

Narrabri Shire Council

GENERAL PURPOSE FINANCIAL REPORT

for the year ended 30 June 2008

*"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 Report

for the financial year ended 30 June 2008

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Overview

- (i) This Financial Report covers the consolidated operations for Narrabri Shire Council.
- (ii) Narrabri Shire Council is a body corporate of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is specified in Section 8 of the LGA and includes;

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

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

- (iii) All figures presented in this Financial Report represent Australian Currency.
- (iv) This Financial Report was authorised for issue by the Council on 3/12/08. Council has the power to amend and reissue the financial report.
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Narrabri Shire Council

General Purpose Financial Report for the financial year ended 30 June 2008

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 Report has been prepared in accordance with:

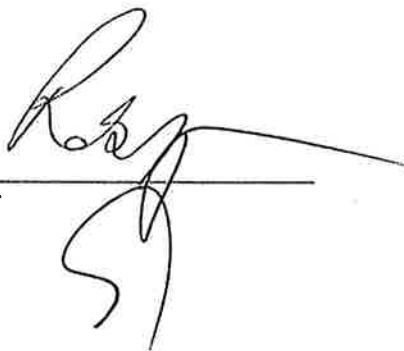
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, this Report:

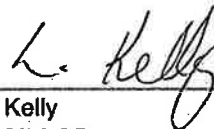
- presents fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 2 December 2008.



Robyn Faber
MAYOR



Lester Kelly
COUNCILLOR



Max Kershaw
GENERAL MANAGER



Glen Warren
RESPONSIBLE ACCOUNTING OFFICER

Narrabri Shire Council

Income Statement

for the financial year ended 30 June 2008

Budget ⁽¹⁾			Actual	Actual
2008	\$ '000	Notes	2008	2007
Income from Continuing Operations				
<i>Revenue:</i>				
11,827	Rates & Annual Charges	3a	11,865	11,556
3,856	User Charges & Fees	3b	4,293	3,226
1,277	Interest & Investment Revenue	3c	-	1,475 *
828	Other Revenues	3d	997	980
7,227	Grants & Contributions provided for Operating Purposes	3e,f	5,993	10,185 *
67	Grants & Contributions provided for Capital Purposes	3e,f	2,272	4,402
<i>Other Income:</i>				
497	Net gains from the disposal of assets	5	-	65
25,579	Total Income from Continuing Operations		25,420	31,889
Expenses from Continuing Operations				
7,812	Employee Benefits & On-Costs	4a	8,044	6,836
589	Borrowing Costs	4b	596	572
6,927	Materials & Contracts	4c	7,818	9,712
5,353	Depreciation & Amortisation	4d	5,462 *	5,259
-	Impairment	4d	-	-
3,192	Other Expenses	4e	3,338	3,273
-	Interest & Investment Losses	3c	907	-
-	Net Losses from the Disposal of Assets	5	30	-
-	Share of interests in Joint Ventures & Associates using the Equity Method	19	19	38
23,873	Total Expenses from Continuing Operations		26,214	25,690
1,706	Operating Result from Continuing Operations		(794)	6,199
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
1,706	Net Operating Result for the Year		(794)	6,199
1,706	Net Operating Result attributable to Council		(794)	6,199
-	Net Operating Result attributable to Minority Interests		-	-
1,639	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(3,066)	1,797

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

Narrabri Shire Council

Balance Sheet

as at 30 June 2008

\$ '000	Notes	Actual 2008	Actual 2007
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	6,667	5,252
Investments	6b	6,062	11,710
Receivables	7	1,740	2,004
Inventories	8	1,146	653
Other	8	207	208
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		15,822	19,827
Non-Current Assets			
Investments	6b	6,397	8,483
Receivables	7	437	515
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	261,511	230,437
Investments Accounted for using the equity method	19	128	284
Investment Property	14	-	-
Intangible Assets	25	-	-
Other	8	-	-
Total Non-Current Assets		268,473	239,719
TOTAL ASSETS		284,295	259,546
LIABILITIES			
Current Liabilities			
Payables	10	3,370	1,665
Borrowings	10	471	505
Provisions	10	1,625	1,556
Total Current Liabilities		5,466	3,726
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	9,501	8,898
Provisions	10	76	63
Total Non-Current Liabilities		9,577	8,961
TOTAL LIABILITIES		15,043	12,687
Net Assets		269,252	246,859
EQUITY			
Retained Earnings	20	226,508	246,859
Revaluation Reserves	20	42,744	-
Council Equity Interest		269,252	246,859
Minority Equity Interest		-	-
Total Equity		269,252	246,859

Narrabri Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2008

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2008						
Opening Balance (as per Last Year's Audited Accounts)		246,859	-	246,859	-	246,859
a. Correction of Prior Period Errors	20 (c)	(19,557)	-	(19,557)	-	(19,557)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/07)		227,302	-	227,302	-	227,302
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	42,744	42,744	-	42,744
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-	-
- Other Adjustments	20b (ii)	-	-	-	-	-
Net Income Recognised Directly in Equity		-	42,744	42,744	-	42,744
d. Net Operating Result for the Year		(794)	-	(794)	-	(794)
Total Recognised Income & Expenses (c&d)		(794)	42,744	41,950	-	41,950
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		226,508	42,744	269,252	-	269,252

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2007						
Opening Balance (as per Last Year's Audited Accounts)		240,660	-	240,660	-	240,660
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/06)		240,660	-	240,660	-	240,660
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	-	-	-	-
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-	-
- Other Adjustments	20b (ii)	-	-	-	-	-
Net Income Recognised Directly in Equity		-	-	-	-	-
d. Net Operating Result for the Year		6,199	-	6,199	-	6,199
Total Recognised Income & Expenses (c&d)		6,199	-	6,199	-	6,199
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		246,859	-	246,859	-	246,859

Narrabri Shire Council

Cash Flow Statement

for the financial year ended 30 June 2008

Budget 2008	\$ '000	Notes	Actual 2008	Actual 2007
Cash Flows from Operating Activities				
Receipts:				
11,827	Rates & Annual Charges		11,891	11,586
2,790	User Charges & Fees		3,924	2,967
1,277	Interest & Investment Revenue Received		1,449	686
7,294	Grants & Contributions		8,347	15,273
828	Other		3,850	2,092
Payments:				
(7,883)	Employee Benefits & On-Costs		(7,962)	(6,908)
(5,861)	Materials & Contracts		(5,780)	(10,685)
(589)	Borrowing Costs		(598)	(555)
(3,193)	Other		(6,390)	(3,765)
6,490	Net Cash provided (or used in) Operating Activities	11b	8,731	10,691
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		17,623	16,892
804	Sale of Infrastructure, Property, Plant & Equipment		907	689
-	Deferred Debtors Receipts		-	5
	Distributions Received from Joint Ventures & Associates		137	-
Payments:				
-	Purchase of Investment Securities		(12,316)	(17,216)
(7,996)	Purchase of Infrastructure, Property, Plant & Equipment		(14,236)	(7,399)
(7,192)	Net Cash provided (or used in) Investing Activities		(7,885)	(7,029)
Cash Flows from Financing Activities				
Receipts:				
1,126	Proceeds from Borrowings & Advances		1,770	1,580
Payments:				
(475)	Repayment of Borrowings & Advances		(1,174)	(432)
-	Repayment of Finance Lease Liabilities		(27)	-
651	Net Cash Flow provided (used in) Financing Activities		569	1,148
(51)	Net Increase/(Decrease) in Cash & Cash Equivalents		1,415	4,810
5,252	plus: Cash & Cash Equivalents - beginning of year	11a	5,252	442
5,201	Cash & Cash Equivalents - end of the year	11a	6,667	5,252

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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n/a - not applicable

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies

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

Under Australian Equivalents to International Financial Reporting Standards (AIFRS), 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 reports.

(a) Basis of preparation

(i) Background

This financial report is a general purpose financial report which has been prepared in accordance with;

- applicable Australian equivalents to International Financial Reporting Standards (AIFRSs),
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulations and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

Australian Accounting Standards (AASB's) include Australian equivalents to International Financial Reporting Standards (IFRS's).

Because AASB's are sector neutral, some standards either (i) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's or (ii) specifically exclude application by Not for Profit entities.

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &

- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

Accordingly in preparing this Financial Report and Accompanying Notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

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

(iii) Application of AAS 27

Council is required to comply with AAS 27 –“Financial Reporting by Local Government”, and where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied.

Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS equivalent standards will apply and in particular any specific “not for profit” reporting requirements.

(iv) Basis of Accounting

These financial statements have been prepared on an **historical cost basis** except for (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value, (ii) the write down of any Asset on the basis of Impairment (if warranted) and (iii) certain classes of Infrastructure, property, plant & equipment.

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

(v) Changes in Accounting Policies

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

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

(vi) Critical Accounting Estimates

The preparation of this financial report (and financial statements) in conformity with AIFRS requires the use of certain critical accounting estimates.

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

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for doubtful debts on rates has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Income from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, and (i) it is probable that the economic benefits comprising the contribution will

flow to the Council and (ii) the amount of the contribution can be measured reliably.

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

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

The Council has obligations to provide facilities from contributions required from developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of A Development Consents Orders, 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 or payable to Council.

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

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

User Charges, Fees and Other Income

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

A provision for doubtful debt 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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

(c) Principles of Consolidation

These Financial Reports incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/08) and (ii) all the related operating results (for the financial year ended the 30th June 2008).

The Financial Reports also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the Consolidated fund:

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

(ii) The Trust Fund

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

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

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

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

(iii) Joint Venture Entities

Jointly Controlled Assets

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

Jointly Controlled Entities

The interest in a Joint Venture Partnership is accounted for using the equity method and is carried at cost.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

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

Details relating to such Entities and Partnerships (where applicable) are set out in Note 19.

(iv) Associated Entities

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

Such entities are usually termed "Associates".

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in other long term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

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

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

(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.

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges.

Assets in this category are classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

Investments are 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.

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

value through profit or loss", directly attributable transactions costs

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

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

(ii) Subsequent Measurement

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

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

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

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

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

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

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(iii) Types of Investments

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

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

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

(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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

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.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

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

(h) Receivables

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

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 Councils policy.

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

(j) Infrastructure, property, plant and Equipment (I,PP&E)

Acquisition of assets

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

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

- **Investment Properties** which are valued at Fair Value – refer Note 1(k), and
- **Water and Sewerage Networks** which are carried at Fair Value (generally based upon Depreciated Replacement Cost).
- **Operational Land** (External Valuation)
- **Community land** (External Valuation)
- **Other structures** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)

The remaining asset classes to be revalued in future reporting periods include;

- **2008/09:** Roads, bridges, footpaths and drainage, land improvements and other assets

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

Initial Recognition

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

Where settlement of any part of an assets cash consideration is deferred, the amounts payable in

the future are discounted to their present value as at the date of recognition to arrive at fair value.

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial report 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

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

- Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve.
- To the extent that the increase reverses a decrease previously recognising profit or loss, the increase is first recognised in profit or loss.
- Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

Capitalisation Thresholds

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

Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads	100% Capitalised

Plant & Equipment

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

Buildings & Land Improvements

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

Water & Sewer Assets

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

Stormwater Assets

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

Transport Assets

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

Depreciation

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

Land is not depreciated.

The range of estimated useful lives for Councils assets 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
- Other	20 to 40 years

Stormwater Drainage

- Pumps	30 years
- Drainage	60 years
- Reticulation Pipes	80 years

Transportation Assets

- Sealed Roads: Surface	30 years
- Sealed Roads: Structure	60 years
- Natural Surface Roads	Indefinite
- Gravel Surface Roads	Indefinite
- Unsealed roads	20 years
- Causeways	60 years
- Bridges	105 years
- Kerb, Gutter & Paths	50 years

Water & Sewer Assets

- Dams and reservoirs	100 years
- Bores	30 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

All asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (p) 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) Intangible Assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(l) 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.

A working party of interested representatives from both State and Local Government is being formed to consider the accounting issues related to the Crown Reserves, with the intention of developing a consistent approach to their recognition and future accounting treatment across both tiers of government.

(m) Rural Fire Service assets

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

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

Until such time as discussions on this matter have concluded and the legislation changed, council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these Financial Reports.

(n) Investment property

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

Full revaluations are carried out every three years with an appropriate index utilised each year in between the full revaluations.

(o) Land

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

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

(p) Land under roads

Council has elected not to recognise land under roads in accordance with the deferral arrangements available to it under AASB 1045.

These deferral arrangements cease to apply as of 1 July 2008.

(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

This amortisation of the discount is shown as a borrowing cost.

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

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

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

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

These costs are charged to the income statement.

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

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

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

Specific Information relating to Councils provisions relating to Close Down, Restoration and Remediation costs can be found at Note 21.

(r) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis.

Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets classified as "Non Current Assets Held for Sale", an impairment loss is recognised where the assets carrying value is greater than its fair value less costs to sell.

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

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

(s) Impairment of assets

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

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

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

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

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

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Council's outstanding borrowings during the year.

(w) Provisions

Provisions for legal claims and service warranties are recognised when:

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

Provisions are not recognised for future operating losses.

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

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

(x) Employee benefits

(i) Wages & salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick

leave, are recognised in the provision for employee benefits in respect of employees' services up to the reporting date.

