



Appendix 1

Narrabri Shire Council

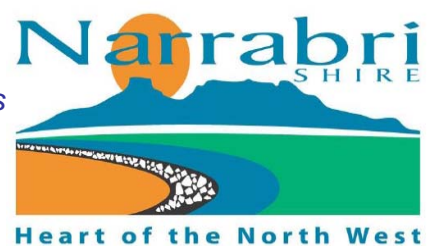
Audited Financial Report 2010/11

Financial Year

Narrabri Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

*"To deliver services to and represent the interests
of the whole community and provide a quality of
living environment within available resources"*



Narrabri Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2011

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Overview

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

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

Council's Statutory Charter is specified in Paragraph 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 these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 18/10/11.
Council has the power to amend and reissue the financial statements.

Narrabri Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2011

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2011.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

1. An Income Statement

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

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

2. A Statement of Comprehensive Income

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

3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.

4. A Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. A Statement of Cash Flows

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

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

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the 5 Primary Financial Statements.

About the Auditor's Reports

Council's Financial Statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

Council is required to forward an audited set of Financial Statements to the Division of Local Government.

Narrabri Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2011

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 18 October 2011.


Robyn Faber
MAYOR
Lester Kelly
COUNCILLOR
Phil Marshall
GENERAL MANAGER
Paul Wearne
RESPONSIBLE ACCOUNTING OFFICER

Narrabri Shire Council

Income Statement

for the financial year ended 30 June 2011

Budget ⁽¹⁾ 2011 \$ '000		Notes	Actual 2011	Actual 2010
Income from Continuing Operations				
Revenue:				
14,382	Rates & Annual Charges	3a	14,516	13,762
4,343	User Charges & Fees	3b	7,322	5,523
884	Interest & Investment Revenue	3c	1,625	2,434
2,284	Other Revenues	3d	2,795	1,671
8,917	Grants & Contributions provided for Operating Purposes	3e,f	10,880	6,018
2,467	Grants & Contributions provided for Capital Purposes	3e,f	3,211	4,542
Other Income:				
35	Net gains from the disposal of assets	5	-	-
33,312	Total Income from Continuing Operations		40,349	33,950
Expenses from Continuing Operations				
9,298	Employee Benefits & On-Costs	4a	10,152	8,667
643	Borrowing Costs	4b	769	627
7,377	Materials & Contracts	4c	15,923	7,764
6,785	Depreciation & Amortisation	4d	8,986	5,447
3,607	Other Expenses	4e	4,354	3,913
-	Net Losses from the Disposal of Assets	5	237	155
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	7	9
27,710	Total Expenses from Continuing Operations		40,428	26,582
5,602	Operating Result from Continuing Operations		(79)	7,368
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
5,602	Net Operating Result for the Year		(79)	7,368
5,602	Net Operating Result attributable to Council		(79)	7,368
-	Net Operating Result attributable to Minority Interests		-	-
3,135	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(3,290)	2,826

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

Narrabri Shire Council

Statement of Comprehensive Income

for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)			
		(79)	7,368
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	18,198	814
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in Reserves	20b (ii)	-	-
Total Other Comprehensive Income for the year		18,198	814
Total Comprehensive Income for the Year		18,119	8,182
Total Comprehensive Income attributable to Council		18,119	8,182
Total Comprehensive Income attributable to Minority Interests		-	-

Narrabri Shire Council

Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	8,534	11,209
Investments	6b	12,750	1,916
Receivables	7	2,376	2,187
Inventories	8	1,750	1,910
Other	8	223	231
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		25,633	17,453
Non-Current Assets			
Investments	6b	1,516	5,298
Receivables	7	598	571
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	214,680	201,430
Investments accounted for using the equity method	19	110	117
Investment Property	14	-	-
Intangible Assets	25	-	-
Total Non-Current Assets		216,904	207,416
TOTAL ASSETS		242,537	224,869
LIABILITIES			
Current Liabilities			
Payables	10	2,132	1,769
Borrowings	10	911	2,758
Provisions	10	1,913	2,033
Total Current Liabilities		4,956	6,560
Non-Current Liabilities			
Payables	10	136	136
Borrowings	10	9,299	8,178
Provisions	10	141	109
Total Non-Current Liabilities		9,576	8,423
TOTAL LIABILITIES		14,532	14,983
Net Assets		228,005	209,886
EQUITY			
Retained Earnings	20	165,312	165,391
Revaluation Reserves	20	62,693	44,495
Council Equity Interest		228,005	209,886
Minority Equity Interest		-	-
Total Equity		228,005	209,886

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

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Narrabri Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2011

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		165,391	44,495	209,886	-	209,886
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		165,391	44,495	209,886	-	209,886
c. Net Operating Result for the Year		(79)	-	(79)	-	(79)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	18,198	18,198	-	18,198
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	18,198	18,198	-	18,198
Total Comprehensive Income (c&d)		(79)	18,198	18,119	-	18,119
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		165,312	62,693	228,005	-	228,005

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Accounts)		228,992	43,681	272,673	-	272,673
a. Correction of Prior Period Errors	20 (c)	(70,969)	-	(70,969)	-	(70,969)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		158,023	43,681	201,704	-	201,704
c. Net Operating Result for the Year		7,368	-	7,368	-	7,368
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	814	814	-	814
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	814	814	-	814
Total Comprehensive Income (c&d)		7,368	814	8,182	-	8,182
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		165,391	44,495	209,886	-	209,886

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

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Narrabri Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
Cash Flows from Operating Activities				
Receipts:				
14,336	Rates & Annual Charges		14,468	13,604
4,289	User Charges & Fees		7,945	5,498
834	Investment & Interest Revenue Received		1,137	881
6,154	Grants & Contributions		14,638	10,574
2,368	Other		3,905	3,010
Payments:				
(9,508)	Employee Benefits & On-Costs		(9,999)	(8,660)
(7,377)	Materials & Contracts		(15,052)	(9,516)
(777)	Borrowing Costs		(598)	(653)
-	Bonds & Deposits Refunded		(49)	-
(3,607)	Other		(5,559)	(5,125)
6,712	Net Cash provided (or used in) Operating Activities	11b	10,836	9,613
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		58,748	31,530
300	Sale of Real Estate Assets		-	-
1,383	Sale of Infrastructure, Property, Plant & Equipment		527	887
-	Deferred Debtors Receipts		2	5
Payments:				
-	Purchase of Investment Securities		(65,373)	(28,481)
(25,373)	Purchase of Infrastructure, Property, Plant & Equipment		(6,543)	(10,595)
(23,690)	Net Cash provided (or used in) Investing Activities		(12,639)	(6,654)
Cash Flows from Financing Activities				
Receipts:				
12,011	Proceeds from Borrowings & Advances		1,970	6,595
Payments:				
(2,914)	Repayment of Borrowings & Advances		(2,842)	(4,073)
9,097	Net Cash Flow provided (used in) Financing Activities		(872)	2,522
(7,881)	Net Increase/(Decrease) in Cash & Cash Equivalents		(2,675)	5,481
-	plus: Cash & Cash Equivalents - beginning of year	11a	11,209	5,728
(7,881)	Cash & Cash Equivalents - end of the year	11a	8,534	11,209
Additional Information:				
-	plus: Investments on hand - end of year	6b	14,266	7,214
Total Cash, Cash Equivalents & Investments			22,800	18,423

Please refer to Note 11 for additional cash flow information.

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

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Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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n/a - not applicable

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards,
- Other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

Because Australian Accounting Standards (AASB's) are sector neutral, some standards either:

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

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

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

(iii) Basis of Accounting

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

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

(iv) 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 statements.

