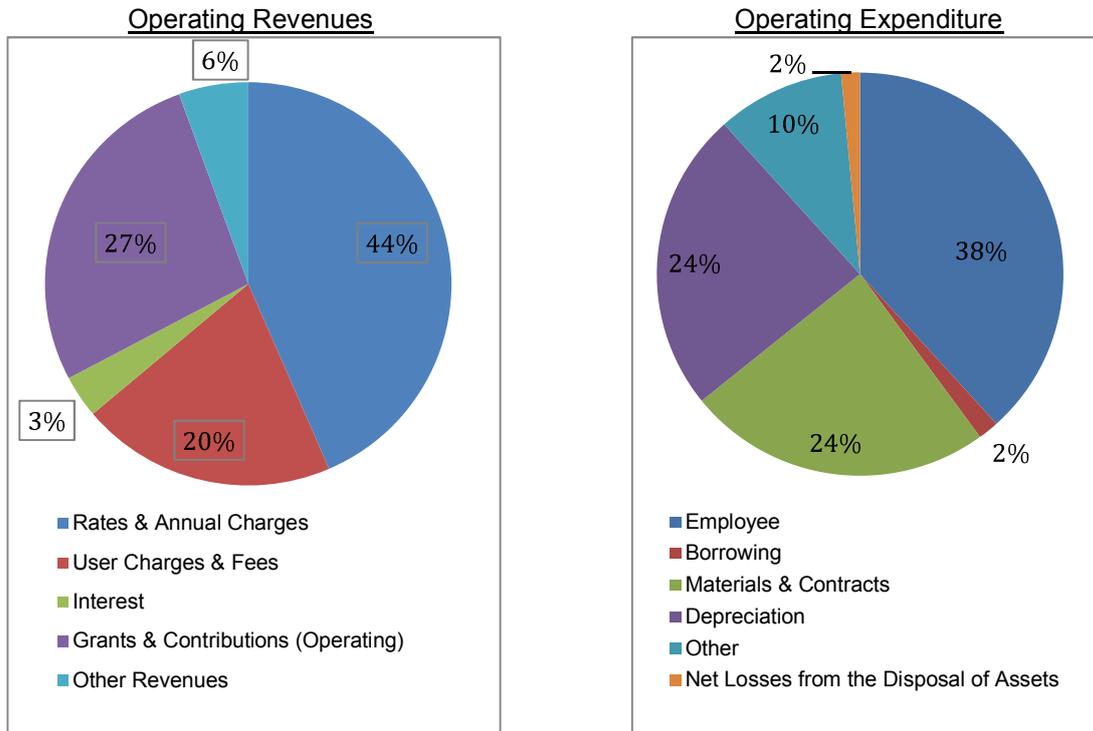
FINANCIAL RESULTS

The net operating result for the year before grants and contributions provided for capital purposes is a \$159,000 surplus (2014: \$2,243,000 deficit). The significant variance in Council's reported financial results for the current year has been due to a number of major factors including:

- Reduction in Materials & Contracts from \$15,453,000 in 2014 to \$9,916,000 in 2015 as result of \$900k spent on Crossing Theatre live shows in 2013/14 and \$4.3m was spent on restoration of Local roads and \$598k was spent on Regional roads due to the flood and this project was completed in the 2013/14 year.
- The increases in rates and annual charges being attributable to the increase based on the IPART rate peg of 2.3% in the 2014/15 year.

Excluding capital grants & contributions operating revenues for the year (\$41,032,000) have decreased approximately 6% on those of the previous year (\$43,617,000) whilst during the same period operating expenses have also decreased approximately 10% to \$40,897,000.

A breakdown of Council's operating revenues and expenses for the year are as follows:



In addition to operating revenues, Council received capital grants and contributions amounting to \$12,268,000 (2014: \$9,413,000). In the twelve months period to 30 June 2015 Council's operating result from continuing operations' (including capital grants and contributions) was a surplus of \$12,427,000 compared with a surplus of \$7,170,000 in the previous year.

BUDGET COMPARISON

The net operating surplus for the year of \$12,427,000 was significantly higher than the original budget expectations which anticipated a surplus of \$693,000.

Details of material variations between the original budget and actual results are detailed in Note 16 to the General Purpose Financial Statements. In essence, the variations from the expected result have been attributed to:

Favourable Variances

- Significant variance in User Charges and Fees because of the incorrect allocation of budgeted State Roads contract works (\$1,797k) as Grant income. Mining & Gravel Tonnage payments were not budgeted for \$711k and Water & Sewer user charges also exceeded expectations. Income from State Roads works exceeded expectation by \$869k.
- Increase in Grant & Contributions boosted Investments resulting in an extra \$459k of interest income. Fair value movement in investments was less than expected resulting in a gain of \$74k and increase in interest from overdue accounts by \$16k.
- Increase in operating Grants & Contributions as a result of finalisation of flood restoration programs. The programs were expected to have been completed by June 2014, however there was some over-run that resulted in them being completed this year.
- Council was successful in gaining grants from the Restart NSW Resources for Regions program for three projects: Narrabri Airport upgrade, Narrabri Water Augmentation and Timber Bridge Replacement this amounts to \$4,320k being recognised as income this year and also Council's developer contributions exceeded expectations by \$2,153k.
- Materials & Contracts is lower than the budget due to over estimation in original Council's estimate this year.

Unfavourable Variances

- Other expenses - cleaning was overspent by \$83k as some functional areas were not included in the original budget and contributions to the Rural Fire Service \$236k and NSW Fire Brigades \$75k were not also not included in the original budget.
- Net Losses from Disposal of Assets higher than the budget due to the replacement of Harparary Bridge which led to a loss of \$328k.

DETAILED AUDIT OBSERVATIONS

OPERATING INCOME

Rates and Annual Charges

Revenue from rates and annual charges (excluding Council owned properties) amounted to \$17,847,000 (2014: \$16,724,000).

In setting the **ordinary rates** for the year Council resolved to adopt the approved maximum increase available of 2.3%. This action has resulted in revenues from ordinary rates increasing from \$11,160,000 in 2013/2014 to \$11,611,000 in the current year.

Council's **ordinary rating base** remained fairly static in the current year with 6,733 assessments subject to **ordinary rates** at year end.

Council further resolved that other charges be adjusted as follows:

- Water availability charges increased 10% to \$323 per meter.
- Sewerage annual charges increased 10% to \$677.
- Residential Domestic waste management access charges (\$125 + \$285) increased 15% to \$410.

Such increases have resulted in revenues as follows:

Annual Charges	2015 \$	2014 \$
Domestic Waste Management	2,138,000	1,908,000
Water Supply Services	1,544,000	1,395,000
Sewerage Services	2,495,000	2,205,000

Interest and extra charges on overdue rates for the year was \$106,000 and outstanding rates were subject to interest at the rate of 8.5% pa (2014: 9.00%).

