

Narrabri Shire Council

GENERAL PURPOSE FINANCIAL REPORT
for the year ended 30 June 2009

*"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 2009

Contents	Page
1. Statement by Councillors & Management	2
2. Primary Financial Statements:	
- Income Statement	3
- Balance Sheet	4
- Statement of Changes in Equity	5
- Cash Flow Statement	6
3. Notes to the Financial Statements	7
4. Independent Auditor's Reports:	
- On the Financial Report (Sect 417 [2])	76
- On the Conduct of the Audit (Sect 417 [3])	78

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 the 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 30/10/09. 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 2009

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:

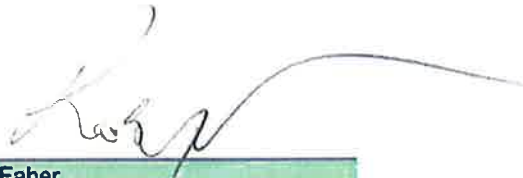
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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 20 October 2009.



Robyn Faber
MAYOR



Lester Kelly
COUNCILLOR



Phil Marshall
GENERAL MANAGER



Glen Warren
RESPONSIBLE ACCOUNTING OFFICER

Narrabri Shire Council

Income Statement

for the financial year ended 30 June 2009

Budget ⁽¹⁾ 2009	\$ '000	Notes	Actual 2009	Actual 2008
Income from Continuing Operations				
Revenue:				
12,458	Rates & Annual Charges	2a	12,510	11,865
4,385	User Charges & Fees	3b	4,463	4,293
1,481	Interest & Investment Revenue	3c	346	-
1,087	Other Revenues	3d	1,355	997
7,490	Grants & Contributions provided for Operating Purposes	3e,f	7,499	5,993
285	Grants & Contributions provided for Capital Purposes	3e,f	3,583	2,272
27,186	Total Income from Continuing Operations		29,756	25,420
Expenses from Continuing Operations				
8,420	Employee Benefits & On-Costs	4a	8,274	8,044
637	Borrowing Costs	4b	665	596
7,715	Materials & Contracts	4c	8,698	7,818
5,375	Depreciation & Amortisation	4d	5,921	5,462
-	Impairment	4d	-	-
3,336	Other Expenses	4e	3,564	3,338
-	Interest & Investment Losses	3c	-	907
659	Net Losses from the Disposal of Assets	5	143	30
-	Net Share of interests in Joint Ventures & Associated Entities using the Equity Method	19	7	19
26,142	Total Expenses from Continuing Operations		27,272	26,214
1,044	Operating Result from Continuing Operations		2,484	(794)
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
1,044	Net Operating Result for the Year		2,484	(794)
1,044	Net Operating Result attributable to Council		2,484	(794)
-	Net Operating Result attributable to Minority Interests		-	-
759	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(1,099)	(3,066)

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

Narrabri Shire Council

Balance Sheet

as at 30 June 2009

\$ '000	Notes	Actual 2009	Actual 2008
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	5,728	6,667
Investments	6b	4,175	6,062
Receivables	7	1,152	1,740
Inventories	8	1,231	1,146
Other	8	197	207
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		12,483	15,822
Non-Current Assets			
Investments	6b	5,347	6,397
Receivables	7	573	437
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	267,398	261,639
Investments accounted for using the equity method	19	121	128
Investment Property	14	-	-
Intangible Assets	25	-	-
Other	8	-	-
Total Non-Current Assets		273,439	268,601
TOTAL ASSETS		285,922	284,423
LIABILITIES			
Current Liabilities			
Payables	10	1,811	3,370
Borrowings	10	473	471
Provisions	10	2,035	1,625
Total Current Liabilities		4,319	5,466
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	8,830	9,501
Provisions	10	100	76
Total Non-Current Liabilities		8,930	9,577
TOTAL LIABILITIES		13,249	15,043
Net Assets		272,673	269,380
EQUITY			
Retained Earnings	20	228,992	226,508
Revaluation Reserves	20	43,681	42,872
Council Equity Interest		272,673	269,380
Minority Equity Interest		-	-
Total Equity		272,673	269,380

Narrabri Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2009

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2009						
Opening Balance (as per Last Year's Audited Accounts)		226,508	42,744	269,252	-	269,252
a. Correction of Prior Period Errors	20 (c)	-	128	128	-	128
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/08)		226,508	42,872	269,380	-	269,380
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	809	809	-	809
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-	-
- Other Adjustments	20b (ii)	-	-	-	-	-
Net Income Recognised Directly in Equity		-	809	809	-	809
d. Net Operating Result for the Year		2,484	-	2,484	-	2,484
Total Recognised Income & Expenses (c&d)		2,484	809	3,293	-	3,293
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		228,992	43,681	272,673	-	272,673

\$ '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)	128	(19,429)	-	(19,429)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/07)		227,302	128	227,430	-	227,430
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	42,872	269,380	-	269,380

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

page 5

Narrabri Shire Council

Cash Flow Statement

for the financial year ended 30 June 2009

Budget 2009	\$ '000	Notes	Actual 2009	Actual 2008
Cash Flows from Operating Activities				
Receipts:				
12,458	Rates & Annual Charges		12,515	11,891
2,843	User Charges & Fees		5,074	3,924
1,480	Interest & Investment Revenue Received		884	1,449
7,775	Grants & Contributions		11,419	8,347
1,087	Other		3,519	3,850
Payments:				
(8,573)	Employee Benefits & On-Costs		(7,917)	(7,962)
(6,673)	Materials & Contracts		(11,056)	(5,780)
(637)	Borrowing Costs		(671)	(598)
(3,336)	Other		(5,231)	(6,390)
6,424	Net Cash provided (or used in) Operating Activities	11b	8,536	8,731
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		10,790	17,623
981	Sale of Infrastructure, Property, Plant & Equipment		641	907
-	Deferred Debtors Receipts		7	-
-	Distributions Received from Joint Ventures & Associates		-	137
Payments:				
-	Purchase of Investment Securities		(8,440)	(12,316)
(8,700)	Purchase of Infrastructure, Property, Plant & Equipment		(11,804)	(14,236)
(7,719)	Net Cash provided (or used in) Investing Activities		(8,806)	(7,885)
Cash Flows from Financing Activities				
Receipts:				
307	Proceeds from Borrowings & Advances		680	1,770
Payments:				
(448)	Repayment of Borrowings & Advances		(1,299)	(1,174)
(29)	Repayment of Finance Lease Liabilities		(50)	(27)
(170)	Net Cash Flow provided (used in) Financing Activities		(669)	569
(1,465)	Net Increase/(Decrease) in Cash & Cash Equivalents		(939)	1,415
6,667	plus: Cash & Cash Equivalents - beginning of year	11a	6,667	5,252
5,202	Cash & Cash Equivalents - end of the year	11a	5,728	6,667

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 2009

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	8
2(a)	Council Functions / Activities - Financial Information	26
2(b)	Council Functions / Activities - Component Descriptions	27
3	Income from Continuing Operations	28
4	Expenses from Continuing Operations	33
5	Gains or Losses from the Disposal of Assets	37
6(a)	Cash & Cash Equivalent Assets	38
6(b)	Investments	38
6(c)	Restricted Cash, Cash Equivalents & Investments - details	40
7	Receivables	42
8	Inventories & Other Assets	43
9(a)	Infrastructure, Property, Plant & Equipment	44
9(b)	Restricted Infrastructure, Property, Plant & Equipment	45
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	45 n/a
10(a)	Payables, Borrowings & Provisions	46
10(b)	Description of (& movements in) Provisions	47
11	Reconciliation of Cash Flow movements & additional information	48
12	Commitments for Expenditure	50
13	Statement of Performance Measures - Indicators	52
13a	Statement of Performance Measures - Graphs	53
14	Investment Properties	54 n/a
15	Financial Risk Management disclosures	55
16	Material Budget Variations	59
17	Statement of Developer Contributions	61
18	Contingencies and Other Liabilities/Assets not recognised	63
19	Investments in Subsidiaries, Associated Entities & Joint Ventures	66
20	Equity - Retained Earnings and Revaluation Reserves	69
21	Financial Result & Financial Position by Fund	71
22	Non Current Assets and Disposal Groups classified as "Held for Sale"	73 n/a
23	Events occurring after Balance Sheet date	73
24	Discontinued Operations	73 n/a
25	Intangible Assets	73 n/a
26	Reinstatement, Rehabilitation & Restoration Liabilities	74
Additional Disclosures		
27	Council Information & Contact Details	75

n/a - not applicable

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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 it 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

AAS 27 – Financial Reporting by Local Government was withdrawn from use from 1 July 2008.

All key elements however of the former Standard have been incorporated into other current Standards including AASB 1051, 1052 and 1004.

(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 that are accounted for at Fair Valuation.

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.

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

(vi) Critical Accounting Estimates

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

It also requires Council management to exercise their judgement in the process of applying 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 the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

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 contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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 30/6/09) and (ii) all the related operating results (for the financial year ended the 30th June 2009).

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 & Operations

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

Jointly Controlled Entities

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

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

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 "significant influence" over the other entities operations but

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

neither controls nor jointly controls the entity, then Council accounts for such interests using the Equity Method of Accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed “Associates”.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

(f) Investments and Other Financial Assets

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

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

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

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

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

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

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

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

Financial Assets – Reclassification

Following on from amendments made to AASB 139 - Financial Instruments: Recognition & Measurement in October 2008, Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

Actual Reclassifications

Council did not take up the option to reclassify some financial assets out of the held-for-trading category from 1 July 2008, following amendments made to AASB 139 in October 2008.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified

as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve.

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

Impairment

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

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 (and to comply 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.

Council amended its policy during the current reporting year following revisions to the Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed (eg. managed funds, CDOs, and equity

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

linked notes), however they have been retained under grandfathering provisions of the Order.

These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

Council's non current assets are 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** – refer Note 1(p),
- **Water and Sewerage Networks** which are carried at Fair Value (generally based upon Depreciated Replacement Cost).

- **Operational Land** (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;

- **2009/10:** Roads, Bridges, Footpaths and Drainage assets
- **2010/11:** Community land, Land improvements, Other structures and other assets

Until these designated future reporting periods, the above remaining 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 asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Council and the cost of the item can be measured reliably.

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

Asset Revaluations (including Indexation)

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

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

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

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

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

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

Capitalisation Thresholds

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

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

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

Buildings & Land Improvements	
Park Furniture & Equipment	> \$1,000

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

Other Structures	> \$2,000
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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 residual values) over its estimated useful life.

Land is not depreciated.

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Other Structures	
- Parks & Recreation Structures	10 years
- All Other Structures	10 to 50 years
Buildings	
- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years
Stormwater Drainage	
- Pumps	30 years
- Drainage	60 years
- Reticulation Pipes	80 years
Transportation Assets	
- Sealed Roads : Surface	30 years
- Sealed Roads : Structure	60 years
- Natural Surface Roads	Infinite
- Gravel Surface Roads	Infinite
- Unsealed roads	20 years
- Causeways	60 years
- Bridges	105 years
- Kerb, Gutter & Paths	50 years
Water & Sewer Assets	
- Dams and reservoirs	100 years
- Bores	30 years
- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	15 to 20 years
Other Infrastructure Assets	
- Bulk earthworks	Infinite

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(s) on Asset Impairment.

Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further

future economic benefits are expected from its use or disposal.

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

(k) Land

Land 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).

(l) Land under roads

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

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

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

Council will recognise all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

(m) 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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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.

(n) Crown Reserves

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

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

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

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.

(o) Rural Fire Service assets

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

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the

assets, their values and depreciation charges within these Financial Reports.

(p) Investment property

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

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.

The last full revaluation for Council's Investment Properties was dated 30/06/08.

(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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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.

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 26.

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

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

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

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

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

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

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

(s) Impairment of assets

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.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are 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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

is determined by considering the class of obligations as a whole.

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

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

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

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

(x) Employee benefits

(i) 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.

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$290 million at 30 June 2009.

As a result, they have asked for significant increases in contributions from 2009/2010 onwards to recover that deficiency.

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

For this reason, no liability for the deficiency has been recognised in Council's accounts.

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

Define Contribution Plans

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

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/09.

(y) Self insurance

Council does not have any program of self insurance.

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Goods & Services Tax (GST)

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

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

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

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the 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 2009.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to

Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements.

If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

Council will apply the revised standard from 1 July 2009.

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 (effective from 1 January 2009)

The revised AASB 123 has removed the option to **expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.** There will be no impact on the financial reports as Council already capitalises borrowing costs relating to qualifying assets.

AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions.

It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

There will be no impact on the financial reports as Council makes no share based payments.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

AASB Interpretation 15 Agreements for the Construction of Real Estate (effective 1 January 2009)

AASB-I 15 clarifies whether AASB 118 Revenue or AASB 111 Construction Contracts should be applied to particular transactions.

Council intends to apply the interpretation from 1 July 2009. It has reviewed its current agreements for the sale of real estate in light of the new guidance and concluded that there would be no change to the accounting for these agreements if AASB-I 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of AASB-I 15.

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

Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes.

For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement.

There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

All acquisition-related costs must be expensed. The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

There will be no impact on the financial reports as Council has no exposure to these types of transactions.

AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)

The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008.

They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met

There will be no impact on the financial reports as Council does not have any subsidiaries it is proposing to dispose of.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. Council will apply the revised rules prospectively from 1 July 2009.

After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

There will be no impact on the financial reports as Council has no hedges of a net investment in a foreign operation.

AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)

AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

Council will apply the amended standard from 1 July 2009. It is not expected to have any impact on the financial reports.

AASB Interpretation 17 Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders.

These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution.

There will be no impact on the financial reports as Council has no exposure to these types of transactions.

Not applicable to Local Government per se;

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments.

(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 2009

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 2009	Actual 2009	Actual 2008	Original Budget 2009	Actual 2009	Actual 2008	Original Budget 2009	Actual 2009	Actual 2008	Actual 2009	Actual 2008	Actual 2009	Actual 2008	Actual 2009
Governance	1	1	-	550	606	503	(549)	(605)	(503)	(3)	-	1,067	128	
Administration	1,149	435	1,349	4,900	4,101	5,094	(3,751)	(3,666)	(3,745)	132	39	23,037	25,292	
Public Order & Safety	227	226	167	500	498	492	(273)	(272)	(325)	134	140	1,174	1,018	
Health	144	149	119	290	237	284	(146)	(88)	(165)	120	92	-	-	
Community Services & Education	61	54	368	230	225	263	(169)	(171)	105	7	328	2,951	2,971	
Housing & Community Amenities	2,371	2,241	1,917	2,600	2,335	2,591	(229)	(94)	(674)	122	51	6,874	7,305	
Water Supplies	2,007	1,573	1,182	1,721	1,826	1,685	286	(253)	(503)	43	211	16,568	16,867	
Sewerage Services	1,910	1,784	1,605	2,380	2,213	2,364	(470)	(429)	(759)	33	32	20,216	21,055	
Recreation & Culture	512	1,194	485	3,100	4,073	3,378	(2,588)	(2,879)	(2,893)	675	97	20,366	19,622	
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-	
Mining, Manufacturing & Construction	266	322	263	350	296	432	(84)	26	(169)	-	-	1,865	2,011	
Transport & Communication	5,337	5,979	4,802	8,253	9,519	7,914	(2,916)	(3,540)	(3,112)	1,899	1,315	188,018	184,212	
Economic Affairs	760	705	752	1,268	1,336	1,195	(508)	(631)	(443)	45	52	3,665	3,814	
Total Functions & Activities	14,745	14,663	13,009	26,142	27,265	26,195	(11,397)	(12,602)	(13,186)	3,207	2,357	285,801	284,295	
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	7	19	-	(7)	(19)	-	-	121	128	
General Purpose Income ¹	12,441	15,093	12,411	-	-	-	12,441	15,093	12,411	6,159	4,508	-	-	
Operating Result from Continuing Operations	27,186	29,756	25,420	26,142	27,272	26,214	1,044	2,484	(794)	9,366	6,865	285,922	284,423	

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 2009

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 2009

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2009	Actual 2008
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		3,088	3,069
Farmland		4,413	3,985
Mining		289	276
Business		1,039	976
Total Ordinary Rates		8,829	8,306
Special Rates			
Tourism		41	45
Wee Waa Drainage		-	119
Total Special Rates		41	164
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		1,512	1,271
Water Supply Services		537	561
Sewerage Services		1,591	1,563
Total Annual Charges		3,640	3,395
TOTAL RATES & ANNUAL CHARGES		12,510	11,865

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 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		829	708
Sewerage Services		4	33
Waste Management Services (non-domestic)		40	189
Total User Charges		873	930
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Planning & Building Regulation		255	310
Private Works - Section 67		293	321
Regulatory/ Statutory Fees		17	19
Registration Fees		11	14
Total Fees & Charges - Statutory/Regulatory		576	664
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Aerodrome		184	221
Caravan Park		52	46
Cemeteries		143	82
Contributions to Works		101	127
Leaseback Fees - Council Vehicles		103	96
Quarry Revenues		131	47
RTA Charges (State Roads not controlled by Council)		1,860	1,667
Saleyards		208	263
Swimming Centres		92	87
Trade Waste		5	21
Waste Disposal Tipping Fees		80	23
Other		55	19
Total Fees & Charges - Other		3,014	2,699
TOTAL USER CHARGES & FEES		4,463	4,293

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		107	88
- Interest earned on Investments (interest & coupon payment income)		825	1,431
Fair Value Adjustments			
- Fair Valuation Movements in Investments (unrealised capital gains/(losses))		(586)	(2,426)
TOTAL INTEREST & INVESTMENT REVENUE		346	(907)
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		107	88
General Council Cash & Investments		105	(491)
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		8	8
Water Fund Operations		83	(368)
Sewerage Fund Operations		43	(144)
Total Interest & Investment Revenue Recognised		346	(907)
(d). Other Revenues			
Rental Income - Other Council Properties		164	143
Fines		25	22
Legal Fees Recovery - Rates & Charges (Extra Charges)		123	51
Cultural Centre		361	194
Distribution Reuse Farm		38	62
Employment Services		76	59
Insurance Claim Recoveries		28	174
Recoverable Expenses		179	63
Sales - General		259	123
Other		102	106
TOTAL OTHER REVENUE		1,355	997

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	2009 Operating	2008 Operating	2009 Capital	2008 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	3,812	2,723	-	-
Financial Assistance - Local Roads Component	2,258	1,694	-	-
Pensioners' Rates Subsidies - General Component	89	91	-	-
Total General Purpose	6,159	4,508	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	36	35	-	-
- Sewerage	33	32	-	-
- Domestic Waste Management	35	31	-	-
Water Supplies	-	-	7	176
Sewerage Services	-	-	20	-
Bushfire & Emergency Services	128	136	-	-
Community Centres	-	-	517	-
Community Events	12	3	-	-
Flood Restoration	-	322	293	-
Flood Studies	30	51	-	-
Heritage & Cultural	-	6	-	-
Library	49	52	-	-
Noxious Weeds	120	92	-	-
RTA Determined Works - 3x3	163	163	400	45
Street Lighting	48	47	-	-
Tourism	-	52	37	-
Transport (Roads to Recovery)	-	-	1,018	746
Transport (Other Roads & Bridges Funding)	57	-	-	44
Other	65	24	139	300
Total Specific Purpose	776	1,046	2,431	1,311
Total Grants	6,935	5,554	2,431	1,311
Grant Revenue is attributable to:				
- Commonwealth Funding	4,546	4,979	1,565	768
- State Funding	2,389	575	869	543
- Other Funding	-	-	(3)	-
	6,935	5,554	2,431	1,311

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	2009 Operating	2008 Operating	2009 Capital	2008 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	36	8
Other Developer Contributions	-	-	314	172
Total Developer Contributions	-	-	350	180
Other Contributions:				
Bushfire Services	-	-	12	4
RTA Contributions (Regional/Local, Block Grant)	561	439	790	777
Other	3	-	-	-
Total Other Contributions	564	439	802	781
Total Contributions	564	439	1,152	961
TOTAL GRANTS & CONTRIBUTIONS	7,499	5,993	3,583	2,272

\$ '000	Actual 2009	Actual 2008
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(g). Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	2,847	5,504
add: Grants and contributions recognised in the current period which have not been spent:	1,019	872
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(2,038)	(3,529)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	(1,019)	(2,657)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	1,828	2,847
Comprising:		
- Specific Purpose Unexpended Grants	1,338	2,715
- Developer Contributions	490	132
- Other Contributions	-	-
	1,828	2,847

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2009	Actual 2008
(a) Employee Benefits & On-Costs			
Salaries and Wages		6,599	6,048
Travelling		46	55
Employee Leave Entitlements (ELE)		914	629
Superannuation		202	590
Workers' Compensation Insurance		204	271
Fringe Benefit Tax (FBT)		43	34
Training Costs (other than Salaries & Wages)		77	109
Protective Clothing		22	25
Other		558	540
Total Employee Costs		8,665	8,301
less: Capitalised Costs		(391)	(257)
TOTAL EMPLOYEE COSTS EXPENSED		8,274	8,044
Number of "Equivalent Full Time" Employees at year end		129	130
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		658	591
Charges relating to Finance Leases		7	5
Total Interest Bearing Liability Costs		665	596
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		665	596
(ii) Other Borrowing Costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		665	596

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c) Materials & Contracts			
Raw Materials & Consumables		7,260	6,233
Contractor & Consultancy Costs			
- Waste Collection		612	914
- Management Fees		149	126
- Contractor & Consultancy Costs		307	327
- Other		55	27
Auditors Remuneration			
- Audit Services (Council's Auditor)		46	20
Legal Expenses:			
- Legal Expenses - Planning & Development		27	5
- Legal Expenses - Other		25	2
- Legal Expenses - Debt Recovery		153	95
Operating Leases:			
Operating Lease Rentals - Minimum Lease Payments ⁽¹⁾		64	69
Total Materials & Contracts		8,698	7,818
less: Capitalised Costs		-	-
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>8,698</u>	<u>7,818</u>
1. Operating Leases are attributable to:			
- Computers		64	69
		64	69