(v) Critical Accounting Estimates

The preparation of these financial statements requires the use of certain critical accounting estimates (in conformity with AASB's).

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

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

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

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/11) and (ii) all the related operating results (for the financial year ended the 30th June 2011).

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

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

(i) The Consolidated Fund

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

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

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

- *Narrabri Shire Council General Fund*
- *Narrabri Shire Council Water Supply Fund*
- *Narrabri Shire Council Sewerage Fund*
- *Narrabri Heritage Committee*
- *Friends of the Theatre*
- *Newtown Park Incorporated*
- *Gwabegar Community Centre Advisory Committee*
- *Narrabri Shire 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 statements.

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

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

(iii) Joint Ventures

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

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

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

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(d) Leases

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

Finance Leases

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

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

The corresponding rental obligations, net of finance charges, are included in borrowings.

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,

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

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(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

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(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.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in 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) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to

authorised investments prescribed under the Ministerial Local Government Investment Order.

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(External & Internal Valuation)
- **Drainage Assets** (External Valuation)
- **Bulk Earthworks** (External Valuation)
- **Community Land** (External Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

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

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

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

Asset Revaluations (including Indexation)

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

- Increases in the 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 NSW Office of Water - Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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
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Building

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

Other Structures

> \$2,000

Water & Sewer Assets

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

Stormwater Assets

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

Transport Assets

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

Bridge construction & reconstruction	> \$1,000
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Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

Other Structures

- Parks & Recreation Structures	10 years
- All Other Structures	10 to 50 years

Buildings

- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years

Stormwater Drainage

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

Transportation Assets

- Sealed Roads : Surface	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

for the financial year ended 30 June 2011

Other Infrastructure Assets

- Bulk earthworks

Infinite

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.

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.

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

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

Council has not classified any assets as Intangible.

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Council has not classified any Land or Buildings as Investment property.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

This amortisation of the disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for Close down, Restoration and Remediation costs including those

resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

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

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

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

These costs are charged to the income statement.

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

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

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

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

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

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(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.

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

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

(s) Impairment of assets

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

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

circumstances indicate that the carrying amount may not be recoverable.

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables..

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

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

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

(ii) Other Long Term Obligations

The liability for all long service and annual leave (which is not expected to be settled within the 12 months after the reporting period) are recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date.

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

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

Expected future payments are 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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

As a result, they have asked for significant increases in future contributions 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 these financial statements.

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

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 30/6/11.

(y) Self insurance

Council does not self insure.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2011.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2013 but is available for early adoption.

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

Applicable to Local Government but no implications for Council;

AASB 2009 14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme.

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets.

The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

They are not expected to have any significant impact on Council's disclosures.

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

None

Not applicable to Local Government per se;

Revised AASB 124 Related Party Disclosures and AASB 2009 12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures.

It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia.

Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.

Local Government are specifically excluded from adopting the new Australian Accounting Standards – Reduced Disclosure Requirements.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.

AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

relevant assets or liabilities, that is through use or through sale.

Council is not subject to Income Tax and accordingly this amendment will have no impact on future financial statements.

(ac) Rounding of amounts

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

(ad) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(ae) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2011	2011	2010	2011	2011	2010	2011	2011	2010	2011	2010	2011	2010
Governance	10	14	13	670	755	664	(660)	(741)	(651)	-	-	4,008	7,114
Administration	450	449	1,207	5,812	2,833	2,568	(5,362)	(2,384)	(1,361)	-	143	26,326	25,232
Public Order & Safety	675	670	414	600	593	729	75	77	(315)	376	159	1,426	1,337
Health	33	30	24	6	6	2	27	24	22	35	123	-	-
Environment	1,770	2,168	126	500	2,273	369	1,270	(105)	(243)	113	-	-	-
Community Services & Education	8	6	44	260	88	220	(252)	(82)	(176)	4	3	3,265	2,930
Housing & Community Amenities	550	548	2,092	900	842	2,480	(350)	(294)	(388)	-	6	7,866	6,647
Water Supplies	2,779	2,948	2,933	2,617	1,981	1,682	162	967	1,251	36	37	21,000	18,452
Sewerage Services	1,931	2,554	2,059	1,900	1,882	1,703	31	672	356	32	32	24,930	21,411
Recreation & Culture	1,900	2,368	1,242	4,513	5,825	5,025	(2,613)	(3,457)	(3,783)	412	341	20,695	21,000
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	330	335	430	925	848	752	(595)	(513)	(322)	-	-	3,698	2,788
Transport & Communication	5,982	10,833	6,430	7,544	20,820	8,927	(1,562)	(9,987)	(2,497)	5,709	3,526	125,000	114,160
Economic Affairs	894	951	688	1,463	1,675	1,452	(569)	(724)	(764)	20	34	4,213	3,681
Total Functions & Activities	17,312	23,874	17,702	27,710	40,421	26,573	(10,398)	(16,547)	(8,871)	6,737	4,404	242,427	224,752
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	7	9	-	(7)	(9)	-	-	110	117
General Purpose Income ¹	16,000	16,475	16,248	-	-	-	16,000	16,475	16,248	5,657	5,262	-	-
Operating Result from Continuing Operations	33,312	40,349	33,950	27,710	40,428	26,582	5,602	(79)	7,368	12,394	9,666	242,537	224,869

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

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

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

FUEL & ENERGY - Gas Supplies

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		3,300	3,172
Farmland		5,302	4,907
Mining		385	365
Business		1,066	1,048
Total Ordinary Rates		10,053	9,492
Special Rates			
Drainage		1	(1)
Tourism		46	46
Total Special Rates		47	45
Annual Charges (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		1,669	1,563
Water Supply Services		1,050	976
Sewerage Services		1,697	1,686
Total Annual Charges		4,416	4,225
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>14,516</u>	<u>13,762</u>

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 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		1,089	1,298
Sewerage Services		90	10
Waste Management Services (non-domestic)		4	4
Total User Charges		1,183	1,312
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608 & 610A)			
Planning & Building Regulation		263	186
Private Works - Section 67		438	256
Regulatory/ Statutory Fees		25	21
Registration Fees		8	7
Total Fees & Charges - Statutory/Regulatory		734	470
(ii) Fees & Charges - Other(incl. General User Charges (per s.610C))			
Aerodrome		216	156
Caravan Park		60	52
Cemeteries		243	151
Contributions to Works		622	64
Leaseback Fees - Council Vehicles		101	103
Quarry Revenues		227	352
RTA Charges (State Roads not controlled by Council)		3,484	2,410
Saleyards		215	233
Swimming Centres		85	81
Trade Waste		71	31
Waste Disposal Tipping Fees		66	69
Other		15	39
Total Fees & Charges - Other		5,405	3,741
TOTAL USER CHARGES & FEES		7,322	5,523