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

Calculations therefore incorporate (where the leave is expected to be paid more than 12 months after the reporting date) the use of discounted cash flows.

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) Long service leave

The liability for long service leave is recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date.

Long Service Leave is measured at the present value of the expected future payments to be made using the projected unit credit method.

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

(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.

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

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

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans.

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

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

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

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

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 19th June 2007 and covers the period ended 30 June 2006.

This valuation found that the Schemes assets were \$3,291.1 million and its past service liabilities were \$2,980.3 million, giving it a Surplus of \$310.8 million.

Whilst the existence of this surplus resulted in Council contributing at half the normal level of contributions during the 06/07 year, investment market conditions experienced in the last 12 months has resulted in the Board requiring all Councils to contribute at the full "notional" contribution rate from 1/7/08.

The financial position of the Scheme is monitored annually.

Contributions to defined contribution plans are recognised as an expense as they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those arising from the payment of employee benefits in future periods – including Superannuation and Workers Compensation expenses which will be payable upon the future payment of some Leave Liabilities accrued as at 30/6/08.

(y) Self insurance

Council does not have any program of self insurance.

(z) Allocation between current and non-current

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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

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 classified as current even if not expected to be realised in the next 12 months.

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

Operating cash flows within the Statement of Cash Flows 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.

Accordingly, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2008.

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

Applicable to Local Government with the implications:

- Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101

- AASB 1051 Land Under Roads,

AASB 1051 will allow Council to recognise or not recognise land under roads acquired before 30 June 2008.

Council will be required to nominate whether to recognise Land under roads (acquired after 30 June 2008) or to exclude these Assets from recognition.

This Standard could have a significant impact on the Council's Balance Sheet depending on Council's accounting policy choice.

- AASB 1052 Disaggregated Disclosures,

AASB 1052 requires disclosure of financial information by function or activity.

Council already provides this information in Note 2(a) so there will be no additional impact on the financial statements.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

- AASB 1004 Contributions (revised),

AASB 1004 requires contributions made to Council to be recognised at fair value when they are controlled and to be appropriately disclosed.

Council already accounts for contributions in this manner so there will be no additional impact on the financial statements.

- AASB 2007-9 Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29 and AAS 31,

Council will no longer apply AAS 27 from 1 July 2008 due to its withdrawal. Council currently applies AIFRS (but with AAS 27 taking precedence).

The withdrawal of AAS 27 will see specific paragraphs transferred to existing AIFRS, and accordingly there is little impact from its withdrawal.

Applicable to Local Government but no implications for Council;

- Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

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

- AASB-I 12 Service Concession Arrangements, AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 12, revised UIG 4 Determining whether an Arrangement contains a Lease and revised UIG 129 Service Concession Arrangements: Disclosures
- ASB-I 13 Customer Loyalty Programmes
- AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Not applicable to Local Government per se;

- AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
- AASB 1049 Whole of Government and General Government Sector Financial Reporting
- AASB 1050 Administered Items
- Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities (revised)

Council has not adopted any of these standards early.

(ac) Rounding of amounts

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

(ad) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within this Financial Report and/or the Notes.

(ae) Disclaimer

Nothing contained within this report 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 2008

Note 2(a). Functions / Activities - Financial Disclosures

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 2008	Actual 2008	Actual 2007	Original Budget 2008	Actual 2008	Actual 2007	Original Budget 2008	Actual 2008	Actual 2007	Actual 2008	Actual 2007	Actual 2008	Actual 2007
Governance	-	-	-	482	503	369	(482)	(503)	(369)	-	-	-	-
Administration	711	1,349	436	5,214	5,094	4,815	(4,503)	(3,745)	(4,379)	39	12	25,292	26,679
Public Order & Safety	124	167	245	537	492	596	(413)	(325)	(351)	140	208	1,018	941
Health	139	119	126	264	284	243	(125)	(165)	(117)	92	100	-	-
Community Services & Education	44	368	46	170	263	114	(126)	105	(68)	328	3	2,971	-
Housing & Community Amenities	2,123	1,917	1,884	2,554	2,591	1,848	(431)	(674)	36	51	54	7,305	6,705
Water Supplies	1,799	1,182	1,951	1,662	1,685	1,391	137	(503)	560	211	87	16,867	19,456
Sewerage Services	1,901	1,605	1,824	1,750	2,364	1,575	151	(759)	249	32	33	21,055	19,938
Recreation & Culture	392	485	380	3,411	3,378	3,309	(3,019)	(2,893)	(2,929)	97	57	19,622	13,420
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	119	263	156	480	432	1,920	(361)	(169)	(1,764)	-	-	2,011	79
Transport & Communication	3,685	4,802	11,039	6,271	7,914	8,331	(2,586)	(3,112)	2,708	1,315	8,492	184,212	167,981
Economic Affairs	568	752	648	1,078	1,195	1,141	(510)	(443)	(493)	52	22	3,814	4,063
Total Functions & Activities	11,605	13,009	18,735	23,873	26,195	25,652	(12,268)	(13,186)	(6,917)	2,357	9,068	284,167	259,262
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	19	38	-	(19)	(38)	-	-	128	284
General Purpose Income ¹	13,974	12,411	13,154	-	-	-	13,974	12,411	13,154	4,508	4,299	-	-
Operating Result from Continuing Operations	25,579	25,420	31,889	23,873	26,214	25,690	1,706	(794)	6,199	6,865	13,367	284,295	259,546

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 2(b). Components of Functions / Activities

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

GOVERNANCE

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

ADMINISTRATION

Costs not otherwise attributed to other functions / activities.

PUBLIC ORDER & SAFETY

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

HEALTH

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

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

FUEL & ENERGY - Gas Supplies

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries and pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2008	Actual 2007
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		3,069	2,834
Farmland		3,985	4,193
Mining		276	120
Business		976	931
Total Ordinary Rates		8,306	8,078
Special Rates			
Wee Waa Drainage		119	118
Tourism		45	43
Total Special Rates		164	161
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		1,271	1,022
Water Supply Services		561	866
Sewerage Services		1,563	1,429
Total Annual Charges		3,395	3,317
TOTAL RATES & ANNUAL CHARGES		11,865	11,556

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

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2008

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		708	431
Sewerage Services		33	77
Waste Management Services (non-domestic)		189	156
Total User Charges		930	664
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Planning & Building Regulation		310	229
Private Works - Section 67		321	123
Regulatory/ Statutory Fees		19	23
Registration Fees		14	33
Total Fees & Charges - Statutory/Regulatory		664	408
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Aerodrome		221	169
Caravan Park		46	50
Cemeteries		82	87
Contributions to Works		127	66
Leaseback Fees - Vehicles		96	90
Quarry Revenues		47	2
RTA Charges (State Roads not controlled by Council)		1,667	1,178
Saleyards		263	311
Swimming Centres		87	82
Trade Waste		21	16
Waste Disposal Tipping Fees		23	74
Other		19	29
Total Fees & Charges - Other		2,699	2,154
TOTAL USER CHARGES & FEES		4,293	3,226

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
(c). Interest & Investment Revenue (incl. losses)			
Interest on Overdue Rates & Annual Charges		88	72
Interest earned on Investments (interest & coupon payment income)		1,431	629
Fair Valuation Movements in Investments (unrealised capital gains/(losses))		(2,426)	774
TOTAL INTEREST & INVESTMENT REVENUE		(907)	1,475
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		88	72
General Council Cash & Investments		(491)	705
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		8	4
Water Fund Operations		(368)	515
Sewerage Fund Operations		(144)	174
Domestic Waste Management operations		-	5
Total Interest & Investment Revenue Recognised		(907)	1,475
(d). Other Revenues			
Rental Income - Other Council Properties		143	130
Fines		22	13
Legal Fees Recovery - Rates & Charges (Extra Charges)		51	43
Cultural Centre		194	170
Distribution Reuse Farm		62	69
Employment Services		59	54
Insurance Claim Recoveries		174	68
Recoverable Expenses		63	134
Sales - General		123	291
Other		106	8
TOTAL OTHER REVENUE		997	980

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2008

Note 3. Income from Continuing Operations (continued)

\$ '000	2008 Operating	2007 Operating	2008 Capital	2007 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	2,723	2,564	-	-
Financial Assistance - Local Roads Component	1,694	1,642	-	-
Pensioners' Rates Subsidies - General Component	91	93	-	-
Total General Purpose	4,508	4,299	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	35	36	-	-
- Sewerage	32	33	-	-
- Domestic Waste Management	31	28	-	-
Water Supplies	-	-	176	51
Bushfire & Emergency Services	136	208	-	-
Community Events	3	3	-	-
Flood Restoration	322	3,101	-	-
Flood Studies	51	26	-	-
Heritage & Cultural	6	5	-	-
Library	52	52	-	-
Noxious Weeds	92	100	-	-
RTA Determined Works - 3x3	163	163	45	-
Street Lighting	47	-	-	-
Tourism	52	22	-	-
Transport (Roads to Recovery)	-	924	746	4,304
Transport (Other Roads & Bridges Funding)	-	-	44	-
Other	24	12	300	-
Total Specific Purpose	1,046	4,713	1,311	4,355
Total Grants	5,554	9,012	1,311	4,355
Grant Revenue is attributable to:				
- Commonwealth Funding	4,979	5,152	768	4,304
- State Funding	575	3,860	543	51
- Other Funding	-	-	-	-
	5,554	9,012	1,311	4,355

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 3. Income from Continuing Operations (continued)

\$ '000	2008 Operating	2007 Operating	2008 Capital	2007 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	180	47
Other Developer Contributions	-	-	-	-
Total Developer Contributions	17	-	180	47
Other Contributions:				
Bushfire Services	-	-	4	-
RTA Contributions (Regional/Local, Block Grant)	439	1,164	777	-
Other	-	9	-	-
Total Other Contributions	439	1,173	781	-
Total Contributions	439	1,173	961	47
TOTAL GRANTS & CONTRIBUTIONS	5,993	10,185	2,272	4,402

\$ '000	Actual 2008	Actual 2007
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(g). Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	5,504	2,008
add: Grants and contributions recognised in the current period which have not been spent:	872	4,796
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(3,529)	(1,300)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	(2,657)	3,496
Unexpended at the Close of this Reporting Period and held as Restricted Assets	2,847	5,504
Comprising:		
- Specific Purpose Unexpended Grants	2,715	5,390
- Developer Contributions	132	114
	2,847	5,504

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2008

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2008	Actual 2007
(a) Employee Benefits & On-Costs			
Salaries and Wages		6,048	5,196
Travelling		55	71
Employee Leave Entitlements (ELE)		629	779
Superannuation		590	455
Workers' Compensation Insurance		271	278
Fringe Benefit Tax (FBT)		34	20
Training Costs (other than Salaries & Wages)		109	140
Protective Clothing		25	27
Other		540	133
Total Employee Costs		8,301	7,099
less: Capitalised Costs		(257)	(263)
TOTAL EMPLOYEE COSTS EXPENSED		8,044	6,836
Number of "Equivalent Full Time" Employees at year end		130	116
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		591	572
Charges relating to Finance Leases		5	-
Total Interest Bearing Liability Costs		596	572
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		596	572
(ii) Other Borrowing Costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		596	572

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
(c) Materials & Contracts			
Raw Materials & Consumables		6,233	8,900
Contractor & Consultancy Costs		-	-
- Waste Collection		914	343
- Management Fees		126	121
- Contractor & Consultancy Costs		327	-
- Other		27	200
Auditors Remuneration			
- Council's Auditor:			
i. Audit Services		20	22
Legal Expenses - Planning & Development		5	7
Legal Expenses - Other		2	12
Legal Expenses - Debt Recovery		95	42
Operating Lease Rentals - Minimum Lease Payments ¹		69	65
Total Materials & Contracts		7,818	9,712
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		7,818	9,712
1. Operating Leases are attributable to:			
- Computers		69	44
- Other		-	21
		69	65

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Depreciation/Amortisation		Impairment Costs	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
(d) Depreciation, Amortisation & Impairment				
Plant and Equipment	1,020	944	-	-
Office Equipment	71	74	-	-
Furniture & Fittings	70	64	-	-
Property, Plant & Equipment - Leased	7	-	-	-
Land Improvements (depreciable)	125	125	-	-
Buildings - Non Specialised	255	260	-	-
Buildings - Specialised	54	56	-	-
Other Structures	235	220	-	-
Infrastructure:				
- Roads, Bridges & Footpaths	2,564	2,447	-	-
- Stormwater Drainage	116	138	-	-
- Water Supply Network	334	306	-	-
- Sewerage Network	611	625	-	-
Total Depreciation & Impairment Costs	5,462	5,259	-	-
less: Capitalised Costs	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED	5,462	5,259	-	-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
(e) Other Expenses			
Advertising		71	143
Bad & Doubtful Debts		3	37
Bank Charges		40	58
Cleaning		87	87
Contributions to Other Levels of Government			
- NSW Rural Fire Service Levy		240	223
- Planning Services		104	69
Councillor Expenses - Mayoral Fee		19	18
Councillor Expenses - Councillors Fees		89	91
Councillors Expenses (incl. Mayor) - Other (excluding fees above)		58	37
Donations, Contributions & Assistance to other organisations (Section 356)		48	2
- Donations, Contributions & Assistance :Other		411	337
Electricity & Heating		355	476
Fire Control Expenses		15	155
Insurance		381	320
Office Expenses (including computer expenses)		305	243
Postage		28	30
Printing & Stationery		71	111
Recoverable Expenses		332	99
Street Lighting		270	260
Subscriptions & Publications		57	58
Telephone & Communications		138	116
Tourism Expenses (excluding employee costs)		132	258
Valuation Fees - Rates		47	45
Valuation Fees - Assets		37	-
Total Other Expenses		3,338	3,273
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		3,338	3,273