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Depreciation/Amortisation		Impairment Costs	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
(d) Depreciation, Amortisation & Impairment				
Plant and Equipment	674	1,020	-	-
Office Equipment	79	71	-	-
Furniture & Fittings	85	70	-	-
Property, Plant & Equipment - Leased	-	7	-	-
Land Improvements (depreciable)	130	125	-	-
Buildings - Non Specialised	218	255	-	-
Buildings - Specialised	70	54	-	-
Other Structures	334	235	-	-
Infrastructure:				
- Roads, Bridges & Footpaths	2,959	2,564	-	-
- Stormwater Drainage	116	116	-	-
- Water Supply Network	432	334	-	-
- Sewerage Network	824	611	-	-
Total Depreciation & Impairment Costs	5,921	5,462	-	-
less: Capitalised Costs	-	-	-	-
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>	<u>5,921</u>	<u>5,462</u>	-	-

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		80	71
Bad & Doubtful Debts		(4)	3
Bank Charges		51	40
Cleaning		85	87
Contributions to Other Levels of Government			
- NSW Rural Fire Service Levy		239	240
- Planning Services		72	104
Councillor Expenses - Mayoral Fee		21	19
Councillor Expenses - Councillors' Fees		105	89
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		78	58
Donations, Contributions & Assistance to other organisations (Section 356)		493	459
Electricity & Heating		442	355
Fire Control Expenses		11	15
Insurance		419	381
Office Expenses (including computer expenses)		310	305
Postage		22	28
Printing & Stationery		45	71
Recoverable Expenses		395	332
Street Lighting		277	270
Subscriptions & Publications		75	57
Telephone & Communications		143	138
Tourism Expenses (excluding employee costs)		169	132
Valuation Fees - Rates		36	37
Valuation Fees - Assets		-	47
Total Other Expenses		3,564	3,338
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		3,564	3,338

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 5. Gains or Losses on Disposal of Assets

\$ '000	Notes	Actual 2009	Actual 2008
Property (excl. Investment Property)			
Proceeds from Disposal		-	62
less: Carrying Amount of Property Assets Sold		-	(88)
Net Gain/(Loss) on Disposal		-	(26)
Plant & Equipment			
Proceeds from Disposal		641	810
less: Carrying Amount of P&E Assets Sold		(783)	(813)
Net Gain/(Loss) on Disposal		(142)	(3)
Financial Assets*			
Proceeds from Disposal		10,790	16,623
less: Carrying Amount of Financial Assets Sold		(10,791)	(16,624)
Net Gain/(Loss) on Disposal		(1)	(1)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(143)	(30)
* Financial Assets disposals include:			
- Net Gain/(Loss) from Financial Instruments designated "Held for Trading"		(1)	(1)
Net Gain/(Loss) on Disposal of Financial Instruments		(1)	(1)

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

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

\$ '000	2009	2009	2008	2008
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)				
Cash on Hand and at Bank	514	-	862	-
Cash-Equivalent Assets ¹				
- Deposits at Call	4,714	-	15	-
- Short Term Deposits	500	-	5,790	-
Total Cash & Cash Equivalents	5,728	-	6,667	-
Investment Securities (Note 6b)				
- Managed Funds	1,145	-	5,796	-
- Long Term Deposits	3,000	-	-	-
- NCD's, FRN's (with Maturities > 3 months)	30	3,657	266	4,120
- CDO's	-	1,690	-	2,277
Total Investment Securities	4,175	5,347	6,062	6,397
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS	9,903	5,347	12,729	6,397

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"	5,728	-	6,667	-
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Investments

a. "At Fair Value through the Profit & Loss"				
- "Held for Trading" 6(b-i)	1,175	5,347	6,062	6,397
- "Designated At Fair Value on Initial Recognition" 6(b-i)	-	-	-	-
b. "Held to Maturity" 6(b-ii)	3,000	-	-	-
c. "Loans & Receivables" 6(b-iii)	-	-	-	-
d. "Available for Sale" 6(b-iv)	-	-	-	-
Investments	4,175	5,347	6,062	6,397

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 6b. Investments (continued)

\$ '000	2009	2009	2008	2008
	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	6,062	6,397	10,710	8,483
Revaluations (through the Income Statement)	214	(800)	(40)	(2,386)
Additions	5,440	-	11,816	500
Disposals (sales & redemptions)	(10,791)	-	(16,624)	-
Transfers between Current/Non Current	250	(250)	200	(200)
Balance at End of Year	1,175	5,347	6,062	6,397
Comprising:				
- Managed Funds	1,145	-	5,796	-
- NCD's, FRN's (with Maturities > 3 months)	30	3,657	266	4,120
- CDO's	-	1,690	-	2,277
Total	1,175	5,347	6,062	6,397
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	-	-	1,000	-
Additions	3,000	-	-	-
Disposals (sales & redemptions)	-	-	(1,000)	-
Balance at End of Year	3,000	-	-	-
Comprising:				
- Long Term Deposits	3,000	-	-	-
Total	3,000	-	-	-
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 2009

Note 6c. Restricted Cash, Cash Equivalents & Investments

\$ '000	2009	2009	2008	2008
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	9,903	5,347	12,729	6,397
attributable to:				
External Restrictions (refer below)	4,188	5,347	4,943	6,397
Internal Restrictions (refer below)	5,700	-	7,279	-
Unrestricted	15	-	507	-
	9,903	5,347	12,729	6,397

2009 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	132	358	-	490
Specific Purpose Unexpended Grants (F)	2,715	-	(1,377)	1,338
Water Supplies (G)	5,897	-	(363)	5,534
Sewerage Services (G)	2,332	-	(159)	2,173
Domestic Waste Management (G)	-	1,737	(1,737)	-
Special Levy - Wee Waa Drainage (G)	264	-	(264)	-
External Restrictions - Other	11,340	2,095	(3,900)	9,535
Total External Restrictions	11,340	2,095	(3,900)	9,535

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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

2009 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Employees Leave Entitlement	800	100	(200)	700
Deposits, Retentions & Bonds	154	5	-	159
Contributions and Donations	13	5	(13)	5
SES Headquarters	5	-	-	5
Economic Development	51	-	-	51
Quarries	1,116	555	(740)	931
Caravan Park, Narrabri	269	52	(98)	223
Nurruby Land Purchase	75	-	-	75
Office Equipment	135	-	(94)	41
Aerodromes	134	-	(134)	-
RTA Single Invitation Contract	200	-	(100)	100
Swimming Pools	546	-	(391)	155
Tourism	12	-	(7)	5
Restricted Funding	483	-	(147)	336
Floodprone Land Purchase Scheme	66	33	(99)	-
Cultural Centre	26	50	-	76
Saleyards	167	191	(338)	20
Library	55	-	(4)	51
Housing	43	-	-	43
Administration Building	87	-	(60)	27
Parks & Gardens	110	48	(16)	142
Gwabegar Hall	24	-	(24)	-
Carry Overs	2,576	-	(184)	2,392
Section 355 Committee Funds	132	31	-	163
Total Internal Restrictions	7,279	1,070	(2,649)	5,700
TOTAL RESTRICTIONS	18,619	3,165	(6,549)	15,235

- 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 2009

Note 7. Receivables

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
Purpose				
Rates & Annual Charges	532	264	537	267
Interest & Extra Charges	113	109	95	92
User Charges & Fees	213	199	433	54
Contributions to Works	-	20	-	40
Accrued Revenues				
- Interest on Investments	82	-	69	-
- Reuse Farm Distribution	45	-	62	-
- Other Income Accruals	76	-	299	-
Government Grants & Subsidies	23	-	60	-
Deferred Debtors	7	9	8	15
Net GST Receivable	99	-	194	-
FBT Receivable	-	-	22	-
Total	1,190	601	1,779	468
less: Provision for Impairment				
Rates & Annual Charges	-	(17)	-	(20)
Interest & Extra Charges	-	(11)	-	(11)
User Charges & Fees	(38)	-	(39)	-
Total Provision for Impairment - Receivables	(38)	(28)	(39)	(31)
TOTAL NET RECEIVABLES	1,152	573	1,740	437
Externally Restricted Receivables				
Water Supply				
- Specific Purpose Grants	8	-	8	-
- Rates & Availability Charges	116	65	91	221
- Other	160	25	173	-
Sewerage Services				
- Rates & Availability Charges	129	9	115	50
- Other	45	-	178	28
Total External Restrictions	458	99	565	299
Internally Restricted Receivables				
Nil				
Unrestricted Receivables	694	474	1,175	138
TOTAL NET RECEIVABLES	1,152	573	1,740	437

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% (2008 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 8. Inventories & Other Assets

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
Inventories				
Stores & Materials	257	-	227	-
Trading Stock	974	-	919	-
Total Inventories	1,231	-	1,146	-
Other Assets				
Prepayments	197	-	207	-
Total Other Assets	197	-	207	-
<u>TOTAL INVENTORIES & OTHER ASSETS</u>	<u>1,428</u>	<u>-</u>	<u>1,353</u>	<u>-</u>

(i) Externally Restricted Assets

Nil

Total Externally Restricted Assets	-	-	-	-
Total Internally Restricted Assets	-	-	-	-
Total Unrestricted Assets	1,428	-	1,353	-
TOTAL INVENTORIES & OTHER ASSETS	1,428	-	1,353	-