User Charges and Fees

Council derived \$2,977,000 from **specific user charges** (2014: \$2,812,000 and a further \$380,000 from **fees** (2014: \$662,000) imposed during the twelve month period ended 30 June 2015.

Impacting significantly on user charges and fees revenues for the year were:

Water Consumption Charges (decreased \$364,000)

Water usage charges were increased by 4% in the current year as follows:

	2015	2014
	\$	\$
Usage charge	\$0.87 per kl	\$0.83 per kl

Revenue from domestic water consumption charges amounted to \$2,028,000 (2014: \$2,392,000).

Other major revenues received from user charges and fees included:

	2015	2014
	\$	\$
Aerodrome	283,000	290,000
Caravan Park	80,000	89,000
Cemeteries	209,000	207,000
Contribution to Works	49,000	1,689,000
RMS Charges	2,686,000	3,374,000
Mining Tonnage Charges	591,000	435,000
Gravel Tonnage Charges	120,000	9,000

Interest

Interest and investment revenues decreased during the twelve months period with income being earned as follows:

	2015	2014
	\$	\$
Overdue Rates and Charges	106,000	106,000
General Council Investments	130,000	653,000
Development Contributions	523,000	264,000

Water Fund Operations	392,000	439,000
Sewerage Fund Operations	227,000	239,000
Internal Restricted Assets	23,000	-
	1,401,000	1,701,000

Interest on investments for the year represented approximately 12.1% (2014: 15.2%) of ordinary rating income.

Other Revenues

Other revenue income in the current year (\$2,263,000) is slightly lower than the previous year (\$2,531,000). The difference was due to an amount of reduction in Crossing Theatre income from \$1,481,000 in 2013/2014 to \$1,156,000 in 2014/2015 as a result of decreased in live shows ticketing. There were major events held in the previous year which generated more revenue for Council. Also there has been an increase in Sales – general in 2014/2015 year to the amount of \$388,000 and other revenue has increased to \$64,000 in 2014/2015.

Grants, Subsidies and Contributions

Operating Grants and Contributions

Operating grants and contributions amounting to \$11,172,000 were received in 2014/2015 compared with \$11,799,000 received in the previous year.

In the previous year Council received only 2 instalments of untied Financial Assistance Grant (FAG) which improved Council's past operating results.

This was due to Council receiving additional instalments in previous years. This year Council received a normal amount of FAG. The additional FAG was \$3,179,000 in 2015. This increase was offset with a decrease of \$3,428,000 in Flood Restoration Grants and \$535,000 in Roads to Recovery Grants.

Other major specific purpose operating grants and contributions were received for, Heritage & Cultural (\$29,000), Library special project (\$16,000) and Bushfire & Emergency Services (\$300,000).

Capital Grants and Contributions

Total capital grants and contributions received for the year amounted to \$12,268,000 compared with \$9,413,000 received in the previous year. This increase is predominantly due to funding received of Water Supplies (\$191,000), Environmental protection of (\$100,000). \$4,129,000 was received in 2015 for roads and bridges from RMS. Other capital grants received is Sewerage contributions (excluding S64) \$136,000 (2014: \$Nil).

In accordance with the Code of Accounting Practice all grant and contribution monies received in 2014/2015 (both expended and unexpended) have been brought to account as income. Grants and contributions recognised as revenues in the current reporting period but not yet expended in accordance with the conditions attaching thereto, amounted to \$8,414,000. At year end Council held unexpended grants and contributions amounting to \$15,378,000 (2014 - \$13,039,000) and such funds have been identified as an externally restricted asset.

OPERATING EXPENDITURE

An expense from continuing operations (\$40,897,000) was lower than budget expectations (\$41,046,000) and lower than the previous year (\$45,958,000).

Impacting significantly on operating expenses for the year were:

Employee Costs

Total employee costs (\$15,667,000) increased approximately 4.5% in the twelve months period to 30 June 2015 principally due to:

- Council had accounted for the capitalised employee cost (\$531,000) for the year compared to (\$297,000) in prior year.
- Salaries and wages increase due to the 2.6% award increase.
- Employee leave entitlements increased by \$933,000. This is largely attributable to the change in present value rates based on lower interest rates.
- Increase in the Superannuation Contribution Guarantee to 9.5% for the 2014/15 year.
- Workers Compensation Insurance decreased by \$102,000.

At year end Council's full time equivalent employees numbered 162 (2014: 148).

Materials and Contracts

Materials and contracts expenditure (\$9,916,000) decreased considerably in the current year primarily due to less spending on local and regional roads compared to 2014 (\$15,453,000). Legal expense related to planning and development also decreased by \$131,000.

Depreciation Expenses

Depreciation expenses (\$9,867,000) have dropped by \$264,000 from the previous year (\$10,131,000) mainly due to the disposal of non-specialised building assets.

Depreciation expenses account for approximately 23.9% of Council's total expenses which is comparable with most Councils with whom we are associated.

ASSETS

Cash & Investments

At balance date Council controlled cash and investments totalling \$45,170,000 (2014: \$40,014,000).

Council utilises its investments to cover both externally and internally imposed requirements and comprises of developer contributions - general (\$15,111,000), specific purpose unexpended grants (\$267,000), water supplies (\$12,746,000), domestic waste management (\$37,000), and sewerage services (\$7,529,000).

Externally restricted investments amounted to \$36,259,000 whilst internally restricted investments amounted to \$6,711,000.

Council's cash and investments were held as follows:

	2015	2014
	\$	\$
Cash and Cash Equivalents	12,158,000	13,668,000
Long Term Deposits	33,000,000	26,000,000
CDO's	12,000	346,000
	45,170,000	40,014,000

Debtors

Rates and Annual Charges

At balance date outstanding rates and annual charges and interest amounted to \$1,374,000 (2014: \$1,287,000) which represented 7.12% of total receivable (2014: 7.15%). An amount of \$530,000 rates and annual charges income received in advance is now disclosed separately at Note 10a.

We encourage Council to implement and enforce stringent recovery action against ratepayers with arrears in an endeavour to lowering the percentage arrears to less than 5.00%.

Outstanding rates and annual charges have been subject to interest at the rate of 8.50% and Council has determined that a provision for doubtful debts is not necessary as all arrears are secured by a charge over the land.

Property, Plant & Equipment

During the reporting period Council expended / acquired assets with the value of \$16,050,000 (2014: \$6,658,000).

The principal items being:

	2015 \$	2014 \$
Capital Work in Progress	12,263,000	1,275,000
Plant & Equipment	1,178,000	1,856,000
Office Equipment	-	42,000
Furniture & Fittings	7,000	10,000
Land Improvements- depreciable	130,000	236,000
Buildings	206,000	425,000
Other structures	408,000	439,000
Stormwater drainage	-	3,000
Roads, Bridges, Footpaths	1,542,000	2,179,000
Water and Sewerage Assets	316,000	185,000

Additionally, we note that Council sold assets with a written down value of \$950,000. The sale of these assets has resulted in a loss of \$610,000 being brought to account (2014: gain of \$57,000).