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 5. Gains or Losses on Disposal of Assets

\$ '000	Notes	Actual 2008	Actual 2007
Property (excl. Investment Property)			
Proceeds from Disposal		62	83
less: Carrying Amount of Property Assets Sold		(88)	(243)
Net Gain/(Loss) on Disposal		(26)	(160)
Plant & Equipment			
Proceeds from Disposal		810	641
less: Carrying Amount of P&E Assets Sold		(813)	(416)
Net Gain/(Loss) on Disposal		(3)	225
Financial Assets*			
Proceeds from Disposal		16,623	-
less: Carrying Amount of Financial Assets Sold		(16,624)	-
Net Gain/(Loss) on Disposal		(1)	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(30)	65
* Financial Assets disposals include:			
- Net Gain/(Loss) from Financial Instruments designated "Held to Maturity"		(1)	-
Net Gain/(Loss) on Disposal of Financial Instruments		(1)	-

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2008

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

\$ '000	2008	2008	2007	2007
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)				
Cash on Hand and at Bank	862	-	5,252	-
Cash-Equivalent Assets ¹				
- Deposits at Call	15	-	-	-
- Short Term Deposits	5,790	-	-	-
Total Cash & Cash Equivalents	6,667	-	5,252	-
Investment Securities (Note 6b)				
- Managed Funds	5,796	-	10,206	-
- NCD's, FRN's (with Maturities > 3 months)	266	4,120	1,000	-
- CDO's	-	2,277	504	8,483
Total Investment Securities	6,062	6,397	11,710	8,483
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS	12,729	6,397	16,962	8,483

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"				
	6,667	-	5,252	-
Investments				
a. "At Fair Value through the Profit & Loss"				
- "Held for Trading" 6(b-i)	6,062	6,397	10,710	8,483
- "Designated At Fair Value on Initial Recognition" 6(b-i)	-	-	-	-
b. "Held to Maturity" 6(b-ii)	-	-	1,000	-
c. "Loans & Receivables" 6(b-iii)	-	-	-	-
d. "Available for Sale" 6(b-iv)	-	-	-	-
Investments	6,062	6,397	11,710	8,483

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 6b. Investments (continued)

\$ '000	2008	2008	2007	2007
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	10,710	8,483	12,996	5,099
Revaluations (through the Income Statement)	(40)	(2,386)	774	-
Additions	11,816	500	8,340	8,876
Disposals (sales & redemptions)	(16,624)	-	(11,400)	(5,492)
Transfers between Current/Non Current	200	(200)	-	-
Balance at End of Year	6,062	6,397	10,710	8,483
Comprising:				
- Managed Funds	5,796	-	10,206	-
- NCD's, FRN's (with Maturities > 3 months)	266	4,120	-	-
- CDO's	-	2,277	504	8,483
Total	6,062	6,397	10,710	8,483
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	1,000	-	-	1,000
Disposals (sales & redemptions)	(1,000)	-	-	-
Transfers between Current/Non Current	-	-	1,000	(1,000)
Balance at End of Year	-	-	1,000	-
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	-	-	1,000	-
Total	-	-	1,000	-
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2008

Note 6c. Restricted Cash, Cash Equivalents & Investments

\$ '000	2008	2008	2007	2007
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	12,729	6,397	16,962	8,483
attributable to:				
External Restrictions (refer below)	4,943	6,397	7,039	8,483
Internal Restrictions (refer below)	7,279	-	8,432	-
Unrestricted	507	-	1,491	-
	12,729	6,397	16,962	8,483

2008	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	114	188	(170)	132
Specific Purpose Unexpended Grants (F)	5,390	-	(2,675)	2,715
Water Supplies (G)	6,928	-	(1,031)	5,897
Sewerage Services (G)	2,558	-	(226)	2,332
Domestic Waste Management (G)	159	-	(159)	-
Special Levy - Wee Waa Drainage (G)	373	-	(109)	264
External Restrictions - Other	15,522	188	(4,370)	11,340
Total External Restrictions	15,522	188	(4,370)	11,340

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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

2008 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Employees Leave Entitlement	684	116	-	800
Deposits, Retentions & Bonds	206	-	(52)	154
Contributions and Donations	12	1	-	13
SES Headquarters	5	-	-	5
Economic Development	51	-	-	51
Provision of Medical Services	110	-	(110)	-
Quarries	2,265	-	(1,149)	1,116
Caravan Park, Narrabri	34	235	-	269
Nurruby Land Purchase	75	-	-	75
Office Equipment	135	50	(50)	135
Aerodromes	128	6	-	134
RTA Single Invitation Contract	200	-	-	200
Replacement of Plant & Vehicles	512	-	(512)	-
Swimming Pools	526	20	-	546
Tourism	30	-	(18)	12
Restricted Funding	201	282	-	483
Floodprone Land Purchase Scheme	33	33	-	66
Cultural Centre	134	-	(108)	26
Saleyards	132	35	-	167
Library	55	-	-	55
Housing	33	10	-	43
Administration Building	87	-	-	87
Parks & Gardens	272	-	(162)	110
Gwabegar Hall	24	-	-	24
Carry Overs	2,416	160	-	2,576
Section 355 Committee Funds	72	60	-	132
Total Internal Restrictions	8,432	1,008	(2,161)	7,279
TOTAL RESTRICTIONS	23,954	1,196	(6,531)	18,619

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Advances by the Roads and Traffic Authority for works on the State's classified roads.
- C Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E RTA 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 2008

Note 7. Receivables

\$ '000	2008		2007	
	Current	Non Current	Current	Non Current
Purpose				
Rates & Annual Charges	537	267	558	270
Interest & Extra Charges	95	92	80	65
User Charges & Fees	433	54	133	61
Contributions to Works	-	40	-	79
Capital Debtors (being sale of assets)				
- Sale of Land	-	-	18	-
- Other Asset Sales	-	-	17	-
Accrued Revenues				
- Interest on Investments	69	-	39	-
- Reuse Farm Distribution	62	-	76	-
- Other Income Accruals	299	-	812	-
Government Grants & Subsidies	60	-	92	50
Deferred Debtors	8	15	6	17
Net GST Receivable	194	-	204	-
FBT Receivable	22	-	12	-
Total	1,779	468	2,047	542
less: Provision for Impairment				
Rates & Annual Charges	-	(20)	-	(18)
Interest & Extra Charges	-	(11)	-	(9)
User Charges & Fees	(39)	-	(43)	-
Total Provision for Impairment - Receivables	(39)	(31)	(43)	(27)
TOTAL NET RECEIVABLES	1,740	437	2,004	515

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 7. Receivables (continued)

\$ '000	2008		2007	
	Current	Non Current	Current	Non Current
Externally Restricted Receivables				
Water Supply				
- Specific Purpose Grants	8	-	-	-
- Rates & Availability Charges	91	221	79	131
- Other	173	-	-	-
Sewerage Services				
- Rates & Availability Charges	115	50	101	43
- Other	178	28	77	34
Domestic Waste Management	-	-	62	25
Other				
- Wee Waa Drainage	-	-	11	5
Total External Restrictions	565	299	330	238
Internally Restricted Receivables	-	-	-	-
Unrestricted Receivables	1,175	138	1,674	277
TOTAL NET RECEIVABLES	1,740	437	2,004	515

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 is charged on overdue rates & charges at 10.00% (2007 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 2008

Note 8. Inventories & Other Assets

\$ '000	2008		2007	
	Current	Non Current	Current	Non Current
Inventories				
Stores & Materials	227	-	254	-
Trading Stock	919	-	399	-
Total Inventories	1,146	-	653	-
Other Assets				
Prepayments	207	-	208	-
Total Other Assets	207	-	208	-
TOTAL INVENTORIES & OTHER ASSETS	1,353	-	861	-

(i) Externally Restricted Assets

Water

Nil

Sewerage

Nil

Domestic Waste Management

Nil

Other

Nil

Total Externally Restricted Assets

-

Total Internally Restricted Assets

-

Total Unrestricted Assets

1,353

TOTAL INVENTORIES & OTHER ASSETS

1,353

861

861

(ii) Other Disclosures

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

- Stores & Materials	690	708
- Trading Stock	186	1,395

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2008

Note 9a. Infrastructure, Property, Plant & Equipment

	as at 30/6/2007				Asset Movements during the Reporting Period						as at 30/6/2008			
	At Cost	At Fair Value	Accumulated Deprec.	Carrying Value	Asset Additions	WDV-Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated Dep'n	Carrying Value	
	\$ '000													
Capital Work in Progress	-	-	-	-	1,348	-	-	-	-	1,348	-	-	1,348	
Plant & Equipment	9,246	-	5,226	4,020	2,352	(807)	(1,020)	2,776	-	-	1,902	9,223	7,321	
Office Equipment	498	-	394	104	151	(6)	(71)	56	-	-	215	449	234	
Furniture & Fittings	740	-	340	400	156	-	(70)	53	-	-	386	925	539	
Plant & Equipment (under Finance Lease)	70	-	-	70	-	-	(7)	7	-	-	-	70	70	
Land:														
- Operational	2,506	-	-	2,506	18	(88)	-	385	3,923	-	-	6,744	6,744	
- Community	1,905	-	-	1,905	-	-	-	(385)	2,680	-	-	4,200	4,200	
- Land under Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	
Land Improvements - non depreciable	-	-	-	-	149	-	-	-	-	-	-	-	-	
Land Improvements - depreciable	2,421	-	234	2,187	247	-	(125)	-	-	2,570	359	41,460	21,457	
Buildings - Non Specialised	16,319	-	2,200	14,119	442	-	(255)	(4,129)	11,475	-	20,003	9,200	6,324	
Buildings - Specialised	4,229	-	-	4,229	410	-	(54)	(3,277)	4,984	-	2,876	14,572	10,356	
Other Structures	5,734	-	1,826	3,908	-	-	(235)	-	6,273	-	4,216	-	-	
Infrastructure:														
- Roads, Bridges, Footpaths	307,458	-	142,795	164,663	7,597	-	(2,564)	-	-	315,055	145,359	-	169,696	
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	-	-	-	-	
- Stormwater Drainage	6,976	-	3,486	3,490	17	-	(116)	-	-	6,977	3,586	-	3,391	
- Water Supply Network	23,271	-	11,128	12,143	670	-	(334)	(7,211)	4,977	-	36,311	46,556	10,245	
- Sewerage Network	42,953	-	26,260	16,693	693	-	(611)	(7,832)	8,432	-	67,419	84,794	17,375	
Other Assets:														
- Nil	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reinstatement, Rehabilitation & Restoration Assets (refer Note 21):														
- Nil	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL INFRASTRUCTURE,														
PROPERTY, PLANT & EQUIP.	424,326	-	193,889	230,437	14,250	(901)	(5,462)	(19,557)	42,744	325,950	218,193	282,632	261,511	

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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

\$ '000 Class of Asset	Actual 2008				Actual 2007			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Plant & Equipment	-	127	99	28	126	-	103	23
Land								
- Operational Land	-	198	-	198	47	-	-	47
Buildings	-	231	65	166	35	-	16	19
Other Structures	-	71	49	22	174	-	88	86
Infrastructure	-	46,552	36,311	10,241	23,271	-	11,128	12,143
Total Water Supply	-	47,179	36,524	10,655	23,653	-	11,335	12,318
Sewerage Services								
Plant & Equipment	-	97	80	17	97	-	91	6
Office Equipment	-	3	2	1	3	-	3	-
Land								
- Operational Land	-	709	-	709	377	-	-	377
Buildings	-	467	305	162	73	-	25	48
Other Structures	-	68	15	53	4	-	3	1
Infrastructure	-	84,973	67,419	17,554	42,953	-	26,260	16,693
Total Sewerage Services	-	86,317	67,821	18,496	43,507	-	26,382	17,125
Domestic Waste Management								
Plant & Equipment	-	14	-	14	-	-	-	-
Land								
- Operational Land	-	243	-	243	243	-	-	243
- Improvements - depreciable	856	-	226	630	856	-	118	738
Buildings	-	163	85	78	79	-	21	58
Other Assets	320	-	81	239	263	-	109	154
Total DWM	1,176	420	392	1,204	1,441	-	248	1,193
TOTAL RESTRICTED I,PP&E	1,176	133,916	104,737	30,355	68,601	-	37,965	30,636

Note 9c. Infrastructure, Property, Plant & Equipment
Gains/(Losses) arising from the Impairment of Assets