(ii) Other Disclosures

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

- Stores & Materials	774	690
- Trading Stock	42	186

(b) Inventory Write Downs

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

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 9a. Infrastructure, Property, Plant & Equipment

	as at 30/6/2008						Asset Movements during the Reporting Period						as at 30/6/2009			
	At	At	Accumulated	Carrying	Asset Additions	WDV Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At	Fair Value	At	At	Accumulated	Carrying	
	Cost	Fair Value	Deprec.	Value						Cost	Fair Value	Dep'n	Value			
\$ '000																
Capital Work in Progress	1,348	-	-	1,348	1,286	-	-	(1,209)	-	-	-	1,425	-	-	1,425	-
Plant & Equipment	-	9,223	1,794	7,429	2,018	(712)	(674)	31	-	-	-	-	2,302	2,302	8,092	-
Office Equipment	-	449	215	234	154	(79)	(79)	1	-	-	-	-	294	294	310	-
Furniture & Fittings	-	925	386	539	98	(1)	(85)	1	-	-	-	-	469	469	552	-
Plant & Equipment (under Finance Lease)	-	70	-	70	-	(70)	-	-	-	-	-	-	-	-	-	-
Land:																
- Operational Land	-	6,744	-	6,744	5	-	-	1	-	-	-	-	-	-	6,750	-
- Community Land	-	4,200	-	4,200	-	-	-	-	-	-	-	-	-	-	4,200	-
- Land under Roads (purchased pre 1/7/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Land under Roads (purchased post 30/6/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - non depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	2,570	-	359	2,211	42	-	(130)	37	-	-	-	2,649	489	489	2,160	-
Buildings - Non Specialised	-	41,460	20,003	21,457	290	-	(218)	(1)	-	-	-	-	20,221	20,221	21,528	-
Buildings - Specialised	-	9,200	2,876	6,324	614	-	(70)	-	-	-	-	-	2,945	2,945	6,868	-
Other Structures	-	14,572	4,216	10,356	513	-	(334)	(38)	-	-	-	513	4,551	4,551	10,497	-
Infrastructure:																
- Roads, Bridges, Footpaths	315,055	-	145,359	169,696	6,058	-	(2,959)	1,178	-	-	-	7,236	148,318	148,318	173,973	-
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater Drainage	6,977	-	3,586	3,391	-	-	(116)	(1)	-	-	-	6,977	3,703	3,703	3,274	-
- Water Supply Network	-	46,556	36,293	10,263	396	-	(432)	-	307	-	-	-	37,827	37,827	10,534	-
- Sewerage Network	-	84,794	67,417	17,377	180	-	(824)	-	502	-	-	-	70,288	70,288	17,235	-
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26: - Nil																
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	325,950	218,193	282,504	261,639	11,654	(783)	(5,921)	-	809	-	-	18,800	540,005	291,407	267,398	-

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009Note 9b. Infrastructure, Property, Plant & Equipment
that is Externally Restricted

\$ '000 Class of Asset	Actual 2009				Actual 2008			
	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	-	151	102	49	-	127	99	28
Office Equipment	-	6	-	6	-	-	-	-
Land								
- Operational Land	-	202	-	202	-	198	-	198
Buildings	-	240	75	165	-	231	65	166
Other Structures	-	71	54	17	-	71	49	22
Infrastructure	-	48,361	37,827	10,534	-	46,552	36,311	10,241
Total Water Supply	-	49,031	38,058	10,973	-	47,179	36,524	10,655
Sewerage Services								
Plant & Equipment	-	117	89	28	-	97	80	17
Office Equipment	-	3	3	-	-	3	2	1
Furniture & Fittings	-	3	2	1	-	-	-	-
Land								
- Operational Land	-	709	-	709	-	709	-	709
Buildings	-	467	129	338	-	467	305	162
Other Structures	-	68	17	51	-	68	15	53
Infrastructure	-	87,523	70,288	17,235	-	84,973	67,419	17,554
Total Sewerage Services	-	88,890	70,528	18,362	-	86,317	67,821	18,496
Domestic Waste Management								
Plant & Equipment	-	14	2	12	-	14	-	14
Land								
- Operational Land	-	243	-	243	-	243	-	243
- Improvements - depreciable	875	-	334	541	856	-	226	630
Buildings	22	163	86	99	-	163	85	78
Other Assets	348	-	90	258	320	-	81	239
Total DWM	1,245	420	512	1,153	1,176	420	392	1,204
TOTAL RESTRICTED I,PP&E	1,245	138,341	109,098	30,488	1,176	133,916	104,737	30,355

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

Council has not recognised any impairment losses during the reporting period nor reversed any prior period losses.

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2009		2008	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,153	-	2,576	-
Goods & Services - capital expenditure		-	-	150	-
Payments Received In Advance		111	-	28	-
Accrued Expenses;					
- Borrowings		60	-	66	-
- Other Expenditure Accruals		182	-	252	-
Security Bonds, Deposits & Retentions		159	-	154	-
Department of Commerce - Call Payments		136	-	136	-
Other		10	-	8	-
Total Payables		1,811	-	3,370	-
Borrowings					
Loans - Secured ¹		473	8,830	445	9,477
Finance Lease Liabilities		-	-	26	24
Total Borrowings		473	8,830	471	9,501
Provisions					
Employee Benefits;					
Annual Leave		656	-	572	-
Sick Leave		379	-	310	-
Long Service Leave		1,000	100	743	76
Sub Total - Aggregate Employee Benefits		2,035	100	1,625	76
Total Provisions		2,035	100	1,625	76
Total Payables, Borrowings & Provisions		4,319	8,930	5,466	9,577

(i) Liabilities relating to Restricted Assets

	2009		2008	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	95	57	132	64
Sewer	424	1,468	525	1,777
Liabilities relating to externally restricted assets	519	1,525	657	1,841
Internally Restricted Assets - Nil				
Total Liabilities relating to restricted assets	519	1,525	657	1,841

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 2009

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

\$ '000	2009	2008
---------	------	------

(ii) Current Liabilities not anticipated to be settled within the next 12 months

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

Provisions - Employees Benefits	1,272	1,065
	1,272	1,065

Note 10b. Description of and movements in Provisions

Class of Provision	2008			2009		Closing Balance as at 30/6/09
	Opening Balance as at 1/7/08	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	572	772	(688)	-	-	656
Sick Leave	310	174	(105)	-	-	379
Long Service Leave	819	408	(127)	-	-	1,100
TOTAL	1,701	1,354	(920)	-	-	2,135

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 2009

Note 11. Cash Flow Statement - Additional Information

\$ '000	Notes	Actual 2009	Actual 2008
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	5,728	6,667
Less Bank Overdraft	10	-	-
BALANCES as per the CASH FLOW STATEMENT		5,728	6,667
 (b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		2,484	(794)
Adjust for non cash items:			
Depreciation & Amortisation		5,921	5,462
Net Losses/(Gains) on Disposal of Assets		143	30
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		586	2,426
Share of Net (Profits) or Losses of Associates/Joint Ventures		7	19
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		449	307
Increase/(Decrease) in Provision for Doubtful Debts		(4)	-
Decrease/(Increase) in Inventories		(85)	(493)
Decrease/(Increase) in Other Current Assets		10	1
Increase/(Decrease) in Payables		(1,423)	2,531
Increase/(Decrease) in accrued Interest Payable		(6)	(2)
Increase/(Decrease) in other accrued Expenses Payable		(70)	(712)
Increase/(Decrease) in Other Current Liabilities		90	(126)
Increase/(Decrease) in Employee Leave Entitlements		434	82
Increase/(Decrease) in Other Provisions		-	-
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from CASH FLOW STATEMENT		8,536	8,731

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

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

\$ '000	Notes	Actual 2009	Actual 2008
(c) Non-Cash Investing & Financing Activities			
Nil			
(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		22	13
- Other		1	1
Total Financing Arrangements Utilised		23	14

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 2009

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2009	Actual 2008
(a) Capital Commitments (exclusive of GST)			
Nil			
(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:			
DWM & Recycling Services		2,156	2,874
Cleaning Services		68	31
Audit Services		175	-
Labour & Plant		261	304
Management Services		55	33
Total Commitments		2,715	3,242
These expenditures are payable as follows:			
Within the next year		615	1,087
Later than one year and not later than 5 years		2,100	2,155
Later than 5 years		-	-
Total Payable		2,715	3,242
(c) Finance Lease Commitments			
(i) Commitments under Finance Leases at the Reporting Date are payable:			
Within the next year		-	31
Later than one year and not later than 5 years		-	28
Later than 5 years		-	-
Total Minimum Lease Payments		-	59
less: Future Finance Charges		-	(9)
Amount Recognised as a Liability		-	50
(ii) Finance Lease Liability Recognised represent;			
Current Liabilities		-	26
Non-Current Liabilities		-	24
Total Finance Lease Liabilities Disclosed		-	50
(iii) General Details			
Council Leases the following Property, Plant & Equipment under Finance Leases:			
	Term (Years)	Option to Purchase	Contingent Rent Clauses
Other Equipment/Assets	Y	N	50

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(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
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		-	30

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.

(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	401	434
Later than one year and not later than 5 years	1,013	782
Later than 5 years	-	-
Total Payable	1,414	1,216

(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 2009

Note 13. Statement of Performance Measurement - Indicators

\$ '000	Amounts 2009	Indicator 2009	Prior Periods 2008	2007
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>7,837</u>	3.10 : 1	2.75	6.08
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>2,528</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>2,014</u>	8.11%	8.30%	4.65%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>24,833</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>12,510</u>	42.04%	46.68%	36.24%
Revenue from Continuing Operations	<u>29,756</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>990</u>	7.23%	7.41%	7.48%
Rates, Annual & Extra Charges Collectible	<u>13,700</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>3,735</u>	80.86%	75.72%	n/a
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>4,619</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

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

⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 13a. Statement of Performance Measurement - Graphs

\$ '000

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>4.14</td> </tr> <tr> <td>2007</td> <td>6.08</td> </tr> <tr> <td>2008</td> <td>2.75</td> </tr> <tr> <td>2009</td> <td>3.10</td> </tr> </tbody> </table>	Year	Ratio : 1	2006	4.14	2007	6.08	2008	2.75	2009	3.10	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2008/09 Result</p> <p>2008/09 Ratio 3.10 : 1</p> <p>Council considers this an acceptable level.</p>
Year	Ratio : 1											
2006	4.14											
2007	6.08											
2008	2.75											
2009	3.10											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>4.33%</td> </tr> <tr> <td>2007</td> <td>4.65%</td> </tr> <tr> <td>2008</td> <td>8.30%</td> </tr> <tr> <td>2009</td> <td>8.11%</td> </tr> </tbody> </table>	Year	Ratio %	2006	4.33%	2007	4.65%	2008	8.30%	2009	8.11%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2008/09 Result</p> <p>2008/09 Ratio 8.11%</p> <p>Council considers this an acceptable level, however are endeavouring to lower this percentage.</p>
Year	Ratio %											
2006	4.33%											
2007	4.65%											
2008	8.30%											
2009	8.11%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>33.58%</td> </tr> <tr> <td>2007</td> <td>36.24%</td> </tr> <tr> <td>2008</td> <td>46.68%</td> </tr> <tr> <td>2009</td> <td>42.04%</td> </tr> </tbody> </table>	Year	Ratio %	2006	33.58%	2007	36.24%	2008	46.68%	2009	42.04%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2008/09 Result</p> <p>2008/09 Ratio 42.04%</p> <p>Council considers this an acceptable level.</p>
Year	Ratio %											
2006	33.58%											
2007	36.24%											
2008	46.68%											
2009	42.04%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>8.23%</td> </tr> <tr> <td>2007</td> <td>7.48%</td> </tr> <tr> <td>2008</td> <td>7.41%</td> </tr> <tr> <td>2009</td> <td>7.23%</td> </tr> </tbody> </table>	Year	Ratio %	2006	8.23%	2007	7.48%	2008	7.41%	2009	7.23%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2008/09 Result</p> <p>2008/09 Ratio 7.23%</p> <p>Council considers this an acceptable level, however are endeavouring to lower this percentage.</p>
Year	Ratio %											
2006	8.23%											
2007	7.48%											
2008	7.41%											
2009	7.23%											

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 14. Investment Properties

\$ '000

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 15. Financial Risk Management

\$ '000

Risk Management

Council's activities expose it to a variety of financial risks including (i) price risk, (ii) credit risk, (iii) liquidity risk & (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	
	2009	2008	2009	2008
Financial Assets				
Cash and Cash Equivalents	5,728	6,667	5,728	6,667
Investments				
- "Held for Trading"	6,522	12,459	6,522	12,459
- "Held to Maturity"	3,000	-	3,000	-
Receivables	1,725	2,177	1,635	2,177
Total Financial Assets	16,975	21,303	16,885	21,303
Financial Liabilities				
Payables	1,700	3,342	1,541	3,342
Loans / Advances	9,303	9,922	9,303	9,922
Lease Liabilities	-	50	-	50
Total Financial Liabilities	11,003	13,314	10,844	13,314

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 mkt 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 2009

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

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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 independent advisers before placing any funds in Cash Equivalents & Investments.