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		101	93
- Interest earned on Investments (interest & coupon payment income)		1,095	709
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		429	743
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		-	889
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>1,625</u>	<u>2,434</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		101	93
General Council Cash & Investments		765	1,494
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		4	6
Water Fund Operations		524	599
Sewerage Fund Operations		231	242
<u>Total Interest & Investment Revenue Recognised</u>		<u>1,625</u>	<u>2,434</u>
(d). Other Revenues			
Rental Income - Other Council Properties		190	174
Fines		42	32
Legal Fees Recovery - Rates & Charges (Extra Charges)		107	73
Cultural Centre		1,176	732
Diesel Rebate		61	65
Distribution Reuse Farm		133	49
Employment Services		36	92
Insurance Claim Recoveries		54	124
Recoverable Expenses		612	129
Sales - General		328	162
Other		56	39
<u>TOTAL OTHER REVENUE</u>		<u>2,795</u>	<u>1,671</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	3,570	3,317	-	-
Financial Assistance - Local Roads Component	1,997	1,856	-	-
Pensioners' Rates Subsidies - General Component	90	89	-	-
Total General Purpose	5,657	5,262	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	37	37	-	-
- Sewerage	32	32	-	-
- Domestic Waste Management	34	34	-	-
Bushfire & Emergency Services	162	148	214	221
Community Events	4	3	-	-
Flood Restoration	4,485	-	-	1,738
Heritage & Cultural	29	6	28	23
Library	54	49	200	-
Noxious Weeds	113	123	-	-
RTA Determined Works- 3X3	163	163	-	318
Street Lighting	51	49	-	-
Tourism	16	8	-	-
Transport (Roads to Recovery)	-	21	987	1,063
Transport (Other Roads & Bridges Funding)	-	-	23	94
Other	(50)	15	155	259
Total Specific Purpose	5,130	688	1,607	3,716
Total Grants	10,787	5,950	1,607	3,716
Grant Revenue is attributable to:				
- Commonwealth Funding	5,560	5,179	1,123	1,278
- State Funding	5,227	771	484	2,438
	10,787	5,950	1,607	3,716

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 93F - Contributions using Planning Agreements	21	-	750	-
S 94 - Contributions towards amenities/services	-	-	4	7
Total Developer Contributions 17	21	-	754	7
Other Contributions:				
Bushfire Services	-	-	-	2
Roads & Bridges	-	-	-	20
RTA Contributions (Regional/Local, Block Grant)	58	57	797	797
Other	14	11	53	-
Total Other Contributions	72	68	850	819
Total Contributions	93	68	1,604	826
TOTAL GRANTS & CONTRIBUTIONS	10,880	6,018	3,211	4,542

\$ '000	Actual 2011	Actual 2010
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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	531	1,828
add: Grants & contributions recognised in the current period but not yet spent:	14,112	463
less: Grants & contributions recognised in a previous reporting period & now spent	(13,043)	(1,760)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	1,069	(1,297)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	1,600	531
Comprising:		
- Specific Purpose Unexpended Grants	945	412
- Developer Contributions	655	119
	1,600	531

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a) Employee Benefits & On-Costs			
Salaries and Wages		7,623	6,986
Travelling		97	52
Employee Leave Entitlements (ELE)		697	715
Superannuation		737	171
Workers' Compensation Insurance		241	277
Fringe Benefit Tax (FBT)		67	23
Training Costs (other than Salaries & Wages)		263	292
Protective Clothing		36	32
Other		530	345
Total Employee Costs		10,291	8,893
less: Capitalised Costs		(139)	(226)
TOTAL EMPLOYEE COSTS EXPENSED		10,152	8,667
Number of "Equivalent Full Time" Employees at year end		119	127
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		134	-
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		623	627
Total Interest Bearing Liability Costs		623	627
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		623	627
(ii) Other Borrowing Costs			
Interest applicable on Interest Free (& favourable) Loans to Council		146	-
Total Other Borrowing Costs		146	-
TOTAL BORROWING COSTS EXPENSED		769	627

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Materials & Contracts			
Raw Materials & Consumables		13,311	6,116
Contractor & Consultancy Costs			
- Contractor & Consultancy Costs		643	447
- Management Fees		782	429
- Waste Collection		846	508
- Other		18	46
Auditors Remuneration - Audit Services: Council's Auditor		48	44
Legal Expenses: Planning & Development		30	43
Legal Expenses: Other		158	15
Legal Expenses: Debt Recovery		78	107
Operating Lease Rentals: Minimum Lease Payments ⁽¹⁾		9	9
Total Materials & Contracts		15,923	7,764
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		15,923	7,764

1. Operating Lease Payments are attributable to:

- Other	9	9
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\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	686	719
Office Equipment		-	-	109	82
Furniture & Fittings		-	-	99	90
Land Improvements (depreciable)		-	-	120	132
Buildings - Non Specialised		-	-	223	219
Buildings - Specialised		-	-	104	94
Other Structures		-	-	425	373
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	6,416	3,034
- Stormwater Drainage		-	-	116	116
- Water Supply Network		-	-	260	225
- Sewerage Network		-	-	428	363
Total Depreciation & Impairment Costs		-	-	8,986	5,447
less: Capitalised Costs		-	-	-	-
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	8,986	5,447

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		167	105
Bad & Doubtful Debts		6	18
Bank Charges		59	52
Cleaning		145	124
Contributions/Levies to Other Levels of Government			
- NSW Fire Brigade Levy		330	233
Councillor Expenses - Mayoral Fee		19	20
Councillor Expenses - Councillors' Fees		117	111
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		109	95
Donations, Contributions & Assistance to other organisations (Section 356)		87	46
- Donations, Contributions & Assistance		470	394
Electricity & Heating		570	548
Fire Control Expenses		20	11
Insurance		484	470
Office Expenses (including computer expenses)		320	283
Postage		27	20
Printing & Stationery		68	56
Recoverable Expenses		580	627
Street Lighting		236	232
Subscriptions & Publications		110	93
Telephone & Communications		176	144
Tourism Expenses (excluding employee costs)		136	143
Valuation Fees - Rates		45	43
Valuation Fees - Assets		73	45
Total Other Expenses		4,354	3,913
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>4,354</u>	<u>3,913</u>

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2011	Actual 2010
Plant & Equipment			
Proceeds from Disposal		527	887
less: Carrying Amount of P&E Assets Sold		(762)	(1,040)
Net Gain/(Loss) on Disposal		(235)	(153)
Financial Assets*			
Proceeds from Disposal / Redemptions		58,748	31,530
less: Carrying Amount of Financial Assets Sold / Redeemed		(58,750)	(31,532)
Net Gain/(Loss) on Disposal		(2)	(2)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(237)	(155)
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments designated "Held to Maturity"		(2)	(2)
Net Gain/(Loss) on Disposal of Financial Instruments		(2)	(2)

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		5,509	-	1,030	-
Cash-Equivalent Assets ¹					
- Deposits at Call		2,025	-	9,078	-
- Short Term Deposits		1,000	-	1,101	-
Total Cash & Cash Equivalents		8,534	-	11,209	-
Investment Securities (Note 6b)					
- Managed Funds		-	-	1,200	-
- Long Term Deposits		11,000	-	500	-
- NCD's, FRN's (with Maturities > 3 months)		536	443	58	3,359
- CDO's		1,214	1,073	158	1,939
Total Investment Securities		12,750	1,516	1,916	5,298
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		21,284	1,516	13,125	5,298

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"	8,534	-	11,209	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	1,750	1,516	1,416	5,298
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	11,000	-	500	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		12,750	1,516	1,916	5,298

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 6b. Investments (continued)

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 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	1,416	5,298	1,175	5,347
Revaluations (through the Income Statement)	188	241	28	715
Additions	10,373	-	28,481	-
Disposals (sales & redemptions)	(12,551)	(1,699)	(28,427)	(605)
Transfers between Current/Non Current	2,324	(2,324)	159	(159)
Balance at End of Year	1,750	1,516	1,416	5,298
Comprising:				
- Managed Funds	-	-	1,200	-
- NCD's, FRN's (with Maturities > 3 months)	500	-	58	3,359
- CDO's	1,250	1,516	158	1,939
Total	1,750	1,516	1,416	5,298
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	500	-	3,000	-
Additions	55,000	-	-	-
Disposals (sales & redemptions)	(44,500)	-	(2,500)	-
Balance at End of Year	11,000	-	500	-
Comprising:				
- Other Long Term Financial Assets	11,000	-	500	-
Total	11,000	-	500	-
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 2011