Council did not impair any I,PP&E during the year nor has there been any prior period impairments.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2008		2007	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - Operating		2,576	-	45	-
Goods & Services - Capital Expenditure		150	-	136	-
Payments Received In Advance		28	-	100	-
Accrued Expenses;					
- Borrowings		66	-	68	-
- Other Expenditure Accruals		252	-	964	-
Security Bonds, Deposits & Retentions		154	-	206	-
Department of Commerce - Call Payments		136	-	136	-
Other		8	-	10	-
Total Payables		3,370	-	1,665	-
Borrowings					
Loans - Secured ¹		445	9,477	479	8,847
Finance Lease Liabilities		26	24	26	51
Total Borrowings		471	9,501	505	8,898
Provisions					
Annual Leave		572	-	518	-
Sick Leave		310	-	372	-
Long Service Leave		743	76	666	63
Sub Total - Aggregate Employee Benefits		1,625	76	1,556	63
Total Provisions		1,625	76	1,556	63
Total Payables, Borrowings & Provisions		5,466	9,577	3,726	8,961

(i) Liabilities relating to Restricted Assets

	2008		2007	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	132	64	85	71
Sewer	525	1,777	394	1,918
Liabilities relating to externally restricted assets	657	1,841	479	1,989
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	657	1,841	479	1,989

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 2008

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

\$ '000

(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.	2008	2007
Provisions - Employees Benefits	<u>1,065</u>	<u>1,199</u>
	1,065	1,199

Note 10b. Description of and movements in Provisions

Class of Provision	2007		2008			Closing Balance as at 30/6/08
	Opening Balance as at 1/7/07	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	518	416	(362)	-	-	572
Sick Leave	372	32	(94)	-	-	310
Long Service Leave	729	133	(43)	-	-	819
TOTAL	1,619	581	(499)	-	-	1,701

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 2008

Note 11. Cash Flow Statement - Additional Information

\$ '000	Notes	Actual 2008	Actual 2007
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	6,667	5,252
Less Bank Overdraft	10	-	-
BALANCES as per CASH FLOW STATEMENT		6,667	5,252
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(794)	6,199
Adjust for non cash items:			
Depreciation & Amortisation		5,462	5,259
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L			
- Investments classified as "@ Fair Value" or "Held for Trading"		2,426	(774)
- Write Offs relating to the Fair Valuation of I,PP&E		-	-
Net Losses/(Gains) on Disposal of Assets		30	(65)
Non Cash Capital Grants and Contributions		-	38
Share of Net (Profits) or Losses of Associates/Joint Ventures		19	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		307	(285)
Increase/(Decrease) in Provision for Doubtful Debts		-	(75)
Decrease/(Increase) in Inventories		(493)	386
Decrease/(Increase) in Other Current Assets		1	(16)
Increase/(Decrease) in Payables		2,531	(13)
Increase/(Decrease) in accrued Interest Payable		(2)	17
Increase/(Decrease) in other accrued Expenses Payable		(712)	-
Increase/(Decrease) in Other Current Liabilities		(126)	30
Increase/(Decrease) in Employee Leave Entitlements		82	(10)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from CASH FLOW STATEMENT		8,731	10,691

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 11. Cash Flow Statement - Additional Information (continued)

\$ '000	Notes	Actual 2008	Actual 2007
(c) Non-Cash Investing & Financing Activities			
Acquisition of Plant & Equipment by means of Finance Lease		-	77
Total Non-Cash Investing & Financing Activities		-	77
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ¹		-	-
Credit Cards / Purchase Cards		300	300
Other		-	-
Total Financing Arrangements		300	300
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		13	20
- Other		1	-
Total Financing Arrangements Utilised		14	20

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

(ii) Secured Loan Liabilities

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

(e) Net Cash Flows Attributable to Discontinued Operations

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2008	Actual 2007
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		-	295
Other		-	373
Total Commitments		-	668
These expenditures are payable as follows:			
Within the next year		-	668
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		-	668
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		-	76
Externally Restricted Reserves		-	297
Internally Restricted Reserves		-	295
Total Sources of Funding		-	668
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Waste Management Services		2,874	3,592
Cleaning Services		31	-
Management Services		33	50
Labour & Plant		304	608
Total Commitments		3,242	4,250
These expenditures are payable as follows:			
Within the next year		1,087	1,054
Later than one year and not later than 5 years		2,155	3,196
Later than 5 years		-	-
Total Payable		3,242	4,250

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2008	Actual 2007
(c) Finance Lease Commitments			
(i) Commitments under Finance Leases at the Reporting Date are payable as follows:			
Within the next year		31	33
Later than one year and not later than 5 years		28	56
Later than 5 years		-	-
Total Minimum Lease Payments		59	89
less: Future Finance Charges		(9)	(12)
Amount Recognised as a Liability		50	77

(ii) Finance Lease Liability Recognised represent;

Current Liabilities	26	26
Non-Current Liabilities	24	51
Total Finance Lease Liabilities Disclosed	50	77

(iii) General Details

Council Leases the following Property, Plant & Equipment under Finance Leases:

	Term (Years)	Option to Purchase	Contingent Rent Clauses		
Other Equipment/Assets	2	Y	N	50	77
Total Carrying Value at Year End				50	77

(d) Operating Lease Commitments (Non Cancellable)**a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:**

Within the next year	30	47
Later than one year and not later than 5 years	-	30
Later than 5 years	-	-
Total Non Cancellable Operating Lease Commitments	30	77

b. Non Cancellable Operating Leases include the following assets:

Computers

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2008	Actual 2007
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Conditions relating to Finance & Operating Leases:

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

(e) Investment Property Commitments

Nil

(f) Remuneration Commitments

Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:

Within the next year	434	434
Later than one year and not later than 5 years	782	1,216
Later than 5 years	-	-
Total Payable	1,216	1,650

(g) Investment in Associates / Joint Ventures - Commitments

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 13. Statement of Performance Measurement

\$ '000	Amounts 2008	Indicator 2008	Prior Periods	
			2007	2006
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	10,314	2.75 : 1	6.08	4.14
Current Liabilities less Specific Purpose Liabilities ^(2,3)	3,744			
2. Debt Service Ratio				
Debt Service Cost	1,797	8.30%	4.65%	4.33%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	21,663			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	11,865	46.68%	36.24%	33.58%
Revenue from Continuing Operations	25,420			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	960	7.41%	7.48%	8.23%
Rates, Annual & Extra Charges Collectible	12,950			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	2,979	75.72%	n/a	n/a
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	3,934			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

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

⁽⁴⁾ Asset Renewals represents Capital Expenditure on the replacement, refurbishment or upgrade to an existing Asset/s.

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2008

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 (i) price risk, (ii) credit risk, (iii) liquidity risk and (iv) 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	
	2008	2007	2008	2007
Financial Assets				
Cash and Cash Equivalents	6,667	5,252	6,667	5,252
Investments				
- "Held for Trading"	12,459	19,193	12,459	19,193
- "Held to Maturity"	-	1,000	-	1,000
Receivables	2,177	2,519	2,177	2,519
Total Financial Assets	21,303	27,964	21,303	27,964
Financial Liabilities				
Payables	3,342	1,565	3,342	1,565
Loans / Advances	9,922	9,326	9,922	9,326
Lease Liabilities	50	77	50	77
Total Financial Liabilities	13,314	10,968	13,314	10,968

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 at the reporting date or independent valuation.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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 Financial Section manages its Cash & Investments portfolio with the assistance of independent advisors.

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

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

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

A further risk associated with Cash & Investments is credit risk - the risk that the counterparty (to an investment) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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

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

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

	2008	2008	2007	2007
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Aging of Receivables				
Current (not yet overdue)	-	1,068	-	871
Past due by up to 30 days	273	119	250	331
Past due between 31 and 180 days	190	55	183	187
Past due between 181 and 365 days	74	-	125	100
Past due by more than 1 year	267	201	270	272
	<u>804</u>	<u>1,443</u>	<u>828</u>	<u>1,761</u>
(ii) Movement in Provision for Impairment of Receivables			2008	2007
Balance at the beginning of the year			70	145
+ new provisions recognised during the year			7	37
- amounts already provided for & written off this year			(7)	(112)
Balance at the end of the year			<u>70</u>	<u>70</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2008									
Trade/Other Payables	154	3,188	-	-	-	-	-	3,342	3,342
Loans & Advances	-	445	536	543	560	580	7,258	9,922	9,922
Lease Liabilities	-	26	24	-	-	-	-	50	50
Total Financial Liabilities	154	3,659	560	543	560	580	7,258	13,314	13,314
2007									
Trade/Other Payables	206	1,359	-	-	-	-	-	1,565	1,565
Loans & Advances	-	479	441	486	516	516	6,888	9,326	9,326
Lease Liabilities	-	26	28	23	-	-	-	77	77
Total Financial Liabilities	206	1,864	469	509	516	516	6,888	10,968	10,968

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:

	2008		2007	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	3,342	0.0%	1,565	0.0%
Loans & Advances - Fixed Interest Rate	9,922	6.8%	9,326	6.5%
Lease Liabilities	50	10.4%	77	10.4%
	<u>13,314</u>		<u>10,968</u>	

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 07/08 was incorporated as part of its Management Plan and was adopted by the Council on 26 June 2007.

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

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

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

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

\$ '000	2008 Budget	2008 Actual	2008 Variance*		
REVENUES					
Rates & Annual Charges	11,827	11,865	38	0.3%	F
User Charges & Fees	3,856	4,293	437	11%	F
Council's RTA Single Invitational Maintenance Contract (State Roads) income higher than expected.					
Interest & Investment Revenue	1,277	(907)	(2,184)	(171%)	U
Unfavourable investment market conditions, due to the world sub prime market.					
Other Revenues	828	997	169	20%	F
Higher Recoveries from rents and legals income.					
Operating Grants & Contributions	7,227	5,993	(1,234)	(17%)	U
Council received lower Operatering Grants however received higher Capital Grants.					
Capital Grants & Contributions	67	2,272	2,205	3291%	F
Council received received higher Capital Grants, howevr received lower Operatering Grants.					
Net Gains from Disposal of Assets	497	-	(497)	(100%)	U
Council expected a return of sale of plant, however due to revaluations this affect the result.					

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 16. Material Budget Variations (continued)

\$ '000	2008 Budget	2008 Actual	2008 Variance*		
EXPENSES					
Employee Benefits & On-Costs	7,812	8,044	(232)	(3%)	U
Borrowing Costs	589	596	(7)	(1%)	U
Materials & Contracts	6,927	7,818	(891)	(13%)	U
Materials and contracts are over budget due to which was not uthorised until after the management plan was approved by Council.					
Depreciation & Amortisation	5,353	5,462	(109)	(2%)	U
Other Expenses	3,192	3,338	(146)	(5%)	U
Due to Devaluation of Assets of \$3,090 this cause this budget to be unfavourable.					
Net Losses from Disposal of Assets	-	30	(30)	0%	U
Council expected a return of sale of plant, however due to revaluations this affect the result.					
Share of Net Losses - Joint Ventures & Associates	-	19	(19)	0%	U
Profit from joint ventures and associates is not known until their financial reports are received, it is not possible to include an estimate in the management plan for this item.					

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 17. Statement of Developer Contributions

\$ '000

Under Section 94 & Section 94A of the Environmental Planning and Assessment Act 1979, a Council may require (i) the payment of a monetary contribution or dedication of land or (ii) a % levy on the value of development, in relation to development works that are subject to a development consent issued by Council.

These developer contributions (under S94) or developer levies (under S94A) must be spent specifically for the purpose they were levied and any interest applicable to unspent funds must be attributed to the funds and also spent in accordance with the purpose levied.

As well, Council may under Section 93F enter into a Planning Agreement with Developers under which the developer is required to either dedicate land free of cost, pay a monetary contribution, or provide any other material public benefit (or any combination of the three) to be used for or applied towards a public purpose.

S94F funds are also required to be spent on the public purposes nominated within each individual Planning Agreement.

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 use by their nature and must be spent for the specific purposes raised.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding
Drainage	-	-	-	-	-	-	-	-	-	-
Roads	45	170	-	3	(170)	-	48	100	(148)	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-
Open Space	26	5	-	2	-	-	33	3	(36)	-
Community Facilities	15	2	-	1	-	-	18	1	(19)	-
Bushfire	28	3	-	2	-	-	33	2	(35)	-
Other	-	-	-	-	-	-	-	-	-	-
S94 Contributions - under a Plan	114	180	-	8	(170)	-	132	106	(238)	-
S94A Levies - under a Plan	-	-	-	-	-	-	-	-	-	-
Total S94 Revenue Under Plans	114	180	-	8	(170)	-	132	106	(238)	-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	-	-	-	-	-	-	-	-	-	-
S64 Contributions	-	-	-	-	-	-	-	-	-	-
Total Contributions	114	180	-	8	(170)	-	132	106	(238)	-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding
Roads	45	170	-	3	(170)	-	48	100	(148)	-
Open Space	26	5	-	2	-	-	33	3	(36)	-
Community Facilities	15	2	-	1	-	-	18	1	(19)	-
Bushfire	28	3	-	2	-	-	33	2	(35)	-
Total	114	180	-	8	(170)	-	132	106	(238)	-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) 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.

(ii) Norsure Limited

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

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

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

(ii) Norsure Limited (continued)

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

(iii) Other Guarantees

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

2. Other Liabilities

(i). Third Party Claims

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

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

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

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

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

(ii) S94 Plans

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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

\$ '000

(ii) S94 Plans (continued)

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.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those Plans.