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2009				
Possible impact of a 10% movement in Market Values	459	4,592	(418)	3,757
Possible impact of a 1% movement in Interest Rates	99	99	(99)	(99)
2008				
Possible impact of a 10% movement in Market Values	606	6,668	(606)	5,456
Possible impact of a 1% movement in Interest Rates				

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

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:

	2009	2009	2008	2008
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	(69)	650	-	1,068
Past due by up to 30 days	247	88	273	119
Past due between 31 and 180 days	165	31	190	55
Past due between 181 and 365 days	82	-	74	-
Past due by more than 1 year	371	226	267	201
	796	995	804	1,443
(ii) Movement in Provision for Impairment of Receivables			2009	2008
Balance at the beginning of the year			70	70
+ new provisions recognised during the year			5	7
- amounts already provided for & written off this year			(9)	(7)
Balance at the end of the year			66	70

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

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 & 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		
2009									
Trade/Other Payables	159	1,785	-	-	-	-	-	1,944	1,700
Loans & Advances	-	473	504	540	579	608	6,599	9,303	9,303
Total Financial Liabilities	159	2,258	504	540	579	608	6,599	11,247	11,003
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

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:

	2009		2008	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	1,700	0.0%	3,342	0.0%
Loans & Advances - Fixed Interest Rate	9,303	7.3%	9,922	6.8%
Lease Liabilities	-	0.0%	50	10.4%
	11,003		13,314	

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 08/09 was incorporated as part of its Management Plan and was adopted by the Council on 17 June 2008.

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

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

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	2009 Budget	2009 Actual	2009 Variance*		
REVENUES					
Rates & Annual Charges	12,458	12,510	52	0%	F
User Charges & Fees	4,385	4,463	78	2%	F
Council's RTA Single Invitational Contract (State Roads) income higher than expected.					
Interest & Investment Revenue	1,481	346	(1,135)	(77%)	U
Unfavourable investment market conditions, due to world markets.					
Other Revenues	1,087	1,355	268	25%	F
Higher Recoveries than expected.					
Operating Grants & Contributions	7,490	7,499	9	0%	F
Capital Grants & Contributions	285	3,583	3,298	1157%	F
Council received higher Capital Grants than expected.					

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 16. Material Budget Variations (continued)

\$ '000	2009 Budget	2009 Actual	2009 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	8,420	8,274	146	2%	F
Borrowing Costs	637	665	(28)	(4%)	U
Materials & Contracts	7,715	8,698	(983)	(13%)	U
Material & contracts are over budget due to items approved by Council after the management plan was approved					
Depreciation & Amortisation	5,375	5,921	(546)	(10%)	U
Council assets were held longer than planned causing higher rates.					
Other Expenses	3,336	3,564	(228)	(7%)	U
Net Losses from Disposal of Assets	659	143	516	78%	F
Council expected a return of sale of plant, however due to market forces affected this result.					
Share of Net Losses - Joint Ventures & Associates	-	7	(7)	0%	U

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)	
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding		
Drainage	-	-	-	-	-	-	-	-	-	-	-	-
Roads	48	3	-	2	-	-	53	(50)	-	3	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-	-
Open Space	33	5	-	2	-	-	40	(40)	-	5	-	-
Community Facilities	18	13	-	2	-	-	33	(34)	-	7	-	-
Bushfire	33	15	-	2	-	-	50	(10)	-	45	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
S94 Contributions - under a Plan	132	36	-	8	-	-	176	(134)	-	60	-	-
S94A Levies - under a Plan	-	-	-	-	-	-	-	-	-	-	-	-
Total S94 Revenue Under Plans	132	36	-	8	-	-	176	-	-	-	-	-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	-	314	-	-	-	-	314	-	-	-	-	-
S64 Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Total Contributions	132	350	-	8	-	-	490	(134)	18	60	-	-

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	48	3	-	2	-	-	53	(50)	-	3	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	33	5	-	2	-	-	40	(40)	-	5	-
Community Facilities	18	13	-	2	-	-	33	(34)	-	7	-
Bushfire	33	15	-	2	-	-	50	(10)	-	45	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total	132	36	-	8	-	-	176	(134)	18	60	-

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category and that member Councils will need to make significantly higher contributions from 2009/10 & beyond.

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) Norsure Limited

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

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

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

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

(iv) Other Guarantees

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

2. Other Liabilities

(i) Third Party Claims

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

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

(i) Third Party Claims (continued)

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.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities (continued)

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

(ii) Infringement Notices/Fines (continued)

Accordingly, at Year End, there is a potential asset due to Council representing issued but updated Infringement Notices.

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

(iii) Rural Fire Fighting Assets

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

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

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

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 & control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

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

Subsidiaries

Note 19(a)

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

Associated Entities & Joint Venture Entities

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

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

Joint Venture Operations

Note 19(c)

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

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Accounting Recognition:

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

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

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
Associated Entities	(7)	(19)	121	128
Joint Venture Entities	-	-	-	-
Total	(7)	(19)	121	128

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

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	2009	2008
Central Northern Libraries	Public Library Services	121	128
Total Carrying Amounts - Associated Entities		121	128

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2009	2008	2009	2008	2009	2008
Central Northern Libraries	15%	15%	15%	15%	15%	15%

(c) Movement in Carrying Amounts of Councils Equity Interest

	Central Northern Libraries	
	2009	2008
Opening Balance	128	136
Share in Operating Result	(7)	(8)
Councils Equity Share in the Joint Venture Entity	121	128

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

2009	Assets	Liabilities	Net Assets	Revenues	Profit
Central Northern Libraries	182	61	121	184	(7)
Totals	182	61	121	184	(7)
2008	Assets	Liabilities	Net Assets	Revenues	Profit
Central Northern Libraries	182	54	128	161	(8)
Totals	182	54	128	161	(19)

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

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	2009	2008
Capital Commitments	-	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
 (f) Contingent Liabilities of Associates	 2009	 2008
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

Nil

Narrabri Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2009	Actual 2008
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		226,508	246,859
a. Correction of Prior Period Errors	20 (c)	-	(19,557)
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	-	-
c. Current Year Income & Expenses Recognised direct to Equity excluding direct to Reserves transactions		-	-
d. Net Operating Result for the Year		2,484	(794)
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes (disclosure required)		-	-
Balance at End of the Reporting Period		<u>228,992</u>	<u>226,508</u>
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		43,681	42,872
Total		<u>43,681</u>	<u>42,872</u>
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		42,872	-
- Revaluations for the year	9(a)	809	42,744
- Impairment of revalued assets (incl. impairment reversals)	9(a)	-	128
- Balance at End of Year		<u>43,681</u>	<u>42,872</u>
TOTAL VALUE OF RESERVES		<u>43,681</u>	<u>42,872</u>
(iii). Nature & Purpose of Reserves			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2009	Actual 2008
c. Correction of Error/s relating to a Previous Reporting Period			
Error amendments in the 08/09 reporting period		128	
Council revalued various asset classes for the 07/08 Year End.			
This reassessment resulted in a material difference as to where some assets actually sat in with respect to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.			
Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/08 (the closing date for the comparative figures in last year's report).			
As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/08 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)
This adjustment resulted in a net increase / (decrease) in Council's Accumulated Surplus as at 30/6/08.			
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/07		-	(19,557)
(relating to adjustments for the 30/6/07 reporting year end and prior periods)			
- Adjustments to Closing Equity - 30/6/08		128	-
(relating to adjustments for the 30/6/08 year end)			
Total Prior Period Adjustments - Prior Period Errors		128	(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 2009

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund	Actual	Actual	Actual	Actual
\$ '000	2009	2009	2009	2009
<u>Continuing Operations</u>	General	Water	Sewer	Other*
Income from Continuing Operations				
Rates & Annual Charges	8,886	537	1,575	1,512
User Charges & Fees	3,288	887	63	225
Interest & Investment Revenue	212	83	43	8
Other Revenues	1,263	23	69	-
Grants & Contributions provided for Operating Purposes	6,654	36	33	776
Grants & Contributions provided for Capital Purposes	792	7	-	2,784
Total Income from Continuing Operations	21,095	1,573	1,783	5,305
Expenses from Continuing Operations				
Employee Benefits & on-costs	6,948	384	323	619
Borrowing Costs	543	4	118	-
Materials & Contracts	1,669	806	799	5,424
Depreciation & Amortisation	4,515	447	839	120
Impairment	-	-	-	-
Other Expenses	2,769	185	134	476
Interest & Investment Losses	-	-	-	-
Net Losses from the Disposal of Assets	143	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	7	-	-	-
Total Expenses from Continuing Operations	16,594	1,826	2,213	6,639
Operating Result from Continuing Operations	4,501	(253)	(430)	(1,334)
<u>Discontinued Operations</u>				
Net Profit/(Loss) from Discontinued Operations	-	-	-	-
Net Operating Result for the Year	4,501	(253)	(430)	(1,334)
Net Operating Result attributable to each Council Fund	4,501	(253)	(430)	(1,334)
Net Operating Result attributable to Minority Interests	-	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	3,709	(260)	(430)	(4,118)

* Other Funds represents Domestic Waste Management

Narrabri Shire Council

Notes to the Financial Statements
as at 30 June 2009

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund	Actual	Actual	Actual	Actual
\$ '000	2009	2009	2009	2009
ASSETS	General	Water	Sewer	Other*
Current Assets				
Cash & Cash Equivalents	1,369	-	-	-
Investments	3,000	5,534	-	-
Receivables	694	284	174	-
Inventories	1,231	-	-	-
Other	197	-	-	-
Total Current Assets	6,491	5,818	174	-
Non-Current Assets				
Investments	1,346	-	2,173	1,828
Receivables	474	90	9	-
Infrastructure, Property, Plant & Equipment	236,910	10,973	18,362	1,153
Investments Accounted for using the equity method	121	-	-	-
Total Non-Current Assets	238,851	11,063	20,544	2,981
TOTAL ASSETS	245,342	16,881	20,718	2,981
LIABILITIES				
Current Liabilities				
Payables	1,568	35	208	-
Borrowings	321	6	146	-
Provisions	1,911	54	70	-
Total Current Liabilities	3,800	95	424	-
Non-Current Liabilities				
Payables	-	-	-	-
Borrowings	7,316	49	1,465	-
Provisions	89	8	3	-
Total Non-Current Liabilities	7,405	57	1,468	-
TOTAL LIABILITIES	11,205	152	1,892	-
Net Assets	234,137	16,729	18,826	2,981
EQUITY				
Retained Earnings	207,085	10,204	8,806	2,897
Revaluation Reserves	27,052	6,525	10,020	84
Council Equity Interest	234,137	16,729	18,826	2,981
Minority Interests	-	-	-	-
Total Equity	234,137	16,729	18,826	2,981

* Other Funds represents Domestic Waste Management

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

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

\$ '000

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

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2009, 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 30/10/09.