Further, we report that in accordance with the requirements of the Code of Accounting Practice, Council's water and sewerage assets were indexed upwards in accordance with the latest indices provided by the NSW Office of Water.

These revaluations have resulted in Council's assets being adjusted as follows:

Water Supply Network	increased \$326,000 to \$53,659,000
Sewerage Network	increased \$531,000 to \$89,534,000

In 2015 Council was required to complete a revaluation of the Roads, Bridges, Footpaths and Drainage. However Narrabri Shire Council engaged Jeff Roorda and Associates (JRA) and Acqua (LMB) in 2014 to complete revaluation on Council's Asset Registers which includes Roads, Bridges, Footpaths and Drainage.

The total amount of the revaluation was \$857,000 and is shown as other comprehensive income and increases the revaluation reserve from \$246,571,000 to \$247,428,000.

The combined action of asset movements and revaluations has resulted in the written down value of property, plant and equipment increasing from \$393,613,000 in 2013/2014 to \$399,703,000 as at 30 June 2015.

Major acquisitions during the year were again funded from grants, contributions and cash & investments.

Council's valuations are performed as part of the cycle plan for valuations, as per NSW Council Guidelines as follows:

1. Roads, bridges, footpaths, drainage, bulk earthworks – 30 June 2015.
2. Community land, other assets, land improvements – 30 June 2016.
3. Water & sewer– 30 June 2017.
4. PPE, operational land, buildings – 30 June 2018.

Provisions

At 30 June 2015 the Provision for Employee Accrued Entitlements totalled \$3,119,000.

The components of the liability are:

	2015	2014
	\$	\$
Annual Leave	828,000	680,000
Sick Leave	325,000	273,000
Long Service Leave	1,825,000	1,576,000
Other Leave	141,000	92,000
	3,119,000	2,621,000

The average leave entitlement per full time employee as at 30 June 2015 was \$19,253 (2014: \$17,709).

At year end Council had set aside funds amounting to \$906,000 or 29% of the employees leave entitlement liability. Such funds have been identified as an internally restricted asset.

Loans and Debt Servicing

During the year there were no new loans raised. Council repaid borrowings of \$3,882,000 and at year end Council's borrowings amounted to \$10,329,000 (2014: \$13,436,000).

The loan liability is apportioned as follows:

	2015 \$	2014 \$
Current	865,000	3,107,000
Non Current	9,464,000	10,329,000

Council required \$3,882,000 to service its loan commitments in 2014/2015, which has given Council a favourable debt service ratio of 2.94 against benchmark of 2.

SUMMARY

In analysing Council’s financial results for the year, particular attention must be given to the following:

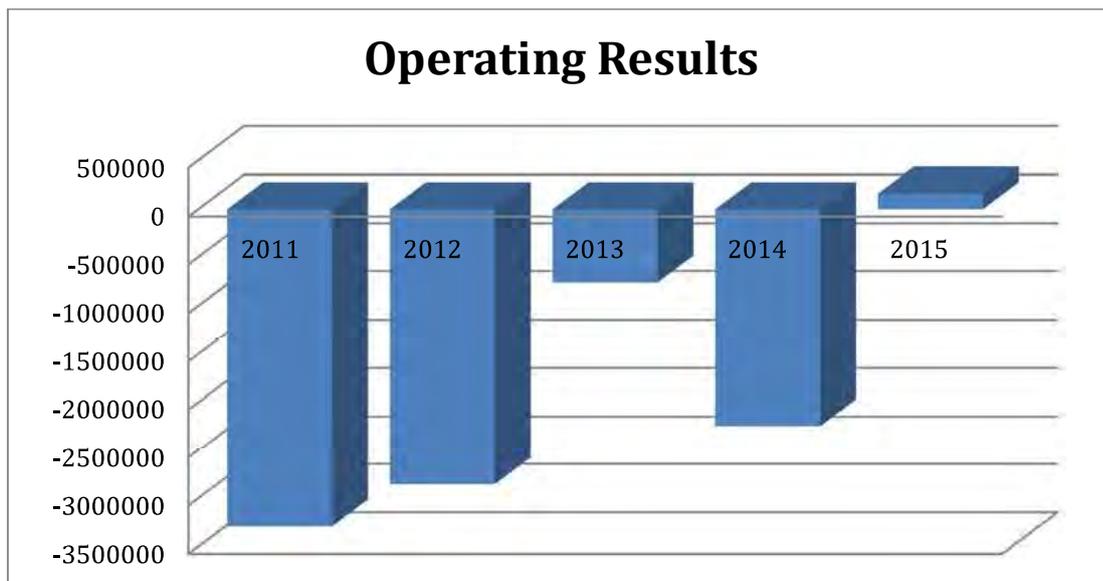
- Operating Result
- Cash Flow
- Reserves (internally restricted and unrestricted assets)
- Performance Ratios

Operating Result

Council reported an operating surplus before capital amounts of \$159,000 for the twelve month period to 30 June 2015. This surplus result has been reported after allowing for depreciation expenses of \$9,867,000. The surplus was significantly larger than the 2013/2014 results (\$2,243,000 deficit) and was well above the operating deficit of \$5,241,000 budgeted for in 2014/2015.

As earlier explained the operating result in the current year was significantly impacted by the timing adjustment relating to the payment of the financial assistance grant instalments. In 2014 only 50% allocation received due to payments in advance in previous years. Full allocation was received in 2015.

Operating Surplus/(Deficit) before Capital Amounts

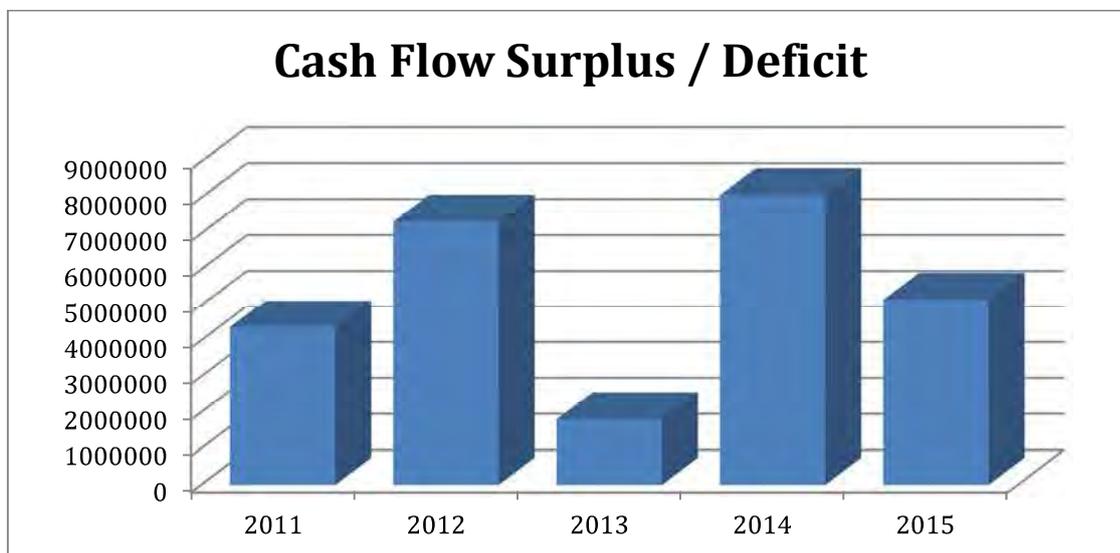


Cash Flow

Council achieved a cash surplus of \$23,903,000 (2014: 14,887,000) from its general operating activities which was principally utilised to purchase assets and repayment of loans and finance lease.