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

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

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

ASSETS NOT RECOGNISED:**(i) Defined Benefit Superannuation Contribution Plans**

Council participates in an employer sponsored Defined Benefit superannuation Scheme, and makes contributions as determined by the Superannuations Trustees.

(i) Defined Benefit Superannuation Contribution Plans (continued)

The Local Government Superannuation Scheme however, has advised that it is unable to provide Council with an accurate estimate of its share of the Defined Benefit Schemes assets and liabilities in accordance with AASB 119.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were more than sufficient to meet the accrued benefits of the Schemes defined benefit member category.

Council has not recorded any asset in these Financial Reports to represent any future economic benefit relating to the Scheme's Financial Position, nor has it recorded any movements in the Schemes Financial Position in these Accounts.

Accordingly, contributions made to the defined benefit scheme are recognised as an expense when they become payable - similar to accounting for a defined contributions plan.

(ii) Land Under Roads

As permitted under AASB 1045 and in accordance with DLG recommendations, Council has not brought to account in these Reports the value of Land Under Roads.

This is due to the divergence of opinion as to what value should be ascribed to such assets.

At present, the transitional period for deferral of recognition ends on 1 July, 2008.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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

\$ '000

ASSETS NOT RECOGNISED: (continued)**(iii) Rural Fire Fighting Assets**

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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

\$ '000

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

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

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

Subsidiaries

Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50% Note 19(a)

Associated Entities & Joint Venture EntitiesNote 19(b)(i)&(ii)

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

Joint Venture Operations

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved. Note 19(c)

Subsidiaries, Associated Entities and Joint Ventures Not RecognisedNote 19(d)

Accounting Recognition:

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

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

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
Associated Entities	(19)	(38)	128	284
Joint Venture Entities	-	-	-	-
Total	(19)	(38)	128	284

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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

\$ '000

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

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

(a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2008	2007
Norsure	Public Liability & Professional Indemnity	-	149
Central Northern Libraries	Public Library Services	128	135
Total Carrying Amounts - Associated Entities		128	284

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2008	2007	2008	2007	2008	2007
Norsure	0%	15%	0%	15%	0%	10%
Central Northern Libraries	15%	15%	15%	15%	15%	15%

(c) Movement in Carrying Amounts of Councils Equity Interest

	Norsure		Central Northern Libraries	
	2008	2007	2008	2007
Opening Balance	149	123	135	199
Share in Operating Result	(11)	26	(8)	(64)
Distributions Received	(138)	-	-	-
Councils Equity Share in the Joint Venture Entity	-	149	127	135

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

2008	Assets	Liabilities	Net Assets	Revenues	Profit
Norsure	-	-	-	-	(11)
Central Northern Libraries	182	54	128	161	(8)
Totals	182	54	128	161	(19)
2007	Assets	Liabilities	Net Assets	Revenues	Profit
Norsure	981	832	149	64	26
Central Northern Libraries	199	64	135	155	(64)
Totals	1,180	896	284	219	(38)

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2008

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

\$ '000

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

(e) Share of Associated Entities Expenditure Commitments	2008	2007
Capital Commitments	-	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
 (f) Contingent Liabilities of Associates	 2008	 2007
Share of Contingent Liabilities incurred jointly with other investors	100%	100%
Share of Contingent Liabilities for which Council is severally liable	100%	100%

(ii) JOINT VENTURE ENTITIES

Council has no interest in any Joint Venture Entities.

19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

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

None.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2008	Actual 2007
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		246,859	240,660
a. Correction of Prior Period Errors		(19,557)	-
b. Changes in Accounting Policies (Prior Period Effects)		-	-
c. Current Year Income & Expenses Recognised direct to Equity excluding direct to Reserves transactions		-	-
d. Net Operating Result for the Year		(794)	6,199
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
Balance at End of the Reporting Period		<u>226,508</u>	<u>246,859</u>

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

- Infrastructure, Property, Plant & Equipment Reserve	42,744	-
Total	<u>42,744</u>	<u>-</u>

(ii). Reconciliation of movements in Reserves:**Infrastructure, Property, Plant & Equipment Reserve**

- Opening Balance	-	-
- Revaluations for the year	42,744	-
- Balance at End of Year	<u>42,744</u>	<u>-</u>

TOTAL VALUE OF RESERVES

<u>42,744</u>	<u>-</u>
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(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 2008

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

\$ '000	Notes	Actual 2008	Actual 2007
c. Correction of Error/s relating to a Previous Reporting Period			
As part of Council's transition to measuring all it's I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for its assets.			
As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.			
This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.			
Council does not have sufficient and reliable information that will allow the restatement of information prior to 1/7/07.			
As a result, Council has adjusted the accumulated depreciation for the following assets as at 1/7/07 to reflect the correct value of accumulated depreciation;			
Plant & Equipment	(increase/(decrease) to accumulated depreciation)	(2,776)	
Office Equipment	(increase/(decrease) to accumulated depreciation)	(85)	
Furniture & Fittings	(increase/(decrease) to accumulated depreciation)	(24)	
Plant & Equipment - Leased	(increase/(decrease) to accumulated depreciation)	(7)	
Buildings - Non Specialised	(increase/(decrease) to accumulated depreciation)	6,851	
Buildings - Specialised	(increase/(decrease) to accumulated depreciation)	555	
Water Supply Network	(increase/(decrease) to accumulated depreciation)	7,211	
Sewer Supply Network	(increase/(decrease) to accumulated depreciation)	7,832	
		19,557	
This adjustment resulted in net increase / (decrease) in Council's Accumulated Surplus as at 1/7/07.			
Adjustments to Opening Equity - 1/7/07		(19,557)	-
Total Prior Period Adjustments - Prior Period Errors		(19,557)	-

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 2008

Note 21. Reinstatement, Rehabilitation & Restoration Liabilities

Council has various Waste Depots and Quarries 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 30/6/08.

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

Note 22. Non Current Assets/Liabilities classified as "Held for Sale"

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 23. Events occurring after Balance Sheet Date

\$ '000

Events that occur after the reporting date of 30 June 2008, up to and including the date when the financial report is "authorised for issue" have been taken into account in preparing this financial report.

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

Accordingly, the "authorised for issue" date is 3/12/08.

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

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

These financial reports (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2008.

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

These financial reports (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2008 and which are only indicative of conditions that arose after 30 June 2008.

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

- Lehman Brothers Holdings Inc. (US) filed for bankruptcy on 14 September 2008. LBHI is variously a reference entity, guarantor or swap counter party in a number of Council's investment securities. The bankruptcy will have an impact on the subordination and fair value of these securities, neither of which can be reliably measured at this time.
- Following the filing for bankruptcy of LBHI (US), Lehman Brothers Australia appointed PPB Ltd as Administrators to implement an orderly wind plan for the Australian business. This will impact on action being taken against LBA in regard to Council's investment portfolio. The quantum of this cannot be reliability measured at this time.
- Council has since received \$450,000 returned from LBA for two (2) investments.

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

Council is unaware of any control over Intangible Assets that warrant recognition in these Financial Reports.

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2008

Note 26. Additional Council Disclosures - Financial Information

Income Statement by Fund	Actual	Actual	Actual	Actual
\$ '000	2008	2008	2008	2008
<u>Continuing Operations</u>	General	Water	Sewer	Other
Income from Continuing Operations				
Rates & Annual Charges	9,771	561	1,533	-
User Charges & Fees	3,377	778	138	-
Interest & Investment Revenue	-	-	-	-
Other Revenues	935	-	62	-
Grants & Contributions provided for Operating Purposes	5,926	35	32	-
Grants & Contributions provided for Capital Purposes	2,096	176	-	-
Other Income				
Net Gains from Disposal of Assets	-	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-	-
Total Income from Continuing Operations	22,105	1,550	1,765	-
Expenses from Continuing Operations				
Employee Benefits & on-costs	7,546	272	226	-
Borrowing Costs	456	5	135	-
Materials & Contracts	6,334	885	599	-
Depreciation & Amortisation	4,495	352	615	-
Impairment	-	-	-	-
Other Expenses	8	3,261	69	-
Interest & Investment Losses	395	368	144	-
Net Losses from the Disposal of Assets	30	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	19	-	-	-
Total Expenses from Continuing Operations	19,283	5,143	1,788	-
Operating Result from Continuing Operations	2,822	(3,593)	(23)	-
<u>Discontinued Operations</u>				
Net Profit/(Loss) from Discontinued Operations	-	-	-	-
Net Operating Result for the Year	2,822	(3,593)	(23)	-
Net Operating Result attributable to each Council Fund	2,822	(3,593)	(23)	-
Net Operating Result attributable to Minority Interests	-	n/a	n/a	n/a
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	726	(3,769)	(23)	-

Narrabri Shire Council

Notes to the Financial Statements

as at 30 June 2008

Note 26. Additional Council Disclosures - Financial Information

Balance Sheet by Fund	Actual	Actual	Actual	Actual
\$ '000	2008	2008	2008	2008
ASSETS	General	Water	Sewer	Other
Current Assets				
Cash & Cash Equivalents	6,667	-	-	-
Investments	4,001	1,061	1,000	-
Receivables	1,175	272	293	-
Inventories	1,353	-	-	-
Other	-	-	-	-
Total Current Assets	13,196	1,333	1,293	-
Non-Current Assets				
Investments	229	4,836	1,332	-
Receivables	138	221	78	-
Inventories	-	-	-	-
Infrastructure, Property, Plant & Equipment	232,360	10,655	18,496	-
Investments Accounted for using the equity method	128	-	-	-
Investment Property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	232,855	15,712	19,906	-
TOTAL ASSETS	246,051	17,045	21,199	-
LIABILITIES				
Current Liabilities				
Payables	2,990	67	313	-
Borrowings	317	12	142	-
Provisions	1,502	53	70	-
Total Current Liabilities	4,809	132	525	-
Non-Current Liabilities				
Payables	-	-	-	-
Borrowings	7,671	56	1,774	-
Provisions	65	8	3	-
Total Non-Current Liabilities	7,736	64	1,777	-
TOTAL LIABILITIES	12,545	196	2,302	-
Net Assets	233,506	16,849	18,897	-
EQUITY				
Retained Earnings	193,198	15,707	17,603	-
Revaluation Reserves	40,308	1,142	1,294	-
Total Equity	233,506	16,849	18,897	-

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2008

Note 27. Additional Council Disclosures - Council Information

Principal Place of Business:

46-48 Maitland Street
Narrabri NSW 2390

Contact Details
Mailing Address:

PO Box 261
suburb NSW 9999

Telephone: 02 6799 6881

Facsimile: 02 6799 6888

Opening Hours

8.30am to 5pm

Internet: www.council.nsw.gov.au

Email: council@council.nsw.gov.au

Officers
GENERAL MANAGER

Max Kershaw

RESPONSIBLE ACCOUNTING OFFICER

Glen Warren

AUDITORS

Spencer Steer

Other Information

ABN: 95 717 801 656

Elected Members
MAYOR

Robyn Faber

COUNCILLORS

Lester Kelly

Ken Bates

Conrad Bolton

Peter Etheridge

Ron Lowder

Christopher Buckman

Bevan O'Regan

Leslie Knox

George Sevil

Catherine Redding

John Clements



SPENCER STEER
CHARTERED ACCOUNTANTS

NARRABRI SHIRE COUNCIL
GENERAL PURPOSE FINANCIAL REPORT
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying *general purpose financial report* of *Narrabri Shire Council*, which comprises the Balance Sheet as at 30 June 2008, Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial report includes the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Report

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report 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 report is free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Cash Flow Statement, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17 or the additional disclosures in Notes 26 & 27. Accordingly, no opinion is expressed on these matters.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to



design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

Basis for Qualified Auditor's Opinion

Since July 2007, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including Collateralised Debt Obligations (CDOs).

At 30 June 2008, Council's investment portfolio totalled \$18.264 million and included CDO securities totalling \$2.277 million. These securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from issuers and/or valuation models for which there is limited market evidence available to verify their reasonableness in the current economic environment. Further, the ongoing volatility of financial markets creates greater uncertainty in the valuation process and determination of future cash flows.

These circumstances have resulted in our inability to obtain sufficient appropriate audit evidence to satisfy ourselves as to the value and recoverability of \$2.277 of Council's total investment portfolio.

Qualified Auditor's Opinion

In our opinion, except for the effects on the financial statements of the matter referred to in the paragraph titled *Basis for Qualified Auditor's Opinion*,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial report:
 - (i) has been presented in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position, the results of its operations and its cash flows; and
 - (iv) is in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.



- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial report that we have become aware of during the course of the audit.

Additional Statutory Disclosures

Council had not complied with the provisions of Section 416 of the Local Government Act, 1993 in that it failed to comply with the provisions of,

- (a) Section 416(1) requires the ***general purpose financial report*** be prepared and audited within 4 months after the end of the year, and
- (b) Section 416(2) whereby extensions were granted to 30 November 2008.

SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

Dated at Sydney this 3rd day of December 2008



SPENCER STEER
CHARTERED ACCOUNTANTS

3 December 2008

The Mayor
Narrabri Shire Council
PO Box 261
NARRABRI NSW 2390

Mayor,

Audit Report - Year Ended 30 June 2008

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2008 and that all information required by us was readily available.