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

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	21,284	1,516	13,125	5,298
attributable to:				
External Restrictions (refer below)	13,642	1,516	7,595	5,298
Internal Restrictions (refer below)	7,642	-	5,459	-
Unrestricted	-	-	71	-
	21,284	1,516	13,125	5,298

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	3,000	-	(351)	2,649
External Restrictions - Included in Liabilities	3,000	-	(351)	2,649

External Restrictions - Other

Developer Contributions - General (D)	119	779	(243)	655
Specific Purpose Unexpended Grants (F)	412	533	-	945
Water Supplies (G)	6,719	730	-	7,449
Sewerage Services (G)	2,593	708	-	3,301
Domestic Waste Management (G)	50	2,007	(1,898)	159
External Restrictions - Other	9,893	4,757	(2,141)	12,509
Total External Restrictions	12,893	4,757	(2,492)	15,158

A Loan moneys which must be applied for the purposes for which the loans were raised.

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

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 2011

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	400	4,766	(3,671)	1,495
Employees Leave Entitlement	700	33	(229)	504
Carry Over Works	2,118	2,604	(2,118)	2,604
Cultural Centre	76	-	(18)	58
Deposits, Retentions & Bonds	143	52	(101)	94
Administration Building	27	-	(27)	-
Caravan Park	203	-	(151)	52
Contributions and Donations	9	-	(4)	5
Economic Development	51	-	(51)	-
Housing	24	-	-	24
Library	51	-	-	51
Nurruby Land Purchase	75	35	-	110
Office Equipment	25	-	-	25
Parks & Gardens	21	-	-	21
Quarries	766	2,147	(1,445)	1,468
Restricted Funding	133	-	(16)	117
RTA Single Invitation Contract	100	-	-	100
Saleyards	4	214	(218)	-
Section 355 Committee Funds	182	-	(86)	96
Swimming Pools	155	-	-	155
Wee Waa C/C	21	-	(21)	-
Yarrie Lake Rd Purchase	175	-	(175)	-
Francis St Development	-	72	-	72
CDO Loss	-	452	-	452
Depot	-	80	-	80
Other	-	59	-	59
Total Internal Restrictions	5,459	10,514	(8,331)	7,642
TOTAL RESTRICTIONS	18,352	15,271	(10,823)	22,800

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		597	296	562	279
Interest & Extra Charges		131	65	124	63
User Charges & Fees		486	247	382	234
Contributions to Works		-	20	-	20
Accrued Revenues					
- Interest on Investments		88	-	38	-
- Other Income Accruals		1,046	-	1,040	-
Government Grants & Subsidies		38	-	9	-
Deferred Debtors		-	-	1	1
Net GST Receivable		12	-	65	-
Other Debtors		13	-	-	-
Other		4	-	4	-
Total		2,415	628	2,225	597
less: Provision for Impairment					
Rates & Annual Charges		-	(19)	-	(15)
Interest & Extra Charges		-	(11)	-	(11)
User Charges & Fees		(39)	-	(38)	-
Total Provision for Impairment - Receivables		(39)	(30)	(38)	(26)
<u>TOTAL NET RECEIVABLES</u>		<u>2,376</u>	<u>598</u>	<u>2,187</u>	<u>571</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		8	-	8	-
- Rates & Availability Charges		281	12	179	88
- Other		201	-	9	180
Sewerage Services					
- Rates & Availability Charges		147	9	102	53
- Other		4	-	-	-
Total External Restrictions		641	21	298	321
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		1,735	577	1,889	250
TOTAL NET RECEIVABLES		2,376	598	2,187	571

Notes on Debtors above:

- Rates & Annual Charges Outstanding are secured against the property.
- 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.
- Interest was charged on overdue rates & charges at 9.00% (2010 9.00%).
Generally all other receivables are non interest bearing.
- 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 2011

Note 8. Inventories & Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		225	-	204	-
Trading Stock		1,525	-	1,706	-
Total Inventories		1,750	-	1,910	-
Other Assets					
Prepayments		223	-	231	-
Total Other Assets		223	-	231	-
TOTAL INVENTORIES / OTHER ASSETS		1,973	-	2,141	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Inventories recognised as an expense for the year included:

- Stores & Materials	227	771
- Trading Stock	198	158

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2010					Asset Movements during the Reporting Period						as at 30/6/2011				
	At	At	Accumulated	Carrying	Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers (#)	Revaluation Increments to Equity (ARR)	At	At	Accumulated	Carrying	Value
	Cost	Fair Value	Deprec.									Cost	Fair Value	Dep'n		
Capital Work in Progress	5,085	-	-	-	5,085	1,045	-	-	(2,225)	(2,104)	-	1,801	-	-	-	1,801
Plant & Equipment	-	10,324	2,703	-	7,621	1,724	(596)	(686)	54	-	-	-	11,304	3,187	-	8,117
Office Equipment	-	707	376	-	331	238	(2)	(109)	-	-	-	-	942	484	-	458
Furniture & Fittings	-	1,072	559	-	513	28	(2)	(99)	-	-	-	-	1,089	649	-	440
Land:																
- Operational Land	-	6,730	-	-	6,730	185	-	-	-	-	-	-	6,915	-	-	6,915
- Community Land	-	4,200	-	-	4,200	-	-	-	-	-	-	-	4,200	-	-	4,200
Land Improvements - depreciable	2,927	-	621	-	2,306	103	-	(120)	14	-	-	-	3,043	740	-	2,303
Buildings - Non Specialised	-	42,392	20,375	-	22,017	198	(125)	(223)	53	-	-	-	36,473	14,553	-	21,920
Buildings - Specialised	-	10,018	3,028	-	6,990	23	(24)	(104)	-	-	-	-	9,987	3,102	-	6,885
Other Structures	-	15,962	4,924	-	11,038	812	(13)	(425)	159	-	-	-	16,889	5,318	-	11,571
Infrastructure:																
- Roads, Bridges, Footpaths	36,796	181,101	114,630	-	103,267	1,984	-	(6,416)	1,698	-	14,907	-	236,307	120,867	-	115,440
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater Drainage	6,977	-	3,819	-	3,158	-	-	(116)	-	-	2,259	-	9,645	4,344	-	5,301
- Water Supply Network	-	49,851	39,193	-	10,658	385	-	(260)	194	-	387	-	27,001	15,637	-	11,364
- Sewerage Network	-	90,287	72,771	-	17,516	179	-	(428)	53	-	645	-	46,536	28,571	-	17,965
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	51,785	412,644	262,999	-	201,430	6,904	(762)	(8,986)	-	(2,104)	18,198	1,801	410,331	197,452	-	214,680