These actions together with the proceeds from the sale of assets have resulted in Council having a net increase in cash and investments of \$5,156,000 for the year (2014: 8,075,000 increase).

Cash Flow Surplus/Deficit (movement)



For comparative purposes, we note the following factors that have impacted on the cash flow surplus in 2014/2015.

- Capital expenditure amounted to \$16,050,000 in the current year compared to \$6,005,000 in 2013/2014.
- Receivables increased to \$4,034,000 in the current year.
- User charges & fees have decreased from \$10,862,000 in the previous year to \$8,349,000 in 2014/2015 as a result in reduction in amount of work completed for RMS in 2014/2015 compared to prior year and \$1,689,000 was received from contribution to works in 2013/2014 compared to \$49,000 received in 2014/2015 year.
- Expenditure on materials and contracts decreasing \$5,537,000 from prior year.
- Repayment of Borrowings in 2015 \$3,206,000.

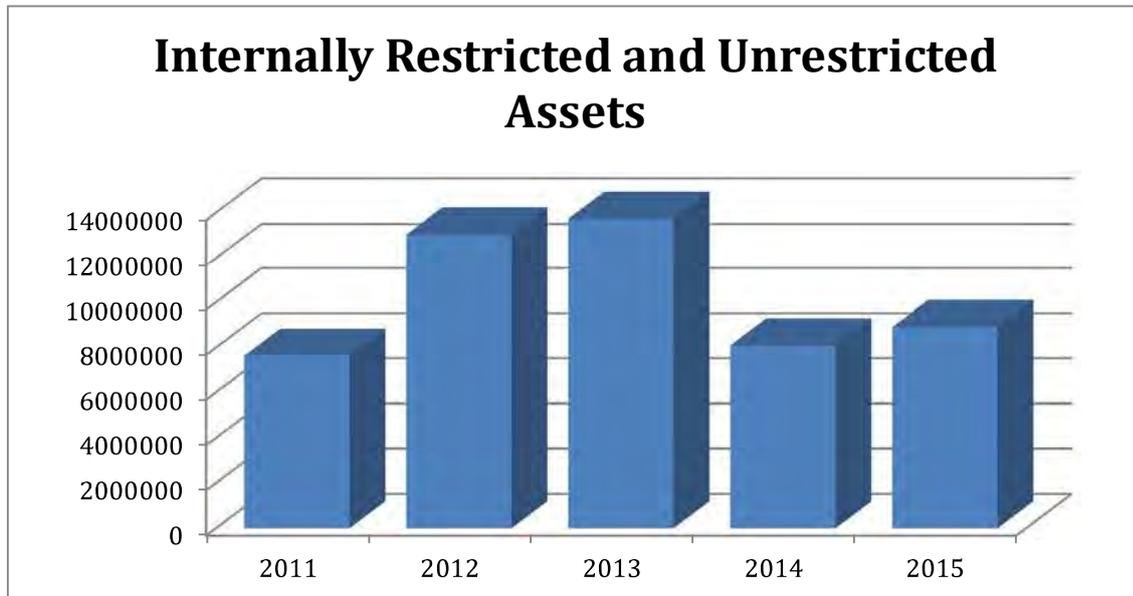
Upon analysis the cash flow surplus can be identified as follows:

<u>Activity</u>	<u>Surplus/(Deficit)</u>	
	2015	2014
	\$	\$
Externally Restricted	36,259,000	31,912,000
Internally Restricted	6,711,000	7,369,000
Unrestricted	2,200,000	733,000

Reserves (Internally Restricted and Unrestricted Assets)

As noted previously, Council’s internal and unrestricted funds have increased by \$809,000 during the twelve months period and at year end Council held internally restricted investments amounting to \$6,711,000 (2014 - \$7,369,000) whilst a further \$2,200,000 was maintained as unrestricted investments (2014 - \$733,000).

Internal and Unrestricted Reserve Funds



As illustrated, Council’s reserve funds increased significantly between 2011 and 2013. However, this has also decreased significantly in 2014. Although, it appears Council has maintained reasonable reserve across the years we still encourage Council to ensure that reserve funding is commensurable with Council’s long term plans.

Performance Ratios

Note 13 to the financial statements provide a measure of Council's performance using a number of selected ratios as follows:

Operating Performance Ratio

This ratio measures a Council's ability to contain operating expenditure within operating revenue.

The ratio of a surplus of 2.14% (2014 – 5.83% deficit) is within the benchmark of 0%. Council Operating performance ratio has returned to its correct level due to the Financial Assistance Grant being paid in the correct year.

We stress the importance of considering these ratios in conjunction with other performance indicators and not in isolation. The fact that these ratios are based upon consolidated funds should also be kept in mind as the ratios for individual funds (i.e General, Water, Sewer, etc.) may vary significantly.

Own source operating revenue

This ratio measures the fiscal flexibility of Council and its degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source revenue.

The ratio of 56.14% (2014 – 59.86%) is slightly below the benchmark of 60% and indicates Council is reliant on government grants and contributions to provide services to the community.

Unrestricted Current Ratio

The unrestricted current ratio is a measure of Council's liquidity and demonstrates Council's ability to satisfy obligations out short-term and immediate asset balances.

Council's ratio of 2.07:1 (2014 – 2.08:1) is considered strong, as the benchmark is a minimum of 1.5:1. The ratio has decreased this year due to an increased level of employee provisions which increased from \$2,621,000 in 2014 to \$3,119,000 in 2015. It has also been impact by significant increased levels of good and services creditors due to several large contracts in progress at year end.

Debt Service Cover Ratio

The debt service cover ratio measures the availability of operating cash to service debt including interest, principal and lease payments.

Council's ratio of 2.94% (2014 – 3.10%) is considered sound, as the benchmark is a minimum of 2.00%. This result means that Council has \$2.94 of cash to meet every \$1 of debt. It indicates that Council has the ability to borrow further if required.

Rates and Annual Charges Outstanding Ratio

The rates and annual charges outstanding percentage is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

Council's rates and annual charges outstanding percentage of 7.12% (2014 – 7.15%), Rates and Charges has marginally decreased and well below the industry benchmark of 10% for a rural Councils.

Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Council's ratio of 17.10 months (2014 – 12.04 months) is well above the minimum benchmark of 3 months and indicates that Council is in a very strong cash and investment position.