We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Reports.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Reports of the Council. We have ensured that the accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

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

1. RESULTS FOR THE YEAR

1.1 *Operating Result*

The operating result for the year was a Deficit of \$794,000 as compared a Surplus with \$6.199 million in the previous year.



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

	2008	% of Total	2007	% of Total	Increase (Decrease)
	\$000		\$000		\$000
Revenues before capital items					
Rates & annual charges	11,865	51%	11,556	42%	309
User charges, fees & other revenues	5,290	23%	4,271	16%	1,019
Grants & contributions provided for operating purposes	5,993	26%	10,185	37%	(4,192)
Interest & investment revenue	-	0%	1,475	5%	(1,475)
	23,148	100%	27,487	100%	(4,339)
Expenses					
Employee benefits & costs	8,044	31%	6,836	27%	1,208
Materials, contracts & other expenses	11,205	43%	13,023	51%	(1,818)
Depreciation, amortisation & impairment	5,462	21%	5,259	20%	203
Interest & investment losses	907	3%	-	0%	907
Borrowing costs	596	2%	572	2%	24
	26,214	100%	25,690	100%	524
Surplus(Deficit) before capital items	\$ (3,066)		\$ 1,797		\$ (4,863)
Grants & contributions provided for capital purposes	2,272		4,402		(2,130)
Net Surplus(Deficit) for the year	\$ (794)		\$ 6,199		\$ (6,993)

As can be seen above, the operating result fell by \$6.993 million and can be mainly attributed to;

- the decline in interest and investment revenues which fell by \$2.382 million over the previous year resulting from the unrealised write down of investment securities, and
- reduced grant funding - roads to recovery funding fell by \$4.482 million to \$746,000 whilst the receipt of flood damage funding in the previous year, amounted to \$3.101 million as compared to \$322,000.

1.2 Funding Result

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



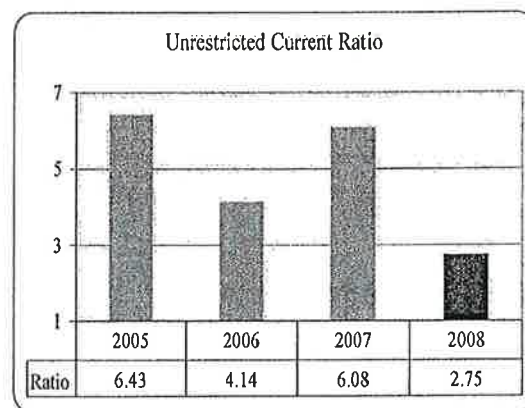
	2008	2007
Funds were provided by:-	\$000	\$000
Operating Result (as above)	(794)	6,199
Add back non funding items:-		
- Depreciation, amortisation & impairment	5,462	5,259
- Book value of non current assets sold	901	659
- (Surplus)Deficit in joint ventures	19	38
	<u>5,588</u>	<u>12,155</u>
Decrease/Redemption in Non Current Investments	2,086	0
New loan borrowings	1,770	1,580
Finance Leases	0	77
Transfers from externally restricted assets (net)	2,039	0
Transfers from internal reserves (net)	1,153	0
Repayments from deferred debtors	0	5
Distributions from joint ventures	138	0
Net Changes in current/non current assets & liabilities	106	200
	<u>12,880</u>	<u>14,017</u>
Funds were applied to:-		
Purchase and construction of assets	(14,250)	(6,878)
Increase/Purchase in Non Current Investments	0	(2,384)
Principal repaid on loans	(1,174)	(432)
Finance lease instalments	(27)	0
Transfers to externally restricted assets (net)	0	(1,657)
Transfers to internal reserves (net)	0	(3,197)
	<u>(15,451)</u>	<u>(14,548)</u>
Increase(Decrease) in Available Working Capital	(2,571)	(531)

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$6.570 million representing a factor of 2.75 to 1.





2.2 Available Working Capital – (Working Funds)

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

At the close of the year the Available Working Capital of Council stood at \$468,000 as detailed below;

	2008	2007	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	10,356	16,101	(5,745)
<i>Add:</i> Payables & provisions not expected to be realised in the next 12 months included above	1,065	1,199	(134)
Adjusted Net Current Assets	11,421	17,300	(5,879)
<i>Add:</i> Budgeted & expected to pay in the next 12 months			
- Borrowings	471	505	(34)
- Employees leave entitlements	560	357	203
- Deposits & retention moneys	154	206	(52)
- Deferred debtors	(8)	(6)	(2)
<i>Less:</i> Externally restricted assets	(4,851)	(6,890)	2,039
<i>Less:</i> Internally restricted assets	(7,279)	(8,432)	1,153
Available Working Capital as at 30 June	\$ 468	\$ 3,040	\$ (2,572)

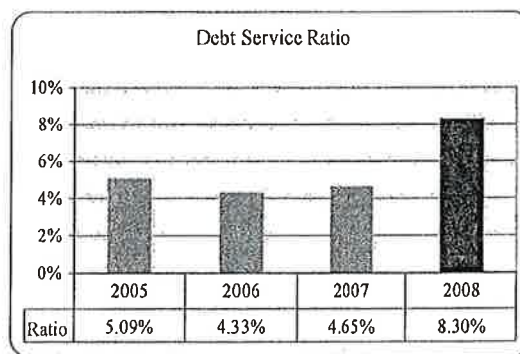
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

Available Working Capital has deteriorated by \$2.572 million (as can be seen above and as detailed in *Paragraph 1.2 – Funding Result*) and in our opinion the level of Available Working Capital which currently stands at \$468,000 should be in the order of \$2 million.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 8.30%.

Loans and finance leases outstanding after repaying principal & interest of \$1.797 million was \$9.972 million.





2.4 Summary

Council's overall financial position, after taking into account the above financial indicators and subject to the restoration of Available Working Capital, is in our opinion, satisfactory.

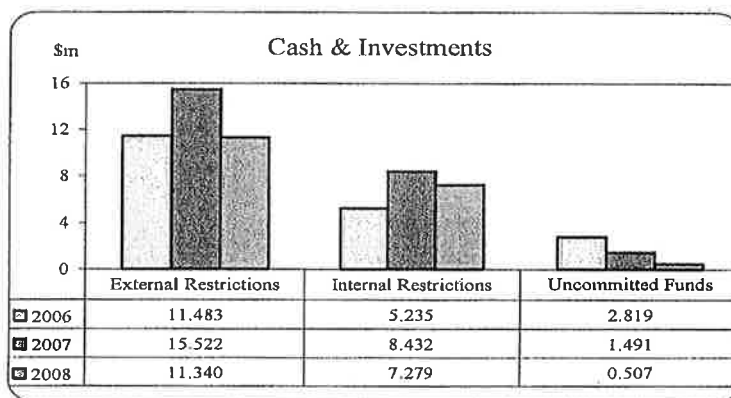
3. CASH ASSETS

3.1 Cash & Investments

Cash and investments totalled \$19.126 million at the close of the year as compared with \$25.445 million in 2007 and \$19.537 million in 2006.

Investments included CDO's (Collateralised Debt Obligations) held at fair value of \$2.277 million. These securities have been significantly affected by the ongoing global credit crisis. Note 1(f) provides details of the valuation of these securities.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended grants and developer contributions - \$2.847 million), Wee Waa Drainage Levies (\$264,000) and water and sewerage funds (\$8.229 million).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$7.279 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$507,000.

3.2 Cash Flows

The Cash Flow Statement illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash increased by \$1.415 million to \$6.667 million at the close of the year.

In addition to operating activities which contributed net cash of \$8.731 million were the proceeds from the sale of assets - \$907,000, receipt of a joint venture distribution - \$137,000,



In addition to operating activities which contributed net cash of \$8.731 million were the proceeds from the sale of assets - \$907,000, receipt of a joint venture distribution - \$137,000, new loans - \$1.770 million and redemption of investment securities - \$17.623 million. Cash outflows other than operating activities were used to repay loans and finance leases - \$1.201 million, purchase investment securities - \$12.316 million and to purchase and construct assets - \$14.236 million.

4. RECEIVABLES

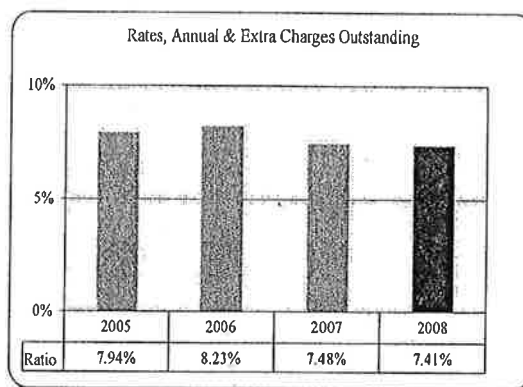
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$11.865 million and represented 46.68% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$12.675 million of which \$11.891 million (93.81%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$960,000 at the end of the year & represented 7.41% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$1.256 million Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$39,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$1.701 million. A cash reserve of \$800,000 was held at year end representing 47.03% of this liability and was, in our opinion, sufficient to enable Council to meet unbudgeted and unanticipated retirements.

5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$154,000 and were fully funded by internally restricted cash and investments.



6. REVALUATION OF ASSETS

The current year saw the revaluation of water and sewerage assets and other property, buildings, plant and equipment to fair value. Previously, these assets were carried at cost and depreciated over their useful lives. The revaluation process resulted in a net increase of \$23.187 million and was credited directly to Equity. Notes 1(j) & 9 of the financial statements provide further details.

X Fair value revaluations of infrastructure assets such as roads, footpaths, drains and bridges are required to be carried out during the next financial year and to community land during the 2009/2010 financial year.

7. CONCLUSION

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

Yours faithfully,
SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

Narrabri Shire Council

SPECIAL PURPOSE FINANCIAL REPORTS
for the year ended 30 June 2008

*"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 Reports for the financial year ended 30 June 2008

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

Background

- (i) These Special Purpose Financial Reports have been prepared for the use by both Council and the Department 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 reports 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 Reports for the financial year ended 30 June 2008

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

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- The Department 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 Department of Water and Energy Best-Practice Management of Water and Sewerage Guidelines.

To the best of our knowledge and belief, these Reports:

- 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 reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 2 December 2008.



Robyn Faber
MAYOR



Lester Kelly
COUNCILLOR



Max Kershaw
GENERAL MANAGER



Glen Warren
RESPONSIBLE ACCOUNTING OFFICER

Narrabri Shire Council

Income Statement of Council's Water Supply Business Activity
for the financial year ended 30 June 2008

\$ '000	Actual 2008	Actual 2007	Actual 2006
Income from continuing operations			
Access charges	561	906	691
User charges	778	432	395
Fees	-	-	5
Interest	(368)	515	403
Grants and contributions provided for non capital purposes	35	36	36
Profit from the sale of assets	-	6	-
Other income	-	37	92
Total income from continuing operations	1,006	1,932	1,622
Expenses from continuing operations			
Employee benefits and on-costs	272	337	235
Borrowing costs	5	6	7
Materials and contracts	885	530	490
Depreciation and impairment	352	326	308
Water purchase charges	-	-	4
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	3,261	420	176
Total expenses from continuing operations	4,775	1,619	1,220
Surplus (deficit) from Continuing Operations before capital amounts	(3,769)	313	402
Grants and contributions provided for capital purposes	176	84	26
Surplus (deficit) from Continuing Operations after capital amounts	(3,593)	397	428
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(3,593)	397	428
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(94)	(121)
SURPLUS (DEFICIT) AFTER TAX	(3,593)	303	307
plus Opening Retained Profits	19,300	18,903	18,475
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	-	94	121
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	15,707	19,300	18,903
Return on Capital %	-35.3%	2.6%	3.5%
Subsidy from Council	4,451	451	267
Calculation of dividend payable:			
Surplus (deficit) after tax	(3,593)	303	307
less: Capital grants and contributions (excluding developer contributions)	-	(51)	-
Surplus for dividend calculation purposes	-	252	307
Potential Dividend calculated from surplus	-	126	154

Narrabri Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2008

\$ '000	Actual 2008	Actual 2007	Actual 2006
Income from continuing operations			
Access charges	1,533	1,458	1,569
User charges	138	82	74
Liquid Trade Waste Charges	-	-	1
Fees	-	1	9
Interest	(144)	174	94
Grants and contributions provided for non capital purposes	32	33	33
Profit from the sale of assets	-	-	-
Other income	62	180	69
Total income from continuing operations	1,621	1,928	1,849
Expenses from continuing operations			
Employee benefits and on-costs	226	316	275
Borrowing costs	135	141	150
Materials and contracts	599	400	498
Depreciation and impairment	615	629	634
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	69	319	102
Total expenses from continuing operations	1,644	1,805	1,659
Surplus (deficit) from Continuing Operations before capital amounts	(23)	123	190
Grants and contributions provided for capital purposes	-	33	22
Surplus (deficit) from Continuing Operations after capital amounts	(23)	156	212
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(23)	156	212
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(37)	(57)
SURPLUS (DEFICIT) AFTER TAX	(23)	119	155
plus Opening Retained Profits	17,626	17,470	17,258
plus/less: Prior Period Adjustments	-	-	-
adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	-	37	57
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	17,603	17,626	17,470
Return on Capital %	0.6%	1.5%	1.9%
Subsidy from Council	1,081	806	684
Calculation of dividend payable:			
Surplus (deficit) after tax	(23)	119	155
less: Capital grants and contributions (excluding developer contributions)	-	-	-
Surplus for dividend calculation purposes	-	119	155
Potential Dividend calculated from surplus	-	60	78