Flood damage works capitalised @ 30 June 2010 now expensed

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000 Class of Asset	Actual 2011				Actual 2010			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	33	-	-	33	194	-	-	194
Plant & Equipment	-	234	135	99	-	145	126	19
Office Equipment	-	6	4	2	-	6	2	4
Land								
- Operational Land	-	192	-	192	-	202	-	202
Buildings	-	234	65	169	-	234	64	170
Other Structures	-	72	52	20	-	71	51	20
Infrastructure	-	26,940	15,629	11,311	-	49,852	39,193	10,659
Total Water Supply	33	27,678	15,885	11,826	194	50,510	39,436	11,268
Sewerage Services								
WIP	2	-	-	2	53	-	-	53
Plant & Equipment	-	101	99	2	-	101	100	1
Furniture & Fittings	-	3	3	-	-	3	2	1
Land								
- Operational Land	-	709	-	709	-	709	-	709
Buildings	-	468	135	333	-	467	133	334
Other Structures	-	68	22	46	-	68	20	48
Infrastructure	-	46,534	28,571	17,963	-	90,287	72,771	17,516
Total Sewerage Services	2	47,883	28,830	19,055	53	91,635	73,026	18,662
Domestic Waste Management								
Plant & Equipment	-	14	5	9	-	14	4	10
Land								
- Operational Land	-	243	-	243	-	243	-	243
- Improvements - depreciable	876	-	467	409	875	-	443	432
Buildings	22	163	90	95	22	163	88	97
Other Assets	417	24	110	331	358	24	99	283
Total DWM	1,315	444	672	1,087	1,255	444	634	1,065
TOTAL RESTRICTED I,PP&E	1,350	76,005	45,387	31,968	1,502	142,589	113,096	30,995

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		279	-	80	-
Goods & Services - capital expenditure		445	-	84	-
Payments Received In Advance		177	-	170	-
Accrued Expenses:					
- Borrowings		59	-	34	-
- Salaries & Wages		321	-	-	-
- Other Expenditure Accruals		731	-	1,253	-
Security Bonds, Deposits & Retentions		94	-	143	-
Department of Commerce - Call Payments		-	136	-	136
Other		26	-	5	-
Total Payables		2,132	136	1,769	136
Borrowings					
Loans - Secured ¹		911	9,299	2,758	8,178
Total Borrowings		911	9,299	2,758	8,178
Provisions					
Employee Benefits;					
Annual Leave		653	-	742	-
Sick Leave		292	-	373	-
Long Service Leave		952	141	905	109
Other Leave		16	-	13	-
Sub Total - Aggregate Employee Benefits		1,913	141	2,033	109
Total Provisions		1,913	141	2,033	109
Total Payables, Borrowings & Provisions		4,956	9,576	6,560	8,423

(i) Liabilities relating to Restricted Assets

	2011		2010	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	102	45	112	51
Sewer	278	1,279	277	1,446
Liabilities relating to externally restricted assets	380	1,324	389	1,497
Internally Restricted Assets				
Bonds & Deposits	94	-	143	-
Liabilities relating to internally restricted assets	94	-	143	-
Total Liabilities relating to restricted assets	474	1,324	532	1,497

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 2011

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

\$ '000	2011	2010
(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	1,068	1,206
	1,068	1,206

Note 10b. Description of and movements in Provisions

Class of Provision	2010	2011			Unused amounts reversed	Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting		
Annual Leave	742	552	(641)	-	-	653
Sick Leave	373	252	(333)	-	-	292
Long Service Leave	1,014	313	(234)	-	-	1,093
Other Leave	13	16	(13)	-	-	16
TOTAL	2,142	1,133	(1,221)	-	-	2,054

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 2011

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	8,534	11,209
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		8,534	11,209
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(79)	7,368
Adjust for non cash items:			
Depreciation & Amortisation		8,986	5,447
Net Losses/(Gains) on Disposal of Assets		237	155
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(429)	(743)
Expenditure relating to Asset Reinstatements (flood damage works)		2,104	-
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest on all fair value adjusted Interest Free Advances made by Council		-	(889)
- Interest Exp. on Interest Free Loans received by Council (previously Fair Value)		146	-
Share of Net (Profits) or Losses of Associates/Joint Ventures		7	-
Bad debts written off - deferred debtor		-	9
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(223)	(1,045)
Increase/(Decrease) in Provision for Doubtful Debts		5	(2)
Decrease/(Increase) in Inventories		160	(679)
Decrease/(Increase) in Other Assets		8	(34)
Increase/(Decrease) in Payables		199	(1,073)
Increase/(Decrease) in accrued Interest Payable		25	(26)
Increase/(Decrease) in other accrued Expenses Payable		(201)	1,071
Increase/(Decrease) in Other Liabilities		(21)	38
Increase/(Decrease) in Employee Leave Entitlements		(88)	7
Increase/(Decrease) in Other Provisions		-	-
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		10,836	9,613

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
(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	175
Lease Facilities		-	-
Standby Credit Facilities		-	-
Other		-	-
Total Financing Arrangements		300	175
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		23	20
- Lease Facilities		-	-
- Standby Credit Facilities		-	-
- Other		-	1
Total Financing Arrangements Utilised		23	21

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.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
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(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	718	1,437
Cleaning Services	69	69
Audit Services	140	175
Labour & Plant	351	261
Management Services	-	650
Total Commitments	1,278	2,592

These expenditures are payable as follows:

Within the next year	1,084	1,734
Later than one year and not later than 5 years	194	858
Later than 5 years	-	-
Total Payable	1,278	2,592

(c) Finance Lease Commitments

Nil

(d) Operating Lease Commitments (Non Cancellable)

Nil

(e) 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	429	401
Later than one year and not later than 5 years	1,730	1,062
Total Payable	2,159	1,463

(f) Investment in Associates / Joint Ventures - Commitments

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000	Amounts 2011	Indicator 2011	Prior Periods 20102009	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	11,350	3.24 : 1	1.93	3.10
Current Liabilities less Specific Purpose Liabilities ^(2,3)	3,508			
2. Debt Service Ratio				
Debt Service Cost	3,465	10.86%	16.40%	8.11%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	31,915			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	14,516	35.98%	40.54%	42.04%
Income from Continuing Operations	40,349			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	1,059	6.73%	6.77%	6.42%
Rates, Annual & Extra Charges Collectible	15,726			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	3,037	40.24%	82.67%	80.86%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	7,547			

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 payables & provisions not expected to be paid in the next 12 months (incl. ELE).

⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity 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 2011

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

<p>1. Unrestricted Current Ratio</p> <table><tr><th>Year</th><th>Ratio : 1</th></tr><tr><td>2008</td><td>2.75</td></tr><tr><td>2009</td><td>3.10</td></tr><tr><td>2010</td><td>1.93</td></tr><tr><td>2011</td><td>3.24</td></tr></table>	Year	Ratio : 1	2008	2.75	2009	3.10	2010	1.93	2011	3.24	<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 2010/11 Result</p> <p>2010/11 Ratio 3.24 : 1</p> <p>Council considers this an acceptable level.</p>
Year	Ratio : 1											
2008	2.75											
2009	3.10											
2010	1.93											
2011	3.24											
<p>2. Debt Service Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2008</td><td>8.30%</td></tr><tr><td>2009</td><td>8.11%</td></tr><tr><td>2010</td><td>16.40%</td></tr><tr><td>2011</td><td>10.86%</td></tr></table>	Year	Ratio %	2008	8.30%	2009	8.11%	2010	16.40%	2011	10.86%	<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 2010/11 Result</p> <p>2010/11 Ratio 10.86%</p> <p>Council considers this a necessary level, considering the capital works that are needed.</p>
Year	Ratio %											
2008	8.30%											
2009	8.11%											
2010	16.40%											
2011	10.86%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2008</td><td>46.68%</td></tr><tr><td>2009</td><td>42.04%</td></tr><tr><td>2010</td><td>40.54%</td></tr><tr><td>2011</td><td>35.98%</td></tr></table>	Year	Ratio %	2008	46.68%	2009	42.04%	2010	40.54%	2011	35.98%	<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 2010/11 Result</p> <p>2010/11 Ratio 35.98%</p> <p>Council considers this an acceptable level.</p>
Year	Ratio %											
2008	46.68%											
2009	42.04%											
2010	40.54%											
2011	35.98%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2008</td><td>7.41%</td></tr><tr><td>2009</td><td>6.42%</td></tr><tr><td>2010</td><td>6.77%</td></tr><tr><td>2011</td><td>6.73%</td></tr></table>	Year	Ratio %	2008	7.41%	2009	6.42%	2010	6.77%	2011	6.73%	<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 2010/11 Result</p> <p>2010/11 Ratio 6.73%</p> <p>Council considers this an acceptable level, however are endeavouring to lower this percentage.</p>
Year	Ratio %											
2008	7.41%											
2009	6.42%											
2010	6.77%											
2011	6.73%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2008</td><td>75.72%</td></tr><tr><td>2009</td><td>80.86%</td></tr><tr><td>2010</td><td>82.67%</td></tr><tr><td>2011</td><td>40.24%</td></tr></table>	Year	Ratio %	2008	75.72%	2009	80.86%	2010	82.67%	2011	40.24%	<p>Purpose of Bldg & Infrastructure Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2010/11 Ratio 40.24%</p> <p>Council considers this an acceptable level, with all the flood damage works done within the year.</p>
Year	Ratio %											
2008	75.72%											
2009	80.86%											
2010	82.67%											
2011	40.24%											