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 2009.

(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 2009 and which are only indicative of conditions that arose after 30 June 2009.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

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

- the remaining useful lives of these assets being estimated at beyond 20 years and accordingly the effects of discounting the future cash outflows to present values deems the amounts immaterial,
- preliminary estimates of the individual amounts required to undertake the future restoration works do not materially affect either Council's Financial Results or Financial Position as at 30/6/09.

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

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
Narrabri NSW 2390

Telephone: 02 6799 6881

Facsimile: 02 6799 6888

Opening Hours

8.30am to 5pm
Monday to Friday

Internet: www.narrabri.nsw.gov.au

Email: council@narrabri.nsw.gov.au

Officers

GENERAL MANAGER

Phil Marshall

RESPONSIBLE ACCOUNTING OFFICER

Glen Warren

PUBLIC OFFICER

AUDITORS

Spencer Steer

Elected Members

MAYOR

Robyn Faber

COUNCILLORS

Lester Kelly
Ken Bates
Conard Bolton
Peter Etheridge
Ron Lowder
Christopher Buckman
Bevan O'Regan
Leslie Knox
George Sevil
Catherine Redding
John Clements

Other Information

ABN: 95 717 801 656



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 2009, 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.

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 13(a) & 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 2009, Council's investment portfolio totalled \$14.736 million and included CDO securities totalling \$1.690 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 \$1.690 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.

SPENCER STEER
Chartered Accountants



N. MAH CHUT
Partner

Dated at Sydney this 30th day of October 2009

*Narrabri Shire Council
General Purpose Financial Report
Independent Auditors' Report*



SPENCER STEER
CHARTERED ACCOUNTANTS

30 October 2009

The Mayor
Narrabri Shire Council
PO Box 261
NARRABRI NSW 2390

Mayor,

Audit Report - Year Ended 30 June 2009

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2009 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 Surplus of \$2.484 million as compared a Deficit of \$794,000 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.

	2009	% of	2008	% of	Increase
	\$'000	Total	\$'000	Total	(Decrease)
					\$'000
Revenues before capital items					
Rates & annual charges	12,510	48%	11,865	51%	645
User charges, fees & other revenues	5,818	22%	5,290	23%	528
Grants & contributions provided for operating purposes	7,499	29%	5,993	26%	1,506
Interest & investment revenue	346	1%	-	0%	346
	26,173	100%	23,148	100%	3,025
Expenses					
Employee benefits & costs	8,274	30%	8,044	31%	230
Materials, contracts & other expenses	12,412	46%	11,205	43%	1,207
Depreciation, amortisation & impairment	5,921	22%	5,462	21%	459
Interest & investment losses	-	0%	907	3%	(907)
Borrowing costs	665	2%	596	2%	69
	27,272	100%	26,214	100%	1,058
Surplus(Deficit) before capital items	(1,099)		(3,066)		1,967
Grants & contributions provided for capital purposes	3,583		2,272		1,311
Net Surplus(Deficit) for the year	2,484		(794)		3,278

As can be seen above, the operating result improved by \$3.278 million and can be mainly attributed to:

1. Increased revenue from grants and contributions; and
2. Increased revenue from interest and investments.

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.



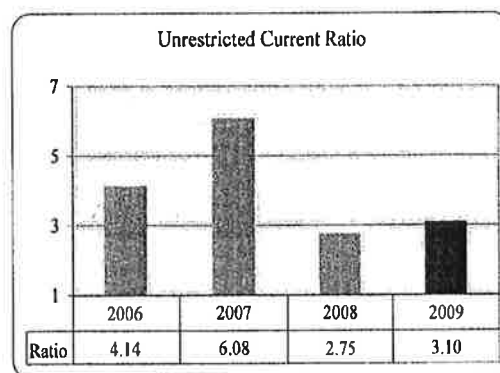
	2009	2008
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	2,484	(794)
Add back non funding items:-		
- Depreciation, amortisation & impairment	5,921	5,462
- Book value of non current assets sold	783	901
- (Surplus)Deficit in joint ventures	7	19
	<u>9,195</u>	<u>5,588</u>
Decrease/Redemption in Non Current Investments	1,050	2,086
New loan borrowings	680	1,770
Transfers from externally restricted assets (net)	724	2,039
Transfers from internal reserves (net)	1,579	1,153
Repayments from deferred debtors	7	8
Distributions from joint ventures	0	138
Net Changes in current/non current assets & liabilities	297	106
	<u>13,532</u>	<u>12,888</u>
Funds were applied to:-		
Purchase and construction of assets	(11,654)	(14,250)
Principal repaid on loans	(1,299)	(1,174)
Finance lease instalments	(50)	(27)
	<u>(13,003)</u>	<u>(15,451)</u>
Increase(Decrease) in Available Working Capital	529	(2,563)

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 \$5.309 million representing a factor of 3.10 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.



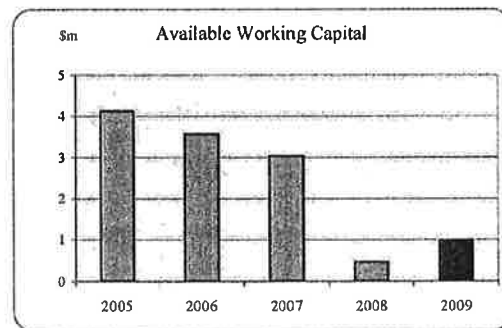
At the close of the year the Available Working Capital of Council stood at \$997,000 as detailed below;

	2009	2008	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	8,164	10,356	(2,192)
<i>Add:</i> Payables & provisions not expected to be realised in the next 12 months included above	1,272	1,065	207
Adjusted Net Current Assets	9,436	11,421	(1,985)
<i>Add:</i> Budgeted & expected to pay in the next 12 months			
- Borrowings	473	471	2
- Employees leave entitlements	763	560	203
- Deposits & retention moneys	159	154	5
- Deferred debtors	(7)	(8)	1
<i>Less:</i> Externally restricted assets	(4,127)	(4,851)	724
<i>Less:</i> Internally restricted assets	(5,700)	(7,279)	1,579
Available Working Capital as at 30 June	997	468	529

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 from historical level over the last two years as illustrated by the accompanying chart.

In our opinion the level of Available Working Capital should be in the order of \$2 million.

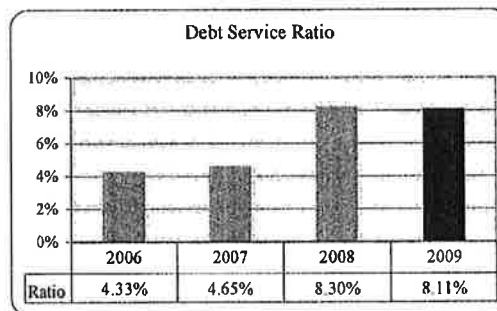




2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 8.11%.

Principal on loans outstanding after repaying principal & interest of \$2.014 million was \$9.303 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.

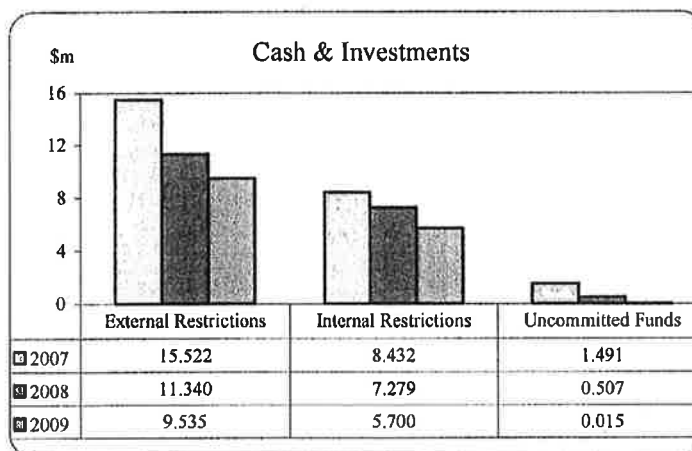
3. CASH ASSETS

3.1 Cash & Investments

Cash and investments totalled \$15.250 million at the close of the year as compared with \$19.126 million in 2008 and \$25.445 million in 2007.

Investments included CDO's (Collateralised Debt Obligations) which have been significantly affected by the recent global credit crisis. The fair value of these securities was \$1.690 million (2008 - \$2.277 million). Note 1(g) provides details of the valuation of these securities.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended grants and developer contributions - \$1.828 million), water (\$5.534 million) and sewerage funds (\$2.173 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 \$5.700 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$15,000.

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 decreased by \$939,000 to \$5.728 million at the close of the year.

In addition to operating activities which contributed net cash of \$8.536 million, cash inflows were the proceeds from the sale of investment securities \$10.790 million and assets \$641,000, raising new loans \$680,000 and repayments made by deferred debtors \$7,000. Cash outflows, other than operating activities, were the repayment of loans and finance leases \$1.349 million, purchase of investment securities \$8.440 million and the purchase and construction of assets \$11.804 million.

4. RECEIVABLES

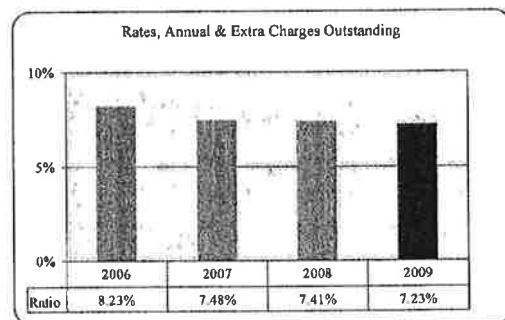
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$12.510 million and represented 42.04% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$13.294 million of which \$12.515 million (94.14%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$990,000 at the end of the year & represented 7.23% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$773,000. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$38,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$2.135 million. A cash reserve of \$700,000 was held at year end representing 32.79% 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 \$159,000 and were fully funded by internally restricted cash and investments.

6. REVALUATION OF ASSETS

The valuation at 'fair value' of Council's infrastructure, property, plant and equipment is being introduced in a staged approach. In previous years several asset categories, including operational land and buildings, water and sewerage assets, plant and equipment have been revalued.

Fair valuation of remaining asset categories, including transport infrastructure (roads, bridges and footpaths), drains, community land and other structures, will be required over the next two reporting years. The Department of Local Government has issued guidance on the revaluation implementation plan which outlines the major steps and suggested timeframes.