OTHER MATTERS

Several performance improvement observations were noted during our year end audit visits. A final management letter will be issued to management. There were no major control deficiencies noted in Council's systems.

Independence

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

Reliance on the Report

The report on the conduct of the audit has been prepared for distribution to Council. We disclaim any assumption of responsibility for any reliance on this report to any person other than Council or for any purpose other than that for which it was prepared.

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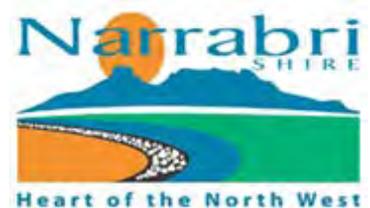
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Narrabri Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

“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 2015

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Background

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

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

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

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

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

Narrabri Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

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

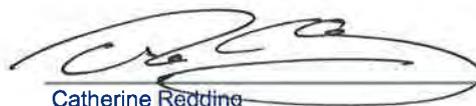
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

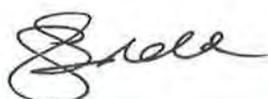
Signed in accordance with a resolution of Council made on 20 October 2015.



Conrad Bolton
MAYOR



Catherine Redding
COUNCILLOR



Stewart Todd
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 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	1,544	1,396
User charges	2,051	3,127
Fees	-	-
Interest	392	439
Grants and contributions provided for non capital purposes	35	36
Profit from the sale of assets	1	-
Other income	-	-
Total income from continuing operations	4,023	4,998
Expenses from continuing operations		
Employee benefits and on-costs	501	505
Borrowing costs	-	-
Materials and contracts	1,362	1,263
Depreciation and impairment	894	892
Water purchase charges	-	-
Loss on sale of assets	-	25
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	280	343
Total expenses from continuing operations	3,037	3,028
Surplus (deficit) from Continuing Operations before capital amounts	986	1,970
Grants and contributions provided for capital purposes	191	-
Surplus (deficit) from Continuing Operations after capital amounts	1,177	1,970
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,177	1,970
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(296)	(591)
SURPLUS (DEFICIT) AFTER TAX	881	1,379
plus Opening Retained Profits	16,534	14,564
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	296	591
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	17,711	16,534
Return on Capital %	4.0%	8.2%
Subsidy from Council	-	-
Calculation of dividend payable:		
Surplus (deficit) after tax	881	1,379
less: Capital grants and contributions (excluding developer contributions)	(191)	-
Surplus for dividend calculation purposes	690	1,379
Potential Dividend calculated from surplus	345	690

Narrabri Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	2,430	2,205
User charges	247	1,122
Liquid Trade Waste charges	310	-
Fees	-	-
Interest	227	239
Grants and contributions provided for non capital purposes	31	32
Profit from the sale of assets	1	-
Other income	3	78
Total income from continuing operations	3,249	3,676
Expenses from continuing operations		
Employee benefits and on-costs	427	413
Borrowing costs	30	38
Materials and contracts	1,145	1,060
Depreciation and impairment	1,463	1,459
Loss on sale of assets	-	4
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	159	153
Total expenses from continuing operations	3,224	3,127
Surplus (deficit) from Continuing Operations before capital amounts	25	549
Grants and contributions provided for capital purposes	136	-
Surplus (deficit) from Continuing Operations after capital amounts	161	549
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	161	549
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(8)	(165)
SURPLUS (DEFICIT) AFTER TAX	154	384
plus Opening Retained Profits	11,774	11,225
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	8	165
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	11,935	11,774
Return on Capital %	0.1%	1.5%
Subsidy from Council	1,081	764
Calculation of dividend payable:		
Surplus (deficit) after tax	154	384
less: Capital grants and contributions (excluding developer contributions)	(136)	-
Surplus for dividend calculation purposes	18	384
Potential Dividend calculated from surplus	9	192

Narrabri Shire Council

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

as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	4,331	11,888
Investments	8,415	-
Receivables	226	207
Inventories	-	-
Other	2	-
Non-current assets classified as held for sale	-	-
Total Current Assets	12,974	12,095
Non-Current Assets		
Investments	-	-
Receivables	113	102
Inventories	-	-
Infrastructure, property, plant and equipment	24,494	23,910
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total non-Current Assets	24,607	24,012
TOTAL ASSETS	37,581	36,107
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	160	76
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	160	76
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	160	76
NET ASSETS	37,421	36,031
EQUITY		
Retained earnings	17,711	16,534
Revaluation reserves	19,710	19,497
Council equity interest	37,421	36,031
Non-controlling equity interest	-	-
TOTAL EQUITY	37,421	36,031

Narrabri Shire Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	2,488	6,371
Investments	5,041	-
Receivables	183	109
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	7,712	6,480
Non-Current Assets		
Investments	-	-
Receivables	92	55
Inventories	-	-
Infrastructure, property, plant and equipment	37,609	37,961
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total non-Current Assets	37,701	38,016
TOTAL ASSETS	45,413	44,496
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	417	198
Interest bearing liabilities	135	130
Provisions	-	-
Total Current Liabilities	552	328
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	275	399
Provisions	-	-
Total Non-Current Liabilities	275	399
TOTAL LIABILITIES	827	727
NET ASSETS	44,586	43,769
EQUITY		
Retained earnings	11,935	11,774
Revaluation reserves	32,651	31,995
Council equity interest	44,586	43,769
Non-controlling equity interest	-	-
TOTAL EQUITY	44,586	43,769

Narrabri Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

Contents of the Notes accompanying the Financial Statements

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Narrabri Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

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 over \$2 million)

a. Narrabri Shire Council Water Supplies

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

b. Narrabri Shire Council Sewerage Service

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

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

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 Department of Primary Industries (Water), the amounts shown in Notes 2 and 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 statements as a cost of operations just like all other costs.

Narrabri Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

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 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 **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, 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 the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date.

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 2015

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) represent 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 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 3.02% at 30/6/15.

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 or sewer assessments at 30 June 2015 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 Department of Primary Industries (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 2015

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2015

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	13,737
(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]	345,100
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	137,370
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	2,923,200

2015 Surplus	690,200	2014 Surplus	1,379,000	2013 Surplus	854,000
		2014 Dividend	-	2013 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	137,370
(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 2015

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	3,630
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)]	%	55.82%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	24,438
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	2,108
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,145
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)]	%	2.56%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	191

- 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 2015

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2015

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	12,126
(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]	8,750
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	121,260
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	1,106,700

2015 Surplus	17,500	2014 Surplus	384,300	2013 Surplus	704,900
		2014 Dividend	-	2013 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	8,750
(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 2015Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015

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	3,157
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	37,598
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	1,709
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	580
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)]	%	-0.04%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	6,789
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	0.97%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	1,725
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)]	%	0.99%
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 2015

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

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

2015

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)]	%	-24.22%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 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: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		> 100
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	1,147
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	66

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Bathurst Office

INDEPENDENT AUDITORS' REPORT TO NARRABRI SHIRE COUNCIL REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements, being special purpose financial statements, of Narrabri Shire Council (the Council), which comprises of the statements of financial position by business activity as at 30 June 2015, and the income statements by business activity for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors' and management of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the basis of preparation described in Note 1 to the financial statements, are appropriate to meet the requirements of the NSW Government Policy Statement "Application of National Competition Policy to Local Government", Division of Local Government Guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality", The Local Government Code of Accounting Practice and Financial Reporting and The Department of Water and Energy Practice Management of Water Supply and Sewerage Guidelines and are appropriate to meet the needs of the Council and the Division of Local Government.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 controls relevant to the entity's preparation of the financial statements that gives a true and fair view 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 controls. An audit also includes evaluating the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

OPINION

In our opinion the financial statements of Narrabri Shire Council are in accordance with the Local Government Code of Accounting Practice and Financial Reporting, including:

- (i) giving a true and fair view of the Council's financial position as at 30 June 2015 and of its performance for the year ended on that date; and



- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Councils' financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose.