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000	Water 2011	Sewer 2011	General ¹ 2011
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽¹⁾	4.80 : 1	0.54 : 1	3.24 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
2. Debt Service Ratio			
Debt Service Cost	0.11%	4.45%	12.42%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
3. Rates & Annual Charges Coverage Ratio			
Rates & Annual Charges	35.62%	66.41%	33.78%
Income from Continuing Operations			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual & Extra Charges Outstanding	27.90%	9.20%	4.70%
Rates, Annual & Extra Charges Collectible			
5. Building & Infrastructure Renewals Ratio			
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	155.77%	47.43%	35.41%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)			

Notes

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 14. Investment Properties

\$ '000

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

Note 15. Financial Risk Management

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2011	2010	2011	2010
Financial Assets				
Cash and Cash Equivalents	8,534	11,209	8,534	11,529
Investments				
- "Held for Trading"	3,266	6,714	3,266	6,714
- "Held to Maturity"	11,000	500	11,000	500
Receivables	2,974	2,758	2,974	1,667
Total Financial Assets	25,774	21,181	25,774	20,410
Financial Liabilities				
Payables	2,091	1,735	2,091	1,614
Loans / Advances	10,210	10,936	10,210	11,824
Total Financial Liabilities	12,301	12,671	12,301	13,438

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & loss"** or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

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

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

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

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2011				
Possible impact of a 10% movement in Market Values	450	450	(450)	(450)
Possible impact of a 1% movement in Interest Rates	45	45	(45)	(45)
2010				
Possible impact of a 10% movement in Market Values	243	243	(243)	(243)
Possible impact of a 1% movement in Interest Rates	24	24	(24)	(24)

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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:

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	181	1,773	127	1,525
Past due by up to 30 days	83	47	91	145
Past due between 31 and 180 days	110	19	194	23
Past due between 181 and 365 days	180	74	123	67
Past due by more than 1 year	339	237	306	221
	893	2,150	841	1,981

(ii) Movement in Provision for Impairment of Receivables

	2011	2010
Balance at the beginning of the year	64	66
+ new provisions recognised during the year	6	-
- amounts already provided for & written off this year	(1)	(1)
- amounts provided for but recovered during the year	-	(1)
Balance at the end of the year	69	64

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	≤ 1 Year	1-2 Yrs	payable in:				Total Cash Outflows	Actual Carrying Values
				2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2011									
Trade/Other Payables	94	-	-	-	-	-	-	94	2,091
Loans & Advances	-	911	1,338	3,617	724	622	3,001	10,213	10,210
Total Financial Liabilities	94	911	1,338	3,617	724	622	3,001	10,307	12,301
2010									
Trade/Other Payables	143	1,592	-	-	-	-	-	1,735	1,735
Loans & Advances	-	2,778	765	1,170	3,426	507	3,178	11,824	10,936
Total Financial Liabilities	143	4,370	765	1,170	3,426	507	3,178	13,559	12,671

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:

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	2,091	0.0%	1,735	0.0%
Loans & Advances - Fixed Interest Rate	10,210	6.5%	10,936	6.2%
	<u>12,301</u>		<u>12,671</u>	

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 10/11 was incorporated as part of its Management Plan and was adopted by the Council on 21 June 2011.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2011 Budget	2011 Actual	2011 Variance* -----		
REVENUES					
Rates & Annual Charges	14,382	14,516	134	1%	F
User Charges & Fees	4,343	7,322	2,979	69%	F
Interest & Investment Revenue	884	1,625	741	84%	F
Other Revenues	2,284	2,795	511	22%	F
Operating Grants & Contributions	8,917	10,880	1,963	22%	F
Capital Grants & Contributions	2,467	3,211	744	30%	F
Net Gains from Disposal of Assets	35	-	(35)	(100%)	U

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	9,298	10,152	(854)	(9%)	U
Borrowing Costs	643	769	(126)	(20%)	U
Materials & Contracts	7,377	15,923	(8,546)	(116%)	U
Depreciation & Amortisation	6,785	8,986	(2,201)	(32%)	U
Other Expenses	3,607	4,354	(747)	(21%)	U
Net Losses from Disposal of Assets	-	237	(237)	0%	U
Share of Net Losses - Joint Ventures & Associate:	-	7	(7)	0%	U

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	6,712	10,836	4,124	61.4%	F
Cash Flows from Investing Activities	(23,690)	(12,639)	11,051	(46.6%)	F
Cash Flows from Financing Activities	9,097	(872)	(9,969)	(109.6%)	U

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	57	-	-	3	-	-	60	4	(64)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	5	1	-	-	-	-	6	5	(11)	-	-
Community Facilities	4	1	-	-	-	-	5	5	(10)	-	-
Bushfire	53	2	-	1	(55)	-	1	3	(4)	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
S94 Contributions - under a Plan	119	4	-	4	(55)	-	72	17	(89)	-	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	119	4	-	4	(55)	-	72				-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	-	771	-	-	(188)	-	583				
S64 Contributions	-	-	-	-	-	-	-				
Total Contributions	119	775	-	4	(243)	-	655	17	(89)	-	-

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	57	-	-	3	-	-	60	4	(64)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	5	1	-	-	-	-	6	5	(11)	-	-
Community Facilities	4	1	-	-	-	-	5	5	(10)	-	-
Bushfire	53	2	-	1	(55)	-	1	3	(4)	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total	119	4	-	4	(55)	-	72	17	(89)	-	-

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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 with member Councils required to make significantly higher contributions from 2009/10 & beyond.

The Local Government Superannuation Scheme last valuation was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16 February 2011 a deficit still exists. Effective from 1 July 2009, employers were required to contribute at twice the "notional" or long term cost for a period of up to ten years.

The share of this deficit that can be broadly attributed to the employer was estimated to be in the order of \$376,862 as at 30 June 2011.

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iv) 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.

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

(i) Third Party Claims (continued)

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.

(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.

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

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

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

ASSETS NOT RECOGNISED (continued):

(iii) Rural Fire Fighting Assets

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

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

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

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

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

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

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

Subsidiaries

Note 19(a)

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

Associated Entities & Joint Venture Entities

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

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself.

Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Joint Venture Operations

Note 19(c)

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

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Accounting Recognition:

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

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Associated Entities	(7)	(9)	110	117
Joint Venture Entities	-	-	-	-
Total	(7)	(9)	110	117

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	2011	2010
Central Northern Libraries	Public Library Services	110	117
Total Carrying Amounts - Associated Entities		110	117

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2011	2010	2011	2010	2011	2010
Central Northern Libraries	15%	15%	15%	15%	15%	15%

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

	Central Northern Libraries	
	2011	2010
Opening Balance	117	121
Share in Operating Result	(7)	(9)
Adjustments to Equity	-	5
Council's Equity Share in Associated Entities	110	117

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

2011	Assets	Liabilities	Net Assets	Revenues	Profit
Central Northern Libraries	110	-	110	181	(7)
Totals	110	-	110	181	(7)
2010	Assets	Liabilities	Net Assets	Revenues	Profit
Central Northern Libraries	117	-	117	174	(9)
Totals	117	-	117	174	(9)

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	2011	2010
Capital Commitments	-	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-
	<u>-</u>	<u>-</u>
(f) Contingent Liabilities of Associates	2011	2010
Share of Contingent Liabilities incurred jointly with other investors	-	100%
Share of Contingent Liabilities for which Council is severally liable	-	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

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2011	Actual 2010
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		165,391	228,992
a. Correction of Prior Period Errors	20 (c)	-	(70,969)
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		(79)	7,368
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes		-	-
Balance at End of the Reporting Period		165,312	165,391

b. Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	62,693	44,495
Total	62,693	44,495

(ii). Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance	44,495	43,681
- Revaluations for the year	9(a) 18,198	814
- Balance at End of Year	62,693	44,495

TOTAL VALUE OF RESERVES

62,693	44,495
---------------	---------------

(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 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
c. Correction of Error/s relating to a Previous Reporting Period			
Council made no correction of errors during the current reporting period.			
Correction of errors disclosed in last year's financial statements			
Council in assessing the Fair Valuation of its Roads, Bridges & Footpath Assets during the 09/10 year determined that its prior period revaluations were overstated			
			(70,969)
This adjustment resulted in a net (decrease) in Council's Accumulated Surplus as at 30/6/09.			
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 - 1/7/09 (relating to adjustments for the 30/6/09 reporting year end and prior periods)		-	(70,969)
- Adjustments to Closing Equity - 30/6/10 (relating to adjustments for the 30/6/10 year end)		-	-
Total Prior Period Adjustments - Prior Period Errors		-	(70,969)

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 2011

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	1,050	1,696	11,770
User Charges & Fees	1,339	461	5,522
Interest & Investment Revenue	524	231	870
Other Revenues	-	133	2,662
Grants & Contributions provided for Operating Purposes	37	33	10,810
Grants & Contributions provided for Capital Purposes	-	-	3,211
Other Income			
Net Gains from Disposal of Assets	(2)	-	2
Total Income from Continuing Operations	2,948	2,554	34,847
Expenses from Continuing Operations			
Employee Benefits & on-costs	402	353	9,397
Borrowing Costs	5	97	667
Materials & Contracts	966	868	14,089
Depreciation & Amortisation	273	434	8,279
Other Expenses	335	131	3,888
Net Losses from the Disposal of Assets	-	(1)	238
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	7
Total Expenses from Continuing Operations	1,981	1,882	36,565
Operating Result from Continuing Operations	967	672	(1,718)
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	967	672	(1,718)
Net Operating Result attributable to each Council Fund	967	672	(1,718)
Net Operating Result attributable to Minority Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	967	672	(4,929)

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

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

Narrabri Shire Council

Notes to the Financial Statements

as at 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	6,013	2,000	521
Investments	372	849	11,529
Receivables	490	151	1,735
Inventories	-	-	1,750
Other	-	-	223
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	6,875	3,000	15,758
Non-Current Assets			
Investments	1,064	452	-
Receivables	12	9	577
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	11,826	19,055	183,799
Investments Accounted for using the equity method	-	-	110
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	12,902	19,516	184,486
TOTAL ASSETS	19,777	22,516	200,244
LIABILITIES			
Current Liabilities			
Payables	42	17	2,073
Borrowings	7	191	713
Provisions	53	70	1,790
Total Current Liabilities	102	278	4,576
Non-Current Liabilities			
Payables	-	136	-
Borrowings	37	1,140	8,122
Provisions	8	3	130
Total Non-Current Liabilities	45	1,279	8,252
TOTAL LIABILITIES	147	1,557	12,828
Net Assets	19,630	20,959	187,416
EQUITY			
Retained Earnings	12,422	9,833	143,057
Revaluation Reserves	7,208	11,126	44,359
Total Equity	19,630	20,959	187,416

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

NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

Narrabri Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

\$ '000

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

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2011, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 18/10/11.

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 statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2011.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2011 and which are only indicative of conditions that arose after 30 June 2011.

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".

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 25. Intangible Assets

\$ '000

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

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

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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 30/6/10.

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

Narrabri Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 27. Council Information & Contact Details

Principal Place of Business:

46-48 Maitland Street
Narrabri NSW 2390

Contact Details
Mailing Address:

PO Box 261
Narrabri NSW 2390

Opening Hours:

8.30am to 5pm
Monday to Friday

Telephone: 02 6799 6881

Facsimile: 02 6799 6888

Internet: www.narrabri.nsw.gov.au

Email: council@narrabri.nsw.gov.au

Officers
GENERAL MANAGER

Phil Marshall

RESPONSIBLE ACCOUNTING OFFICER

Paul Wearne

PUBLIC OFFICER

Paul Wearne

AUDITORS

Hill Rogers 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

NARRABRI SHIRE COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying **general purpose financial statements** of **Narrabri Shire Council**, which comprises the Balance Sheet as at 30 June 2011, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17 or the additional disclosures in Note 13a(i). Accordingly, no opinion is expressed on these matters.

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Steer Assurance Partners

ABN 56 435 338 966

Hill Rogers
Spencer Steer

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

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

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

Independence

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

Basis for Qualified Auditor's Opinion

1. Note 9 discloses roads, bridges and footpaths and stormwater drainage at carrying values of \$115.440 million and \$5.301 million respectively as at 30 June 2011. The carrying value has not been determined in accordance with paragraph 39 of the Local Government Code of Accounting Practice and Financial Reporting (pages A-91 and 92) as a complete and comprehensive physical inspection of infrastructure assets had not been conducted as at 30 June 2011.
2. 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 2011, Council's investment portfolio totalled \$17.291 million and included CDO securities totalling \$2.287 million. These securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from issuers and/or valuation models for which there is limited market evidence available to verify their reasonableness in the current economic environment. Further, the ongoing volatility of financial markets creates greater uncertainty in the valuation process and determination of future cash flows.

These circumstances have resulted in our inability to obtain sufficient appropriate audit evidence to satisfy ourselves as to the value and recoverability of \$2.287 million of Council's total investment portfolio.

Hill Rogers
Spencer Steer

Qualified Auditor's Opinion

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

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

HILL ROGERS SPENCER STEER



GARY MOTTAU
Partner

Dated at Sydney this 7th day of November 2011

Hill Rogers
Spencer Steer

7 November 2011

The Mayor
Narrabri Shire Council
PO Box 261
NARRABRI NSW 2390

Mayor,

Audit Report - Year Ended 30 June 2011

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2011 and that all information required by us, apart from the revaluation of roads, bridges, footpaths and stormwater drainage infrastructure assets which were required to be carried out last financial year and disclosed at fair values, was readily available.

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

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Statements of the Council. We have ensured that the 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;

I. RESULTS FOR THE YEAR

I.1 Operating Result

The operating result for the year was a deficit of \$79,000 and compares with a surplus of \$7.368 million in the previous year.