We have discussed the guidelines and milestones with management and advise that nothing has come to our attention to suggest that Council will not satisfactorily complete the remaining revaluation projects within the required timeframes.

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 2009

*"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 2009

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 2009

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 20 October 2009.



Robyn Faber
MAYOR



Lester Kelly
COUNCILLOR



Phil Marshall
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 2009

\$ '000	Actual 2009	Actual 2008	Actual 2007
Income from continuing operations			
Access charges	537	561	906
User charges	887	778	432
Fees	-	-	-
Interest	83	(368)	515
Grants and contributions provided for non capital purposes	36	35	36
Profit from the sale of assets	-	-	6
Other income	23	-	37
Total income from continuing operations	1,566	1,006	1,932
Expenses from continuing operations			
Employee benefits and on-costs	384	272	337
Borrowing costs	4	5	6
Materials and contracts	806	885	530
Depreciation and impairment	447	352	326
Water purchase charges	-	-	-
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	185	3,261	420
Total expenses from continuing operations	1,826	4,775	1,619
Surplus (deficit) from Continuing Operations before capital amounts	(260)	(3,769)	313
Grants and contributions provided for capital purposes	7	176	84
Surplus (deficit) from Continuing Operations after capital amounts	(253)	(3,593)	397
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(253)	(3,593)	397
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(94)
SURPLUS (DEFICIT) AFTER TAX	(253)	(3,593)	303
plus Opening Retained Profits	15,707	19,300	18,903
plus/less: Prior Period Adjustments	(5,250)	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	-	-	94
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	10,204	15,707	19,300
Return on Capital %	-2.3%	-35.3%	2.6%
Subsidy from Council	864	4,451	451
Calculation of dividend payable:			
Surplus (deficit) after tax	(253)	(3,593)	303
less: Capital grants and contributions (excluding developer contributions)	-	-	(51)
Surplus for dividend calculation purposes	-	-	252
Potential Dividend calculated from surplus	-	-	126

Narrabri Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2009

\$ '000	Actual 2009	Actual 2008	Actual 2007
Income from continuing operations			
Access charges	1,575	1,533	1,458
User charges	63	138	82
Liquid Trade Waste Charges	-	-	-
Fees	-	-	1
Interest	43	(144)	174
Grants and contributions provided for non capital purposes	33	32	33
Profit from the sale of assets	-	-	-
Other income	69	62	180
Total income from continuing operations	1,783	1,621	1,928
Expenses from continuing operations			
Employee benefits and on-costs	323	226	316
Borrowing costs	118	135	141
Materials and contracts	799	599	400
Depreciation and impairment	839	615	629
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	134	69	319
Total expenses from continuing operations	2,213	1,644	1,805
Surplus (deficit) from Continuing Operations before capital amounts	(430)	(23)	123
Grants and contributions provided for capital purposes	-	-	33
Surplus (deficit) from Continuing Operations after capital amounts	(430)	(23)	156
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(430)	(23)	156
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(37)
SURPLUS (DEFICIT) AFTER TAX	(430)	(23)	119
plus Opening Retained Profits	17,603	17,626	17,470
plus/less: Prior Period Adjustments	(8,367)	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	-	-	37
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	8,806	17,603	17,626
Return on Capital %	-1.7%	0.6%	1.5%
Subsidy from Council	1,329	1,081	806
Calculation of dividend payable:			
Surplus (deficit) after tax	(430)	(23)	119
less: Capital grants and contributions (excluding developer contributions)	-	-	-
Surplus for dividend calculation purposes	-	-	119
Potential Dividend calculated from surplus	-	-	60

Narrabri Shire Council

Balance Sheet of Council's Water Supply Business Activity
as at 30 June 2009

\$ '000	Actual 2009	Actual 2008
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	5,534	1,061
Receivables	284	272
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	5,818	1,333
Non-Current Assets		
Investments	-	4,836
Receivables	90	221
Inventories	-	-
Infrastructure, property, plant and equipment	10,973	10,655
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	11,063	15,712
TOTAL ASSETS	16,881	17,045
LIABILITIES		
Current Liabilities		
Payables	35	67
Interest bearing liabilities	6	12
Provisions	54	53
Total Current Liabilities	95	132
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	49	56
Provisions	8	8
Total Non-Current Liabilities	57	64
TOTAL LIABILITIES	152	196
NET ASSETS	16,729	16,849
EQUITY		
Retained earnings	10,204	15,707
Revaluation reserves	6,525	1,142
Council equity interest	16,729	16,849
Minority equity interest	-	-
TOTAL EQUITY	16,729	16,849

Narrabri Shire Council

Balance Sheet of Council's Sewerage Business Activity
as at 30 June 2009

\$ '000	Actual 2009	Actual 2008
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	-	1,000
Receivables	174	293
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	174	1,293
Non-Current Assets		
Investments	2,173	1,332
Receivables	9	78
Inventories	-	-
Infrastructure, property, plant and equipment	18,362	18,496
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	20,544	19,906
TOTAL ASSETS	20,718	21,199
LIABILITIES		
Current Liabilities		
Payables	208	313
Interest bearing liabilities	146	142
Provisions	70	70
Total Current Liabilities	424	525
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	1,465	1,774
Provisions	3	3
Total Non-Current Liabilities	1,468	1,777
TOTAL LIABILITIES	1,892	2,302
NET ASSETS	18,826	18,897
EQUITY		
Retained earnings	8,806	17,603
Revaluation reserves	10,020	1,294
Council equity interest	18,826	18,897
Minority equity interest	-	-
TOTAL EQUITY	18,826	18,897

Narrabri Shire Council

Special Purpose Financial Reports for the financial year ended 30 June 2009

Contents of the Notes accompanying the Financial Statements

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

Narrabri Shire Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2009

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and the Department of Local Government.

For the purposes of these statements, the council's business activities (reported herein) are not 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 Consensus Views,
- 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 nor current values of non-current assets (except where specifically stated).

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

National Competition Policy

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

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

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the 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

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

Category 2

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

a. Narrabri Shire Council Sewerage Service

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

Monetary Amounts

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

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

(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.

Narrabri Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2009

Note 1. Significant Accounting Policies (continued)

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 – The first \$368,000 of combined land values attracts 0%. From \$368,001 to \$2,250,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,250,000, a premium marginal rate of 2.0% applies.

Payroll Tax – 5.875% on the value of taxable salaries and wages in excess of \$623,000.

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 payable on all Category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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.

Narrabri Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2009

Note 1. Significant Accounting Policies (continued)

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

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

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.54% at 30/6/09.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either (i) 50% of this surplus in any one year, or (ii) the number of water supply or sewerage assessments at 30 June 2009 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 2009

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2009

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	13,392
(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	133,920
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2009, less the cumulative dividends paid for the 2 years to 30 June 2008	252,100

2009 Surplus	-	2008 Surplus	-	2007 Surplus	252,100
		2008 Dividend	-	2007 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 6 Criteria

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

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	YES
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	NO
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	NO
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Narrabri Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2009

Note 2. Water Supply Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in **WHOLE DOLLARS** (unless otherwise indicated) **2009**

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	1,483
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)]	%	60.01%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	10,534
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,331
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	435
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	-2.69%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	7

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

Narrabri Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2009

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2009

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	11,763
(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)	117,630
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2009, less the cumulative dividends paid for the 2 years to 30 June 2008	119,100

2009 Surplus	-	2008 Surplus	-	2007 Surplus	119,100
		2008 Dividend	-	2007 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 4 Criteria

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

(i) Completion of Strategic Business Plan (including Financial Plan)	YES
(ii) Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
Complying charges (a) Residential [Item 2(c) in Table 1]	YES
(b) Non Residential [Item 2(c) in Table 1]	YES
(c) Trade Waste [Item 2(d) in Table 1]	YES
DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii) Complete Performance Reporting Form (by 15 September each year)	YES
(iv) a. Integrated Water Cycle Management Evaluation	YES
b. Complete and implement Integrated Water Cycle Management Strategy	YES

Narrabri Shire Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2009Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

2009

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	1,740
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	17,235
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	1,113
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	201
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)]	%	-1.20%
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	3,223
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 F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	636
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)]	%	-1.76%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Narrabri Shire Council

Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2009

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

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

2009

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)]	%	-16.91%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): - 516 Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: - 4 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	(690)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	69

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



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 2009, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial 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

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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.

SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

Dated at Sydney this 30th day of October 2009

Narrabri Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2009

*"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 2009

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)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	6
- Special Schedule No. 4	Water Supply - Balance Sheet	10
- Special Schedule No. 5	Sewerage Service - Income Statement	11
- Special Schedule No. 6	Sewerage Service - Balance Sheet	15
- Notes to Special Schedules No. 3 & 5		16
- Special Schedule No. 7	Condition of Public Works	17
- Special Schedule No. 8	Financial Projections	20

¹ Special Purpose Schedules are not audited.

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the 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 2009

\$'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	606	606	1	-	1	(605) ✓	(605)
Administration							
Corporate Support	2,478		401	-		(2,077) ✓	
Engineering and Works	1,623		34	-		(1,589) ✓	
Other Support Services	-	4,101	-	-	435	-	(3,666)
Public Order and Safety							
Contributions to Fire Service Levy	239		-	-		(239) ✓	
Fire Protection – Other	86		136	12		62 ✓	
Animal Control	114		7	-		(107) ✓	
Beach Control	-		-	-		-	
Enforcement of Local Govt Regs	10		21	-		11 ✓	
Emergency Services	49		50	-		1 ✓	
Other	-	498	-	-	226	-	(272)
Health							
Administration and Inspection	-		27	-		27 ✓	
Immunisations	-		-	-		-	
Food Control	1		-	-		(1) ✓	
Insect/Vermin Control	-		-	-		-	
Noxious Plants	236		122	-		(114) ✓	
Health Centres	-		-	-		-	
Other	-	237	-	-	149	-	(88)
Community Services and Education							
Administration	-		-	-		-	
Family Day Care	-		-	-		-	
Child Care	-		-	-		-	
Youth Services	3		2	-		(1) ✓	
Other Families and Children	-		-	-		-	
Aged and Disabled	5		-	-		(5) ✓	
Migrant Services	-		-	-		-	
Aboriginal Services	-		-	-		-	
Other Community Services	217		52	-		(165) ✓	
Education	-	225	-	-	54	-	(171)

Narrabri Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)
 for the financial year ended 30 June 2009