Narrabri Shire Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2008

\$ '000	Actual 2008	Actual 2007
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	1,061	1,003
Receivables	272	79
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	1,333	1,082
Non-Current Assets		
Investments	4,836	5,925
Receivables	221	131
Inventories	-	-
Infrastructure, property, plant and equipment	10,655	12,318
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	15,712	18,374
TOTAL ASSETS	17,045	19,456
LIABILITIES		
Current Liabilities		
Payables	67	32
Borrowings	12	12
Provisions	53	41
Total Current Liabilities	132	85
Non-Current Liabilities		
Payables	-	-
Borrowings	56	68
Provisions	8	3
Total Non-Current Liabilities	64	71
TOTAL LIABILITIES	196	156
NET ASSETS	16,849	19,300
EQUITY		
Retained earnings	15,707	19,300
Revaluation reserves	1,142	-
TOTAL EQUITY	16,849	19,300

Narrabri Shire Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2008

\$ '000	Actual 2008	Actual 2007
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	1,000	-
Receivables	293	178
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	1,293	178
Non-Current Assets		
Investments	1,332	2,558
Receivables	78	77
Inventories	-	-
Infrastructure, property, plant and equipment	18,496	17,125
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	19,906	19,760
TOTAL ASSETS	21,199	19,938
LIABILITIES		
Current Liabilities		
Payables	313	189
Borrowings	142	142
Provisions	70	63
Total Current Liabilities	525	394
Non-Current Liabilities		
Payables	-	-
Borrowings	1,774	1,916
Provisions	3	2
Total Non-Current Liabilities	1,777	1,918
TOTAL LIABILITIES	2,302	2,312
NET ASSETS	18,897	17,626
EQUITY		
Retained earnings	17,603	17,626
Revaluation reserves	1,294	-
TOTAL EQUITY	18,897	17,626

Narrabri Shire Council

Special Purpose Financial Reports for the financial year ended 30 June 2008

Contents of the Notes accompanying the Financial Statements

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

Narrabri Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

Note 1. Significant Accounting Policies

These financial statements are Special Purpose Financial Reports (SPFR's) prepared for use by the Council, the Department of Local Government and the Department of Water & Energy.

For the purposes of these statements, the council's activities (listed herein) are based upon them not being reporting entities.

This special purpose financial report, unless otherwise stated, has been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act and Regulations,
- the Local Government Code of Accounting Practice and Financial Reporting, and
- the Local Government Asset Accounting Manual.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets.

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 Department of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These

disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

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

Category 1

(where gross operating turnover is over \$2 million)

a. Narrabri Shire Council Combined Water Supplies

Comprising the whole of the water supply operations and net assets servicing the towns of Bellata, Boggabri, Gwabegar, Pilliga, Narrabri and Wee Waa.

Category 2

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

a. Narrabri Shire Council Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets servicing the towns of Boggabri, Narrabri and Wee Waa.

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

As required by the Department of Water & Energy, some amounts shown in Notes 2 and Note 3 are shown in whole dollars.

Narrabri Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2008

Note 1. Significant Accounting Policies (continued)

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Report) just like all other costs.

However, where council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all council nominated business activities and are reflected in the SPFR.

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 – **1.6% + \$100** on combined land values above \$359,000

Payroll Tax – **6%** on Salaries and Wages in excess of \$600,000

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

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

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

Income Tax

An income tax equivalent has been applied on the profits of the business.

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

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

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

Since the 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 the GPFR.

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

Local Government Rates & Charges

A calculation of the equivalent rates and charges for all Category 1 businesses have been applied to all assets owned or exclusively used by the business activity.

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

Narrabri Shire Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2008

Note 1. Significant Accounting Policies (continued)

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of Business Activities.

(iii) Return on Investments (Rate of Return)

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

Such funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Councils business activities on the Income Statement.

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 6.45% at 30/6/08.

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 50% of this surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2008 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 Department of Water & Energy prior to making the dividend and only after the Department has approved its payment.

Narrabri Shire Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2008

Note 2. Water Supply Business

Best Practice Management disclosure requirements

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

2008

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	13,653
(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]	-
(ii) No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	136,530
(iii) Cumulative surplus before Dividends for the 3 years to 30 June 2008, less the cumulative dividends paid for the 2 years to 30 June 2007	559,500

2008 Surplus	-	2007 Surplus	252,100	2006 Surplus	307,400
		2007 Dividend	-	2006 Dividend	-

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

3. Required outcomes for 7 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]	NO
- Complying charges [Item 2(b) in Table 1]	YES
- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	NO
(iii) Sound Water Conservation and Demand Management implemented	YES
(iv) Sound Drought Management implemented	NO
(v) Complete Performance Reporting Form (by 15 September each year)	YES
(vi) Integrated Water Cycle Management Evaluation	NO
(vii) Complete and implement Integrated Water Cycle Management Strategy	NO

Narrabri Shire Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2008

Note 2. Water Supply Business

Best Practice Management disclosure requirements (continued)

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

2008

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Revenue (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	1,374
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)]	%	52.46%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	10,249
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,287
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	775
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Total Cost (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	-2.49%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	176

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Reporting.
 - 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 Reports
for the financial year ended 30 June 2008Note 3. Sewerage Business
Best Practice Management disclosure requirements

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

2008

1. Calculation and Payment of Tax-Equivalents

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

(i) Calculated Tax Equivalents	-
(ii) No of assessments multiplied by \$3/assessment	11,679
(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]	-
(ii) No. of assessments x (\$30 less tax equivalent charges per assessment)	116,790
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2008, less the cumulative dividends paid for the 2 years to 30 June 2007	274,100

2008 Surplus	-	2007 Surplus	119,100	2006 Surplus	155,000
		2007 Dividend	-	2006 Dividend	-

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

3. Required outcomes for 5 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]	NO
(b) Non Residential [Item 2(c) in Table 1]	NO
(c) Trade Waste [Item 2(d) in Table 1]	NO
DSP with Commercial Developer Charges [Item 2(e) in Table 1]	NO
Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii) Complete Performance Reporting Form (by 15 September each year)	YES
(iv) Integrated Water Cycle Management Evaluation	NO
(v) Complete and implement Integrated Water Cycle Management Strategy	NO

Narrabri Shire Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2008

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2008

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	1,763
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	17,375
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	874
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	775
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	1.48%
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	3,137
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	2.14%
NWI F13	Operating Cost (OMA) (Water & Sewerage) Operating Cost (Water & Sewerage) (NWI F11 + NWI F12)	\$'000	2,161
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	1,550
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)]	%	0.03%
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)	\$'000	-

Narrabri Shire Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2008

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2008

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)]	%	-17.47%
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) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		-
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	(3,792)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	67

Notes: 1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Reporting.

2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.



SPENCER STEER
CHARTERED ACCOUNTANTS

NARRABRI SHIRE COUNCIL

SPECIAL PURPOSE FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying *special purpose financial report* of *Narrabri Shire Council*, which comprises the Balance Sheet as at 30 June 2008, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial report includes the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Report

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report 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 report is free from material misstatement. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and, accordingly, no opinion is expressed on these disclosures.

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



includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the Council or the Department of Local Government, or for any purpose other than that for which it was prepared.

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

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

Independence

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

Auditor's Opinion

In our opinion, the special purpose financial report of the Council is presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

Additional Statutory Disclosures

Council had not complied with the provisions of Section 416 of the Local Government Act, 1993 in that it failed to comply with the provisions of,

- (a) Section 416(1) requires the ***special purpose financial report*** be prepared and audited within 4 months after the end of the year, and
- (b) Section 416(2) whereby extensions were granted to 30 November 2008.

SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

Dated at Sydney this 3rd day of December 2008

Narrabri Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2008

*"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 2008

Contents	Page
Special Schedules¹	
- Special Schedule No. 1	Net Cost of Services 2
- Special Schedule No. 2(a)	Statement of Long Term debt (all purposes) 5
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993) 6
- Special Schedule No. 3	Water Supply - Income Statement 7
- Special Schedule No. 4	Water Supply - Balance Sheet 11
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- Notes to Special Schedules No. 3 & 5	17
- Special Schedule No. 7	Condition of Public Works 18
- Special Schedule No. 8	Financial Projections 21

¹ Special Purpose Schedules are not audited.

Background

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

Narrabri Shire Council

Special Schedule No. 1 - Net Cost of Services
 for the financial year ended 30 June 2008

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
Governance	503	503	-	-	-	(503)	(503)
Administration							
Corporate Support	2,528		1,224	-		(1,304)	
Engineering and Works	2,566		125	-		(2,441)	
Other Support Services	-	5,094	-	-	1,349	-	(3,745)
Public Order and Safety							
Contributions to Fire Service Levy	240		-	-		(240)	
Fire Protection – Other	90		138	4		52	
Animal Control	102		7	-		(95)	
Beach Control	-		-	-		-	
Enforcement of Local Govt Regs	7		18	-		11	
Emergency Services	53		-	-		(53)	
Other	-	492	-	-	167	-	(325)
Health							
Administration and Inspection	-		25	-		25	
Immunisations	-		-	-		-	
Food Control	-		-	-		-	
Insect/Vermin Control	-		-	-		-	
Noxious Plants	284		94	-		(190)	
Health Centres	-		-	-		-	
Other	-	284	-	-	119	-	(165)
Community Services and Education							
Administration	-		-	-		-	
Family Day Care	-		10	300		310	
Child Care	-		-	-		-	
Youth Services	2		2	-		-	
Other Families and Children	-		-	-		-	
Aged and Disabled	4		-	-		(4)	
Migrant Services	-		-	-		-	
Aboriginal Services	-		-	-		-	
Other Community Services	257		56	-		(201)	
Education		263			368		105

Narrabri Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)
for the financial year ended 30 June 2008

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
Housing and Community Amenities							
Housing	52		73	-		21	
Town Planning	41		75	-		34	
Domestic Waste Management	1,121		1,392	-		271	
Other Waste Management	802		219	-		(583)	
Street Cleaning	197		-	-		(197)	
Other Sanitation and Garbage	-		10	-		10	
Drainage	-		14	-		14	
Stormwater Management	127		-	-		(127)	
Environmental Protection	127		51	-		(76)	
Public Cemeteries	124		83	-		(41)	
Public Conveniences	-		-	-		-	
Other Community Amenities	-	2,591	-	-	1,917	-	(674)
Water Supplies	1,685	1,685	1,006	176	1,182	(503)	(503)
Sewerage Services	2,364	2,364	1,605	-	1,605	(759)	(759)
Recreation and Culture							
Public Libraries	445		58	-		(387)	
Museums	7		-	-		(7)	
Art Galleries	-		-	-		-	
Community Centres	920		236	-		(684)	
Public Halls	4		-	-		(4)	
Other Cultural Services	4		-	-		(4)	
Swimming Pools	475		88	-		(387)	
Sporting Grounds	210		-	-		(210)	
Parks and Gardens (Lakes)	1,270		51	52		(1,167)	
Other Sport and Recreation	43	3,378	-	-	485	(43)	(2,893)
Fuel and Energy							
Gas Supplies	-	-	-	-	-	-	-
Mining, Manufacturing and Construction							
Building Control	704		223	-		(481)	
Abattoirs	-		-	-		-	
Quarries and Pits	(272)		40	-		312	
Other	-	432	-	-	263	-	(169)

Narrabri Shire Council

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

for the financial year ended 30 June 2008

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
Transport and Communication							
Urban Roads (UR) - Local	547		-	324		(223)	
Urban Roads - Regional			-	-		-	
✓ Sealed Rural Roads (SRR) - Local	1,125 ✓		-	207		(918)	
✓ Sealed Rural Roads - Regional	423 ✓		-	-		(423)	
✓ Unsealed Rural Roads (URR) - Local	645 ✓		917	1,165		1,437	
✓ Unsealed Rural Roads - Regional	602 ✓		-	-		(602)	
✓ Bridges on UR - Local	17 ✓		-	-		(17)	
Bridges on UR - Regional			-	-		-	
Bridges on SRR - Local	82 ✓		-	-		(82)	
Bridges on SRR - Regional	74 ✓		-	-		(74)	
Bridges on URR - Local			-	-		-	
Bridges on URR - Regional			-	-		-	
Footpaths			-	-		-	
✓ Aerodromes	167 ✓		219	44		96	
Parking Areas			-	-		-	
Bus Shelters and Services			-	-		-	
Water Transport			-	-		-	
RTA Works (State)	1,397		1,879	-		482	
Street Lighting	270		47	-		(223)	
Other	2,565	7,914	-	-	4,802	(2,565)	(3,112)
Economic Affairs							
Camping Areas			-	-		-	
Caravan Parks	43		46	-		3	
✓ Tourism and Area Promotion	579		111	-		(468)	
Industrial Development Promotion			-	-		-	
✓ Saleyards and Markets	262		252	-		(10)	
Real Estate Development			(12)	-		(12)	
Commercial Nurseries			-	-		-	
Other Business Undertakings	311	1,195	355	-	752	44	(443)
Totals – Functions		26,195	10,737	2,272	13,009		(13,186)
General Purpose Revenues⁽¹⁾			12,411		12,411	12,411	12,411
Share of interests - joint ventures & associates using the equity method	19	19	-	-		(19)	(19)
NET OPERATING RESULT FOR YEAR	26,214		23,148	2,272	25,420	(794)	(794)

Notes:

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

Narrabri Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2008

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		From Revenue	Sinking Funds			Current	Non-Current
Loans (by Source)									
Commonwealth Government	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-
Financial Institutions	479	8,847	1,770	1,174	-	-	591	445	9,477
Other	-	-	-	-	-	-	-	-	-
Total Loans	479	8,847	1,770	1,174	-	-	591	445	9,477
Other Long Term Debt									
Ratepayers Advances	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-
Finance Leases	26	51	-	27	-	-	5	26	24
Deferred Payments	-	-	-	-	-	-	-	-	-
Total Long Term Debt	26	51	-	27	-	-	5	26	24
Total Debt	505	8,898	1,770	1,201	-	-	596	471	9,501
									9,972

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

This Schedule is prepared using the Face Value of debt obligations, rather than Fair Value (as per the GPPFR's).