The financial statements have been prepared for distribution to Council for the purpose of fulfilling the Council's financial reporting obligations under the Local Government Code of Accounting Practice and Financial Reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council and the Division of Local Government, or for any purpose other than that for which it was prepared.

Crowe Horwath Auswild
CROWE HORWATH AUSWILD

Clare Wagner
Clare Wagner
Audit Partner

Dated at the Dubbo office this 26th day of October 2015

Narrabri Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2015

“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 2015

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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 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	451	-	-	(451)
Administration	6,319	3,138	-	(3,181)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	607	313	19	(275)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	205	22	-	(183)
Animal Control	172	18	-	(154)
Other	-	-	-	-
Total Public Order & Safety	984	353	19	(612)
Health	-	-	-	-
Environment				
Noxious Plants and Insect/Vermin Control	13	36	-	23
Other Environmental Protection	43	-	-	(43)
Solid Waste Management	2,723	2,760	100	137
Street Cleaning	-	-	-	-
Drainage	349	255	-	(94)
Stormwater Management	-	-	-	-
Total Environment	3,128	3,051	100	23
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	252	209	-	(43)
Public Conveniences	-	-	-	-
Street Lighting	250	53	-	(197)
Town Planning	365	136	7,626	7,397
Other Community Amenities	101	(18)	-	(119)
Total Housing and Community Amenities	968	380	7,626	7,038
Water Supplies	2,644	3,630	191	1,177
Sewerage Services	2,983	3,143	136	296

Narrabri Shire Council

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

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	644	76	-	(568)
Museums	2	-	-	(2)
Art Galleries	-	-	-	-
Community Centres and Halls	1,883	1,123	-	(760)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	90	23	-	(67)
Sporting Grounds and Venues	88	12	-	(76)
Swimming Pools	1,496	572	-	(924)
Parks & Gardens (Lakes)	1,972	135	17	(1,820)
Other Sport and Recreation	-	-	-	-
Total Recreation and Culture	6,175	1,941	17	(4,217)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	610	305	-	(305)
Other Mining, Manufacturing & Construction	85	123	-	38
Total Mining, Manufacturing and Const.	695	428	-	(267)
Transport and Communication				
Urban Roads (UR) - Local	1,973	55	14	(1,904)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	1,545	-	-	(1,545)
Sealed Rural Roads (SRR) - Regional	2,468	-	-	(2,468)
Unsealed Rural Roads (URR) - Local	3,993	141	-	(3,852)
Unsealed Rural Roads (URR) - Regional	142	-	-	(142)
Bridges on UR - Local	32	-	-	(32)
Bridges on SRR - Local	26	-	-	(26)
Bridges on URR - Local	-	(328)	61	(267)
Bridges on Regional Roads	1,395	-	-	(1,395)
Parking Areas	-	-	-	-
Footpaths	87	-	-	(87)
Aerodromes	714	284	4,068	3,638
Other Transport & Communication	2,560	5,819	-	3,259
Total Transport and Communication	14,935	5,971	4,143	(4,821)
Economic Affairs				
Camping Areas & Caravan Parks	62	80	-	18
Other Economic Affairs	1,549	629	36	(884)
Total Economic Affairs	1,611	709	36	(866)
Totals – Functions	40,897	22,745	12,268	(5,884)
General Purpose Revenues ⁽²⁾		18,287		18,287
Share of interests - joint ventures & associates using the equity method	-	24		24
NET OPERATING RESULT ⁽¹⁾	40,897	41,056	12,268	12,427

(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 2015

\$'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	3,082	10,275	13,357	-	3,082	-	-	670	839	9,436	10,275
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	3,082	10,275	13,357	-	3,082	-	-	670	839	9,436	10,275
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	25	54	79	-	25	-	-	6	26	28	54
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	25	54	79	-	25	-	-	6	26	28	54
Total Debt	3,107	10,329	13,436	-	3,107	-	-	676	865	9,464	10,329

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 2015

\$'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	31	126
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals	215	31	126

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 Schemes		01/07/10	10	30/06/20	6.94%	140	20	82
Pilliga Water	Other Water Schemes		01/07/10	10	30/06/20	6.94%	75	11	44
Totals							215	31	126

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 2015

\$'000	Actuals 2015	Actuals 2014
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	853	646
b. Engineering and Supervision	320	217
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	58	94
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	14	32
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	260	282
i. Maintenance expenses	321	358
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	-	-
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	282	406
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	877	876
b. Plant and equipment	17	16
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	35	76
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	3,037	3,003

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 2015

\$'000	Actuals 2015	Actuals 2014
Income		
6. Residential charges		
a. Access (including rates)	1,544	1,396
b. Usage charges	1,951	2,255
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	22	68
8. Extra charges	-	-
9. Interest income	392	439
10. Other income	55	68
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	191	-
b. Grants for pensioner rebates	35	36
c. Other grants	-	-
12. Contributions		
a. Developer charges	23	736
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	4,213	4,998
14. Gain (or loss) on disposal of assets	1	(25)
15. Operating Result	1,177	1,970
15a. Operating Result (less grants for acquisition of assets)	986	1,970

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 2015

\$'000	Actuals 2015	Actuals 2014
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	74	68
c. Renewals	54	107
d. Plant and equipment	1,017	674
17. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	1,145	849
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)	3,754	3,738
b. Residential (unoccupied, ie. vacant lot)	117	134
c. Non-residential (occupied)	641	647
d. Non-residential (unoccupied, ie. vacant lot)	67	66
25. Number of ETs for which developer charges were received	- ET	- ET
26. Total amount of pensioner rebates (actual dollars)	\$ 64,389	\$ 64,918

Narrabri Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies for the financial year ended 30 June 2015

\$'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 2014/15 (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.			