\$'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	126		82	-		(44)	
Town Planning	6		70	-		64	
Domestic Waste Management	1,129		1,662	-		533	
Other Waste Management	504		121	-		(383)	
Street Cleaning	(1)		-	-		1	
Other Sanitation and Garbage	-		6	-		6	
Drainage	116		34	-		(82)	
Stormwater Management	283		30	93		(160)	
Environmental Protection	172		143	-		(29)	
Public Cemeteries	-		-	-		-	
Public Conveniences	-		-	-		-	
Other Community Amenities	-	2,335	-	-	2,241	-	(94)
Water Supplies	1,826	1,826	1,573	-	1,573	(253)	(253)
Sewerage Services	2,213	2,213	1,784	-	1,784	(429)	(429)
Recreation and Culture							
Public Libraries	427		58	-		(369)	
Museums	6		-	-		(6)	
Art Galleries	-		-	-		-	
Community Centres	1,106		390	-		(716)	
Public Halls	88		-	-		(88)	
Other Cultural Services	3		-	-		(3)	
Swimming Pools	642		92	-		(550)	
Sporting Grounds	302		-	-		(302)	
Parks and Gardens (Lakes)	1,479		8	93		(1,378)	
Other Sport and Recreation	20	4,073	2	551	1,194	533	(2,879)
Fuel and Energy							
Gas Supplies	-	-	-	-	-	-	-
Mining, Manufacturing and Construction							
Building Control	591		198	-		(393)	
Abattoirs	-		-	-		-	
Quarries and Pits	(295)		124	-		419	
Other	-	296	-	-	322	-	26

Narrabri Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)
 for the financial year ended 30 June 2009

\$'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	416		-	200		(216)	
Urban Roads - Regional	-		-	-		-	
Sealed Rural Roads (SRR) - Local	714 ✓		-	-		(714)	
Sealed Rural Roads - Regional	618 ✓		717	2,137		2,236	
Unsealed Rural Roads (URR) - Local	1,768 ✓		-	-		(1,768)	
Unsealed Rural Roads - Regional	253 ✓		-	-		(253)	
Bridges on UR - Local	-		-	-		-	
Bridges on UR - Regional	-		-	-		-	
Bridges on SRR - Local	-		-	-		-	
Bridges on SRR - Regional	52 ✓		-	400		348	
Bridges on URR - Local	-		-	60		60	
Bridges on URR - Regional	-		-	-		-	
Footpaths	-		-	-		-	
Aerodromes	383		208	(3)		(178)	
Parking Areas	-		60	-		60	
Bus Shelters and Services	2		-	-		(2)	
Water Transport	-		2,152	-		2,152	
RTA Works (State)	2,041		48	-		(1,993)	
Street Lighting	277		-	-		(277) ✓	
Other	2,995	9,519	-	-	5,979	(2,995)	(3,540)
Economic Affairs							
Camping Areas	-		-	-		-	
Caravan Parks	49		52	-		3	
Tourism and Area Promotion	585		92	40		(453)	
Industrial Development Promotion	-		-	-		-	
Saleyards and Markets	255		196	-		(59)	
Real Estate Development	-		(13)	-		(13)	
Commercial Nurseries	-		-	-		-	
Other Business Undertakings	447	1,336	338	-	705	(109)	(631)
Totals – Functions		27,265	11,080	3,583	14,663		(12,602)
General Purpose Revenues⁽¹⁾			15,093		15,093	15,093	15,093
Share of interests - joint ventures & associates using the equity method	7	7	-	-		(7)	(7)
NET OPERATING RESULT FOR YEAR	27,272		26,173	3,583	29,756	2,484	2,484

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 2009

\$'000

Classification of Debt	Principal outstanding at beginning of the year		New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year	
	Current	Non Current		From Revenue	Sinking Funds			Current	Non Current
Loans (by Source)									
Commonwealth Government	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-
Financial Institutions	445	9,477	680	1,299	-	-	658	473	8,830
Other	-	-	-	-	-	-	-	-	-
Total Loans	445	9,477	680	1,299	-	-	658	473	8,830
Other Long Term Debt									
Ratepayers Advances	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-
Finance Leases	26	24	-	50	-	-	7	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-
Total Long Term Debt	26	24	-	50	-	-	7	-	-
Total Debt	471	9,501	680	1,349	-	-	665	473	8,830
									9,303

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 GPFR's).

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 2009

\$'000	Actuals 2009	Actuals 2008
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	227	262
b. Engineering and Supervision	127	157
2. Operation and Maintenance		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	26	22
d. Maintenance expenses	173	201
- Reservoirs		
e. Operation expenses	3	3
f. Maintenance expenses	23	21
- Pumping Stations		
g. Operation expenses (excluding energy costs)	42	40
h. Energy costs	143	130
i. Maintenance expenses	266	167
- Treatment		
j. Operation expenses (excluding energy costs)	33	30
k. Chemical costs	22	21
l. Maintenance expenses	8	6
- Other		
m. Operation expenses	2	2
n. Maintenance expenses	236	225
o. Purchase of water		-
3. Depreciation		
a. System assets	432	334
b. Plant and equipment	15	18
4. Miscellaneous expenses		
a. Interest expenses	4	5
b. Revaluation Decrements	-	3,122
c. Other expenses	44	9
d. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	1,826	4,775

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 2009

\$'000	Actuals 2009	Actuals 2008
Income		
6. Residential charges		
a. Access (including rates)	537	561
b. Usage charges	806	619
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	6	89
8. Extra charges	-	-
9. Interest income	83	(368)
10. Other income	23	-
11. Grants		
a. Grants for acquisition of assets	7	176
b. Grants for pensioner rebates	36	35
c. Other grants	-	-
12. Contributions		
a. Developer charges	57	70
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	<u>1,573</u>	<u>1,182</u>
14. Gain or loss on disposal of assets	-	-
15. Operating Result	<u>(253)</u>	<u>(3,593)</u>
15a. Operating Result (less grants for acquisition of assets)	(260)	(3,769)

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 2009

\$'000	Actuals 2009	Actuals 2008
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	262	689
c. Renewals	88	86
d. Plant and equipment	85	-
17. Repayment of debt		
a. Loans	12	12
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	447	787
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	-	-
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	3,639	3,644
b. Residential (unoccupied, ie. vacant lot)	116	172
c. Non-residential (occupied)	640	648
d. Non-residential (unoccupied, ie. vacant lot)	69	87
25. Number of ETs for which developer charges were received	9 ET	12 ET
26. Total amount (actual dollars) of pensioner rebates	\$ 36,000	\$ 35,000

Narrabri Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2009

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
<p>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.</p>			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2008/09 (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 2009

\$'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	2,831	2,703	5,534
31. Receivables			
a. Specific purpose grants	8	-	8
b. Rates and charges	116	65	181
c. Other	160	25	185
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	10,534	10,534
b. Plant and equipment	-	439	439
34. Other assets	-	-	-
35. Total assets	3,115	13,766	16,881
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	35	-	35
38. Borrowings			
a. Loans	6	49	55
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	54	8	62
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	95	57	152
41. NET ASSETS COMMITTED	3,020	13,709	16,729
EQUITY			
42. Accumulated surplus			10,204
43. Asset revaluation reserve			6,525
44. TOTAL EQUITY			16,729
Note to system assets:			
45. Current replacement cost of system assets			48,361
46. Accumulated current cost depreciation of system assets			(37,827)
47. Written down current cost of system assets			10,534

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 2009

\$'000	Actuals 2009	Actuals 2008
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	65	63
b. Engineering and Supervision	111	143
2. Operation and Maintenance		
- Mains		
a. Operation expenses	118	132
b. Maintenance expenses	161	173
- Pumping Stations		
c. Operation expenses (excluding energy costs)	97	71
d. Energy costs	65	45
e. Maintenance expenses	146	46
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	232	106
g. Chemical costs	-	-
h. Energy costs	13	16
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	105	79
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
3. Depreciation		
a. System assets	824	611
b. Plant and equipment	24	4
4. Miscellaneous expenses		
a. Interest expenses	118	135
b. Revaluation Decrements	-	-
c. Other expenses	134	18
d. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	2,213	1,642

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 2009

\$'000	Actuals 2009	Actuals 2008
Income		
6. Residential charges (including rates)	1,575	1,533
7. Non-residential charges		
a. Access (including rates)	3	-
b. Usage charges	18	138
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges & re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	43	(144)
11. Other income	68	60
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	33	32
c. Other grants	-	-
13. Contributions		
a. Developer charges	43	-
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	<u>1,783</u>	<u>1,619</u>
15. Gain or loss on disposal of assets	-	-
16. Operating Result	<u>(430)</u>	<u>(23)</u>
16a. Operating Result (less grants for acquisition of assets)	(430)	(23)

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 2009

\$'000	Actuals 2009	Actuals 2008
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	12	-
c. Renewals	189	775
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	57	-
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	258	775
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)	3,181	3,128
b. Residential (unoccupied, ie. vacant lot)	174	190
c. Non-residential (occupied)	531	573
d. Non-residential (unoccupied, ie. vacant lot)	35	2
26. Number of ETs for which developer charges were received	9 ET	- ET
27. Total amount (actual dollars) of pensioner rebates	\$ 33,000	\$ 32,000

Narrabri Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies for the financial year ended 30 June 2009

\$'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"/>	<input type="checkbox"/> Yes	
<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 2008/09 (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"/> -
<p>* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.</p> <p>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.</p>			

Narrabri Shire Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2009

\$'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	-	2,173	2,173
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	129	9	138
c. Other	45	-	45
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	17,235	17,235
b. Plant and equipment	-	1,127	1,127
35. Other assets	-	-	-
36. Total Assets	174	20,544	20,718
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	179	-	179
39. Borrowings			
a. Loans	175	1,465	1,640
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	70	3	73
41. Total Liabilities	424	1,468	1,892
42. NET ASSETS COMMITTED	(250)	19,076	18,826
EQUITY			
42. Accumulated surplus			8,806
44. Asset revaluation reserve			10,020
45. TOTAL EQUITY			18,826
Note to system assets:			
46. Current replacement cost of system assets			87,523
47. Accumulated current cost depreciation of system assets			(70,288)
48. Written down current cost of system assets			17,235

Narrabri Shire Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2009

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) 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. 8 - Financial Projections

as at 30 June 2009

\$'000	Actual ⁽¹⁾ 08/09	Forecast 09/10	Forecast 10/11	Forecast ⁽³⁾ 11/12	Forecast ⁽³⁾ 12/13
(i) RECURRENT BUDGET					
Income from continuing operations	29,756	27,400	28,300	29,200	30,100
Expenses from continuing operations	27,272	25,900	26,800	27,800	28,600
Operating Result from Continuing Operations	<u>2,484</u>	<u>1,500</u>	<u>1,500</u>	<u>1,400</u>	<u>1,500</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	3,200	2,010	700	700	700
Replacement/Refurbishment of Existing Assets	8,389	3,105	4,115	3,915	4,015
Total Capital Budget	<u>11,589</u>	<u>5,115</u>	<u>4,815</u>	<u>4,615</u>	<u>4,715</u>
Funded by:					
– Loans	-	-	-	-	-
– Asset sales	641	500	600	650	660
– Reserves	1,066	296	592	302	454
– Grants/Contributions	8,774	4,319	3,623	3,663	3,601
– Recurrent revenue	1,108	-	-	-	-
– Other	-	-	-	-	-
	<u>11,589</u>	<u>5,115</u>	<u>4,815</u>	<u>4,615</u>	<u>4,715</u>

Notes:

(1) From 08/09 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.