Narrabri Shire Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993]
for the financial year ended 30 June 2008

\$'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 Sewer Domestic Waste Management Gas Other			
Totals	-	-	-

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
							-	-	-
Totals							-	-	-

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 2008

\$'000	Actuals 2008	Actuals 2007
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	262	230
b. Engineering and Supervision	157	170
2. Operation and Maintenance		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	22	19
d. Maintenance expenses	201	259
- Reservoirs		
e. Operation expenses	3	2
f. Maintenance expenses	21	19
- Pumping Stations		
g. Operation expenses (excluding energy costs)	40	37
h. Energy costs	130	182
i. Maintenance expenses	167	86
- Treatment		
j. Operation expenses (excluding energy costs)	30	33
k. Chemical costs	21	14
l. Maintenance expenses	6	8
- Other		
m. Operation expenses	2	4
n. Maintenance expenses	225	200
o. Purchase of water		2
3. Depreciation		
a. System assets	334	305
b. Plant and equipment	18	21
4. Miscellaneous expenses		
a. Interest expenses	5	6
b. Revaluation Decrements	3,122	-
c. Other expenses	9	22
d. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	4,775	1,619

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 2008

\$'000	Actuals 2008	Actuals 2007
Income		
6. Residential charges		
a. Access (including rates)	561	907
b. User charges	619	434
7. Non-residential charges		
a. Access (including rates)	-	-
b. User charges	89	14
8. Extra charges	-	-
9. Interest income	(368)	515
10. Other income	-	20
11. Grants		
a. Grants for acquisition of assets	176	51
b. Grants for pensioner rebates	35	36
c. Other grants	-	-
12. Contributions		
a. Developer charges	70	33
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	<u>1,182</u>	<u>2,010</u>
14. Gain or loss on disposal of assets	-	6
15. Operating Result	<u>(3,593)</u>	<u>397</u>
15a. Operating Result (less grants for acquisition of assets)	(3,769)	346

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 2008

\$'000	Actuals 2008	Actuals 2007
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	689	-
c. Renewals	86	342
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	12	1
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	<u>787</u>	<u>343</u>
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	<u>-</u>	<u>-</u>
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	3,644	3,398
b. Residential (unoccupied)	172	167
c. Non-residential (occupied)	648	716
d. Non-residential (unoccupied)	87	87
25. Number of ETs for which developer charges were received	12 ET	15 ET
26. Total amount (actual dollars) of pensioner rebates	\$ 35,000	\$ 36,000

Narrabri Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2008

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> YES	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, Department of Water & Energy, December, '2002. Such charges do not involved significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2007/08 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, Department of Water and Energy, Dec 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>
* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.			
However, disclosure of cross-subsidies is not required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.			

Narrabri Shire Council

Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2008

\$'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	1,061	4,836	5,897
31. Receivables			
a. Specific purpose grants	8	-	8
b. Rates and charges	91	221	312
c. Other	173	-	173
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	10,249	10,249
b. Plant and equipment	-	406	406
34. Other assets	-	-	-
35. Total assets	<u>1,333</u>	<u>15,712</u>	<u>17,045</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	67	-	67
38. Borrowings			
a. Loans	12	56	68
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	53	8	61
40. Total liabilities	<u>132</u>	<u>64</u>	<u>196</u>
41. NET ASSETS COMMITTED	<u>1,201</u>	<u>15,648</u>	<u>16,849</u>
EQUITY			
42. Accumulated surplus			15,707
43. Asset revaluation reserve			<u>1,142</u>
44. TOTAL EQUITY			<u>16,849</u>
Note to system assets:			
45. Current replacement cost of system assets			47,337
46. Accumulated current cost depreciation of system assets			<u>(37,088)</u>
47. Written down current cost of system assets			10,249

Narrabri Shire Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2008

\$'000	Actuals 2008	Actuals 2007
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	63	191
b. Engineering and Supervision	143	157
2. Operation and Maintenance		
- Mains		
a. Operation expenses	132	85
b. Maintenance expenses	173	100
- Pumping Stations		
c. Operation expenses (excluding energy costs)	71	48
d. Energy costs	45	49
e. Maintenance expenses	46	91
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	106	161
g. Chemical costs	-	-
h. Energy costs	16	39
i. Effluent Management	-	6
j. Biosolids Management	-	-
k. Maintenance expenses	79	48
- Other		
l. Operation expenses	-	1
m. Maintenance expenses	-	20
3. Depreciation		
a. System assets	611	625
b. Plant and equipment	4	4
4. Miscellaneous expenses		
a. Interest expenses	135	141
b. Revaluation Decrements	-	-
c. Other expenses	18	40
d. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	1,642	1,806

Narrabri Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2008

\$'000	Actuals 2008	Actuals 2007
Income		
6. Residential charges (including rates)	1,533	1,527
7. Non-residential charges		
a. Access (including rates)	-	-
b. User charges	138	13
8. Trade Waste Charges		
a. Annual Fees	-	-
b. User charges	-	-
c. Excess mass charges & re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	(144)	174
11. Other income	60	182
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	32	33
c. Other grants	-	-
13. Contributions		
a. Developer charges	-	33
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	<u>1,619</u>	<u>1,962</u>
15. Gain or loss on disposal of assets	-	-
16. Operating Result	<u>(23)</u>	<u>156</u>
16a. Operating Result (less grants for acquisition of assets)	(23)	156

Narrabri Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2008

\$'000	Actuals 2008	Actuals 2007
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	-	-
c. Renewals	775	40
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	-	7
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	775	47
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)	3,128	3,102
b. Residential (unoccupied)	190	172
c. Non-residential (occupied)	573	466
d. Non-residential (unoccupied)	2	55
26. Number of ETs for which developer charges were received	- ET	18 ET
27. Total amount (actual dollars) of pensioner rebates	\$ 32,000	\$ 33,000

Narrabri Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2008

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/> NO	
If Yes, go to 29a. If No, please report if council has removed land value from access charges (ie rates)?			
	<input type="checkbox"/> YES	<input type="checkbox"/>	
<p>NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, Department of Water and Energy, December, 2002. Such charges do not involve significant cross subsidies.</p>			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2007/08 (page 47 of Guidelines)			<input type="text"/>
<p>** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, Department of Water & Energy , Dec 2002.</p>			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text"/> -

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

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

Narrabri Shire Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2008

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	1,000	1,332	2,332
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	115	50	165
c. Other	178	28	206
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	17,375	17,375
b. Plant and equipment	-	1,121	1,121
35. Other assets	-	-	-
36. Total Assets	<u>1,293</u>	<u>19,906</u>	<u>21,199</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	313	-	313
39. Borrowings			
a. Loans	142	1,774	1,916
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	70	3	73
41. Total Liabilities	<u>525</u>	<u>1,777</u>	<u>2,302</u>
42. NET ASSETS COMMITTED	<u>768</u>	<u>18,129</u>	<u>18,897</u>
EQUITY			
42. Accumulated surplus			17,603
44. Asset revaluation reserve			1,294
45. TOTAL EQUITY			<u>18,897</u>
Note to system assets:			
46. Current replacement cost of system assets			84,794
47. Accumulated current cost depreciation of system assets			(67,419)
48. Written down current cost of system assets			<u>17,375</u>

Narrabri Shire Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2008

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 4b of Special Schedules 3 and 5) include all expenses not recorded elsewhere.

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 User 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 User 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 Re-inspection Fees.

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

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

Notes:

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

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

Narrabri Shire Council

Special Schedule No. 7 - Condition of Public Works
as at 30 June 2008

\$'000

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n. Expense (\$)	Cost Valuation	Accumulated Depreciation & Impairment	Carrying Amount (WDV)	Asset Condition #	Estimated cost to bring up to a satisfactory condition ⁽¹⁾	Required ⁽²⁾ Annual M'n'tce	Current ⁽³⁾ Annual M'n'tce
Buildings	Council Offices	1.00%	41	7,272	4,255	3,017	2	41	52	50
	Council Works Depot	5.00%	82	6,050	3,640	2,410	2	37	22	25
	Fire Control & Emergency Service	2-5%	17	1,791	846	945	2	33	5	9
	Council Houses	1-5%	11	1,899	344	1,555	3	51	40	18
	Domestic Waste Management	5.00%	4	162	85	77	2	1	-	-
	Cemeteries	5.00%	3	142	55	87	2	2	1	-
	Libraries	2.00%	22	2,694	1,213	1,481	1	15	10	-
	Museum	2.00%	1	2,294	272	2,022	2	3	10	-
	Community Centres & Halls	2.00%	7	2,359	837	1,522	3	19	7	-
	Cultural Centre	1.00%	61	12,460	6,250	6,210	2	70	40	-
	Swimming Pools	2-5%	12	2,168	848	1,320	4	101	30	-
	Parks & Gardens	1-5%	21	6,410	2,168	4,242	4	380	75	62
	Aerodromes	1-5%	7	935	518	417	3	23	4	-
	Caravan Parks	2.00%	5	836	330	506	3	60	26	-
	Tourism	1.00%	2	361	193	168	2	15	4	-
	Saleyards	2-5%	3	274	111	163	3	5	2	1
	Other Business	1.00%	7	1,802	723	1,079	3	40	9	9
	Water	1-5%	1	226	62	164	3	5	-	-
	Sewer	1-5%	2	467	126	341	3	9	4	2
	Animal Activities	1-10%	-	58	3	55	3	1	-	-
	Sundry Structures	1-10%	-	-	-	-	3	390	385	388
	sub total		309	50,660	22,879	27,781		1,301	726	564

Narrabri Shire Council

Special Schedule No. 7 - Condition of Public Works (continued)
as at 30 June 2008

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n. Expense (\$)	Cost: Valuation	Accumulated Depreciation & Impairment	Carrying Amount (WDV)	Asset Condition#	Estimated cost to bring up to a satisfactory condition: standard (1)	Required Annual Maintenance	Current Annual Maintenance
Drainage Works	Villages	1.67%	3	156	-	124	3	31	8	-
	Boggabri	1.67%	7	412	-	240	3	80	11	-
	Narrabri	1.67%	70	4,189	-	2,374	3	838	35	3
	Wee Waa	1.67%	36	2,220	-	848	3	442	31	7
	sub total		116	6,977	-	3,586		1,391	85	10
TOTAL - ALL ASSETS				322,032	182,010	275,554		24,561	5,666	7,281

Notes:

- (1). Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned enhancements to the existing asset.
- (2). Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.
- (3). Current Annual Maintenance is what has been spent in the current year to maintain assets.

Asset Condition "Key" - as per NSW Local Government Asset Accounting Manual:

1	Near Perfect - Ranges from New or Good	5	Asset Unserviceable - Critical, Beyond Repair
2	Superficial Deterioration - Ranges from Generally Good to Fair	6	
3	Deterioration Evident - Ranges from Fair to Marginal	7	
4	Requires Major Reconstruction - Ranges from Poor to Critical	8	

Narrabri Shire Council

Special Schedule No. 8 - Financial Projections
as at 30 June 2008

\$ million	Actual ⁽¹⁾ 07/08	Forecast 08/09	Forecast 09/10	Forecast ⁽³⁾ 10/11	Forecast ⁽³⁾ 11/12
(i) RECURRENT BUDGET					
Income from continuing operations	25.4	27.3	27.4	28.3	29.2
Expenses from continuing operations	26.2	25.0	25.9	26.8	27.8
Operating Result from Continuing Operations	- 0.8	2.2	1.5	1.5	1.4
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	1.1	0.7	-	-	-
Replacement/Refurbishment of Existing Assets	13.1	8.1	4.3	4.3	4.3
Total Capital Budget	14.2	8.7	4.3	4.3	4.3
Funded by:					
- Loans	-	0.3	-	-	-
- Asset sales	0.8	1.0	-	-	-
- Reserves	4.2	1.8	-	-	-
- Grants/Contributions	7.0	3.9	4.1	4.1	4.1
- Recurrent revenue	2.2	1.7	0.1	0.1	0.1
- Other	-	-	-	-	-
	14.2	8.7	4.3	4.3	4.3

Notes:

(1) From 07/08 Income Statement.

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

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