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 2015

\$'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	12,746	-	12,746
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	226	113	339
c. User Charges	-	-	-
d. Other	2	-	2
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	24,438	24,438
b. Plant and equipment	-	56	56
34. Other assets	-	-	-
35. Total assets	<u>12,974</u>	<u>24,607</u>	<u>37,581</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	160	-	160
38. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	<u>160</u>	<u>-</u>	<u>160</u>
41. NET ASSETS COMMITTED	<u>12,814</u>	<u>24,607</u>	<u>37,421</u>
EQUITY			
42. Accumulated surplus			17,782
43. Asset revaluation reserve			19,639
44. TOTAL EQUITY			<u>37,421</u>
Note to system assets:			
45. Current replacement cost of system assets			56,090
46. Accumulated current cost depreciation of system assets			(31,652)
47. Written down current cost of system assets			<u>24,438</u>

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 2015

\$'000	Actuals 2015	Actuals 2014
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	369	51
b. Engineering and Supervision	244	85
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	164	243
b. Maintenance expenses	153	179
- Pumping Stations		
c. Operation expenses (excluding energy costs)	112	130
d. Energy costs	99	93
e. Maintenance expenses	142	70
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	297	576
g. Chemical costs	-	-
h. Energy costs	38	41
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	87	128
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	4	11
3. Depreciation expenses		
a. System assets	1,453	1,452
b. Plant and equipment	10	7
4. Miscellaneous expenses		
a. Interest expenses	30	38
b. Revaluation Decrements	-	-
c. Other expenses	22	19
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	3,224	3,123

Narrabri Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
Income		
6. Residential charges (including rates)	2,430	2,205
7. Non-residential charges		
a. Access (including rates)	15	13
b. Usage charges	205	156
8. Trade Waste Charges		
a. Annual Fees	1	-
b. Usage charges	309	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	227	239
11. Other income	3	78
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	31	32
c. Other grants	-	-
13. Contributions		
a. Developer charges	27	953
b. Developer provided assets	-	-
c. Other contributions	136	-
14. Total income	3,384	3,676
15. Gain (or loss) on disposal of assets	1	(4)
16. Operating Result	161	549
16a. Operating Result (less grants for acquisition of assets)	161	549

Narrabri Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	580	130
c. Renewals	-	-
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	580	130
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)	3,289	3,263
b. Residential (unoccupied, ie. vacant lot)	191	217
c. Non-residential (occupied)	525	505
d. Non-residential (unoccupied, ie. vacant lot)	37	39
26. Number of ETs for which developer charges were received	- ET	- ET
27. Total amount of pensioner rebates (actual dollars)	\$ 57,138	\$ 57,609

Narrabri Shire Council

Special Schedule No. 5 - Sewerage Service Cross Subsidies for the financial year ended 30 June 2015

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2014/15 (page 47 of Guidelines)			<input type="text"/>
<p>** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.</p>			

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 2015

\$'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	7,529	-	7,529
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	122	61	183
c. User Charges	-	-	-
d. Other	92	-	92
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	37,598	37,598
b. Plant and equipment	-	11	11
35. Other assets	-	-	-
36. Total Assets	7,743	37,670	45,413
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	417	-	417
39. Borrowings			
a. Loans	135	275	410
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	552	275	827
42. NET ASSETS COMMITTED	7,191	37,395	44,586
EQUITY			
42. Accumulated surplus			11,995
44. Asset revaluation reserve			32,591
45. TOTAL EQUITY			44,586
Note to system assets:			
46. Current replacement cost of system assets			91,395
47. Accumulated current cost depreciation of system assets			(53,797)
48. Written down current cost of system assets			37,598

Narrabri Shire Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2015

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Narrabri Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Buildings										
	Council Offices	-	73	77	1,783	0%	0%	91%	9%	0%
	Council Works Depot	-	25	37	2,303	0%	81%	10%	9%	0%
	Council Public Halls	519	21	4	981	0%	57%	31%	10%	2%
	Libraries	-	12	18	1,161	55%	0%	29%	16%	0%
	Cultural Centre	-	75	45	5,732	0%	100%	0%	0%	0%
	Museum	-	2	2	605	0%	0%	100%	0%	0%
	Fire & Emergency Services	47	20	22	607	0%	79%	19%	2%	0%
	Council Houses	-	22	20	1,174	0%	19%	81%	0%	0%
	Parks & Gardens	100	27	49	3,598	4%	48%	42%	6%	0%
	Tourism	-	10	15	663	0%	86%	14%	0%	0%
	Caravan Parks	-	11	20	369	0%	36%	64%	0%	0%
	Other Business	-	31	15	464	0%	30%	69%	1%	0%
	Other	-	13	43	1,500	4%	59%	32%	5%	0%
	sub total	666	342	367	20,940	4.0%	58.8%	32.5%	4.6%	0.1%
Other Structures										
	Other Structures	55	-	-	9,894	17%	41%	40%	2%	0%
	sub total	55	-	-	9,894	17.0%	41.0%	40.0%	2.0%	0.0%
Roads										
	Sealed Roads Surface	1,573	255	340	9,337	10%	19%	50%	20%	1%
	Sealed Roads Structure		1,629	2,179	59,780	9%	57%	24%	10%	0%
	Unsealed Roads	4,893	3,138	3,314	32,728	16%	77%	2%	2%	3%
	Bridges	1,615	106	274	16,066	12%	30%	41%	17%	0%
	Footpaths	-	50	43	3,342	77%	20%	2%	1%	0%
	Kerb and Gutter	844	-	-	45,516	23%	31%	44%	2%	0%
	Other Road Assets	-	-	-	145	22%	54%	18%	6%	0%
	sub total	8,925	5,178	6,150	166,914	15.9%	48.4%	27.8%	7.3%	0.6%

Narrabri Shire Council

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

as at 30 June 2015

\$'000										
Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Water Supply Network	Mains	-	179	206	15,736	28%	17%	51%	4%	0%
	Reservoirs	-	32	27	4,418	1%	72%	25%	2%	0%
	Pumping Station/s	-	57	85	1,851	36%	32%	28%	4%	0%
	Water Meters	-	11	10	86	15%	2%	0%	83%	0%
	sub total	-	279	328	22,091	23.2%	29.2%	43.7%	3.9%	0.0%
Sewerage Network	Mains	-	128	158	23,769	19%	54%	15%	12%	0%
	Pumping Station/s	-	120	142	4,704	17%	48%	7%	28%	0%
	Treatment	-	92	87	7,429	65%	12%	22%	1%	0%
	sub total	-	340	387	35,902	28.3%	44.5%	15.4%	11.8%	0.0%

Narrabri Shire Council

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

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Stormwater Drainage	Stormwater Conduits	397	151	23	3,963	0%	40%	30%	28%	2%
	Inlet and Junction Pits	83	-	-	1,257	0%	29%	40%	31%	0%
	Head Walls	18	-	-	111	0%	5%	24%	70%	1%
	sub total	498	151	23	5,331	0.0%	36.7%	32.2%	29.6%	1.5%
Open Space/ Recreational Assets	Swimming Pools	-	55	56	7,569	75%	19%	4%	2%	0%
	sub total	-	55	56	7,569	75.0%	19.0%	4.0%	2.0%	0.0%
	TOTAL - ALL ASSETS	10,144	6,345	7,311	268,641	18.6%	45.8%	27.7%	7.5%	0.4%

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 2015

\$ '000	Amounts 2015	Indicator 2015	Indicator 2014
Infrastructure Asset Performance Indicators Consolidated			
1. Building, Infrastructure & Other Structures Renewals Ratio			
Asset Renewals			
<u>(Building, Infrastructure & Other Structures) ⁽¹⁾</u>	<u>8,499</u>	100.50%	26.01%
Depreciation, Amortisation & Impairment	8,457		
2. Infrastructure Backlog Ratio			
Estimated Cost to bring Assets to a Satisfactory Condition	<u>10,144</u>	3.74%	3.68%
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	271,211		
3. Asset Maintenance Ratio			
Actual Asset Maintenance	<u>7,311</u>	1.15	1.14
Required Asset Maintenance	6,345		
4. Capital Expenditure Ratio			
Annual Capital Expenditure	<u>15,100</u>	1.53	0.58
Annual Depreciation	9,867		

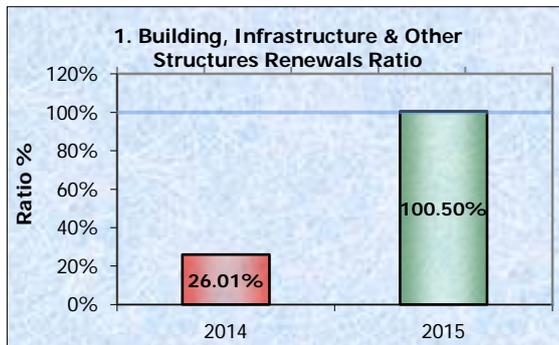
Notes

⁽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, infrastructure & Other Structure 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 2015



Purpose of Asset Renewals Ratio

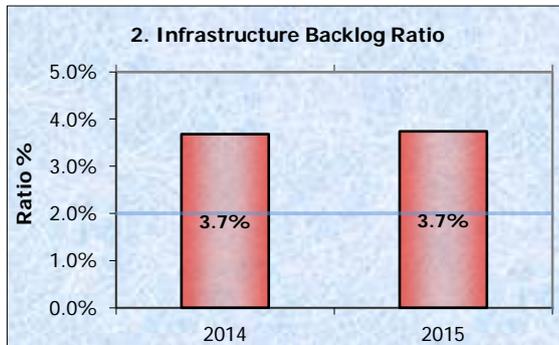
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

2014/15 Ratio 100.50%

Benchmark: ——— Minimum $\geq 100.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Infrastructure Backlog Ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

2014/15 Ratio 3.74%

Benchmark: ——— Maximum < 0.02

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Asset Maintenance Ratio

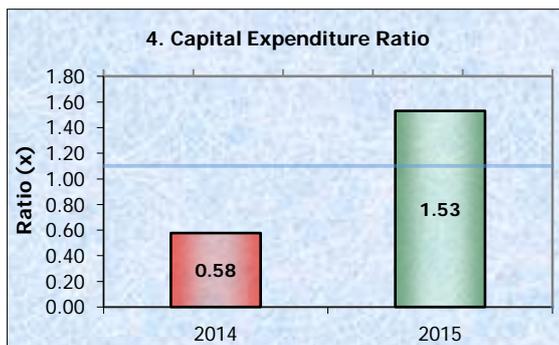
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

2014/15 Ratio 1.15 x

Benchmark: ——— Minimum > 1.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

2014/15 Ratio 1.53 x

Benchmark: ——— Minimum > 1.10

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark

Narrabri Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

\$ '000	Water 2015	Sewer 2015	General ⁽¹⁾ 2015
Infrastructure Asset Performance Indicators By Fund			
1. Building, Infrastructure & Other Structures Renewals Ratio			
Asset Renewals (Building, Infrastructure & Other Structures) ⁽²⁾	0.00%	0.00%	138.71%
Depreciation, Amortisation & Impairment			
prior period:	0.00%	0.00%	35.47%
2. Infrastructure Backlog Ratio			
Estimated Cost to bring Assets to a Satisfactory Condition			
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	0.00%	0.00%	4.76%
prior period:	0.00%	0.00%	4.69%
3. Asset Maintenance Ratio			
Actual Asset Maintenance			
Required Asset Maintenance	1.18	1.14	1.15
prior period:	0.88	0.90	1.17
4. Capital Expenditure Ratio			
Annual Capital Expenditure			
Annual Depreciation	1.28	0.40	1.78
prior period:	0.95	0.09	0.63

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, infrastructure & Other Structure assets only.

(3) Written Down Value

Narrabri Shire Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	11,662	11,969
Plus or minus Adjustments ⁽²⁾	b	21	208
Notional General Income	c = (a + b)	11,683	12,177
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
or Rate peg percentage	e	2.30%	2.40%
or Crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = d x (c-g)	-	-
or plus Rate peg amount	i = c x e	269	292
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	11,952	12,469
plus (or minus) last year's Carry Forward Total	l	26	(0)
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	26	(0)
Total Permissible income	o = k + n	11,978	12,469
less Notional General Income Yield	p	11,969	12,493
Catch-up or (excess) result	q = o - p	9	(24)
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	(0)	(24)

Notes

- 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.
- 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.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- 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.
- 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.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.

Bathurst Office**NARRABRI SHIRE COUNCIL****INDEPENDENT AUDITORS' REPORT****SCOPE**

We have audited the Special Schedule 9 Permissible Income Report being the reconciliation of total permissible general income of Narrabri Shire Council (the Council), for 2015/2016.

The Council is responsible for the preparation and presentation of the report in accordance with a directive of the Chief Executive, Local Government, Department Premier and Cabinet. We have conducted an independent audit of the Statement in order to express an opinion on their preparation and presentation.

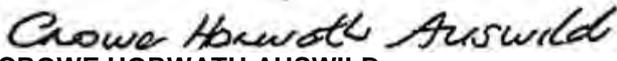
The report has been prepared using the checklist provided by the Division of Local Government. A copy of the checklist has been forwarded to the Council and to the Division of Local Government. The report has been prepared for the purpose of ensuring compliance by the Council of its financial reporting requirements under the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards so as to provide reasonable assurance as to whether the report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the report. We have not examined forecasts of expenditure or future policy decisions which impact on the calculation of domestic waste reasonable cost. These procedures have been undertaken to form an opinion as to whether, in all material respects, the report is presented fairly in accordance with the requirements of the Chief Executive of Local Government.

The audit opinion expressed in this Report has been formed on the above basis.

AUDIT OPINION

In our opinion the Special Schedule 9 Permissible Income Report of the total permissible general income of Narrabri Shire Council for 2015/2016, are properly drawn up in accordance with the requirements of the Chief Executive, Local Government, and in accordance with the books and records of the Council.


CROWE HORWATH AUSWILD**Clare Wagner**
Audit Partner

Dated at Dubbo office this 26th day of October 2015.