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

	2011 \$'000	% of Total	2010 \$'000	% of Total	Increase (Decrease) \$'000
Revenues before capital items					
Rates & annual charges	14,516	39%	13,762	47%	754
User charges, fees & other revenues	10,117	27%	7,194	24%	2,923
Grants & contributions provided for operating purposes	10,880	29%	6,018	20%	4,862
Interest & investment revenue	1,625	4%	2,434	8%	(809)
	37,138	100%	29,408	100%	7,730
Expenses					
Employee benefits & costs	10,152	25%	8,667	33%	1,485
Materials, contracts & other expenses	20,521	51%	11,841	45%	8,680
Depreciation, amortisation & impairment	8,986	22%	5,447	20%	3,539
Borrowing costs	769	2%	627	2%	142
	40,428	100%	26,582	100%	13,846
Surplus/(Deficit) before capital items	(3,290)		2,826		(6,116)
Grants & contributions provided for capital purposes	3,211		4,542		(1,331)
Net Surplus/(Deficit) for the year	(79)		7,368		(7,447)

As can be seen above, the operating result deteriorated by \$7.447 million and can be mainly attributed to increased expenses for materials and contracts, most of which relates to grant funded works for flood damage and maintenance on RTA roads.

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.

Funds were provided by:-

Operating Result (as above)

Add back non funding items:-

- Fair value adjustment to interest free loan
- Depreciation, amortisation & impairment
- Asset Reinstatement expenditure (flood damage)
- Book value of non-current assets sold
- (Surplus)Deficit in joint ventures

Decrease/Redemption in Non-current Investments
New loan borrowings
Transfers from internal reserves (net)
Repayments & w/off deferred debtors
Net Changes in current/non-current assets & liabilities

Funds were applied to:-

Purchase and construction of assets
Principal repaid on loans
Transfers to externally restricted assets (net)
Transfers to internal reserves (net)
Net Changes in current/non-current assets & liabilities

Increase/(Decrease) in Available Working Capital

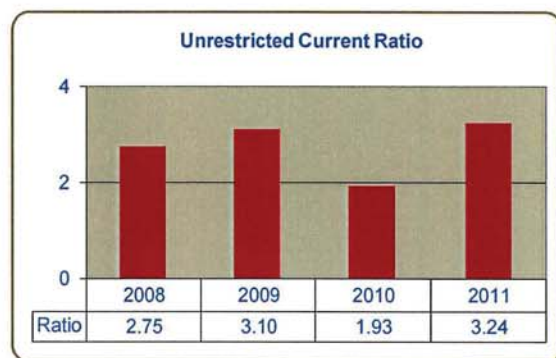
2011	2010
\$'000	\$'000
(79)	7,368
146	(889)
8,986	5,447
2,104	0
762	1,040
7	9
11,926	12,975
3,782	49
1,970	6,595
0	241
2	14
0	121
17,680	19,995
(6,904)	(10,679)
(2,842)	(4,073)
(6,399)	(3,377)
(2,183)	0
(165)	0
(18,493)	(18,129)
(813)	1,866

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$7.842 million representing a factor of 3.24 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 \$2.050 million as detailed below;

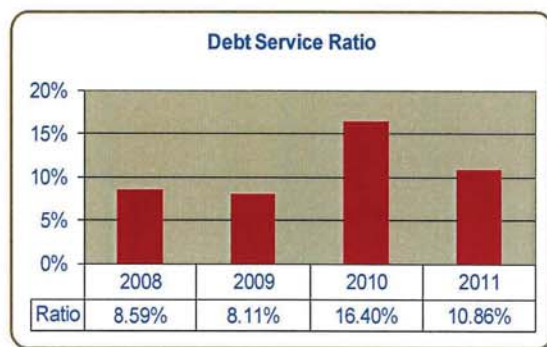
	2011	2010	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	20,677	10,893	9,784
Add: Payables & provisions not expected to be realised in the next 12 months included above	1,068	1,206	(138)
Adjusted Net Current Assets	21,745	12,099	9,646
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	911	2,758	(1,847)
- Employees leave entitlements	845	827	18
- Deposits & retention moneys	94	143	(49)
- Deferred debtors	0	(1)	1
Less: Externally restricted assets	(13,903)	(7,504)	(6,399)
Less: Internally restricted assets	(7,642)	(5,459)	(2,183)
Available Working Capital as at 30 June	2,050	2,863	(813)

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.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 10.86%.

After repaying principal and interest of \$3.465 million, Council's debt as at 30 June 2011 amounted to \$10.210 million and included the balance of the interest free loan of \$2.7 million (revalued to a fair value of \$1.96 million).



2.4 Summary

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

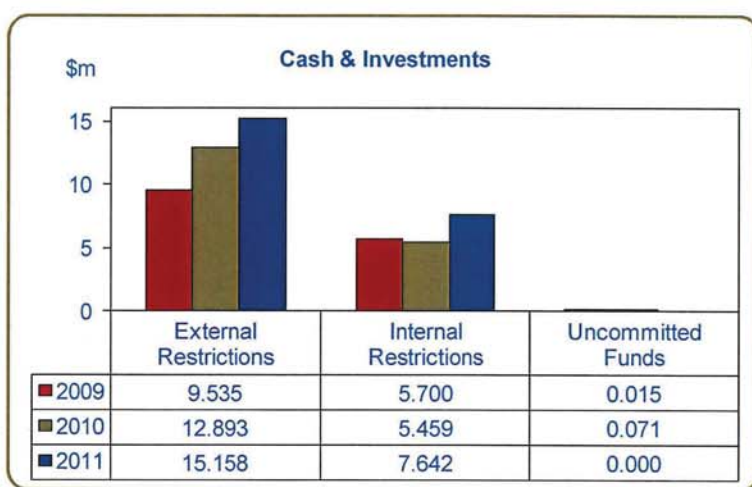
3. CASH ASSETS

3.1 Cash & Investments

Cash and investments totalled \$22.800 million at the close of the year as compared with \$18.423 million in 2010 and \$15.250 million in 2009.

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 \$2.287 million (2010 – 2.097 million and 2009 - \$1.690 million). Note 1(g) provides details of the valuation of these securities.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended loans (\$2.649 million), grants and developer contributions (\$1.600 million), water funds (\$7.449 million), sewerage funds (\$3.301 million) and domestic waste management charges (\$159,000).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$7.642 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Council did not have any **Unrestricted cash and investments** at the close of the year.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash decreased by \$2.675 million to \$8.534 million at the close of the year.

In addition to operating activities which contributed net cash of \$10.836 million, cash inflows were the proceeds from the sale of investment securities (\$58.748 million) and assets (\$527,000), raising new loans (\$1.970 million) and repayments made by deferred debtors (\$2,000). Cash outflows, other than operating activities, were the repayment of loans (\$2.842 million), purchase of investment securities (\$65.373 million) and the purchase and construction of assets (\$6.543 million).

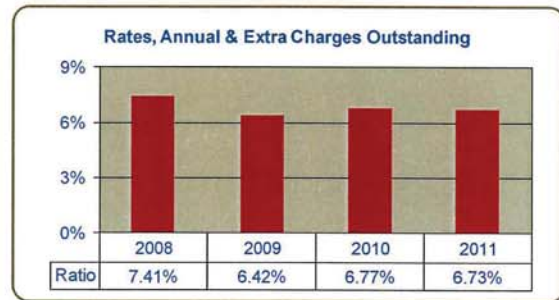
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$14.516 million and represented 35.98% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$15.342 million of which \$14.468 million (94.30%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$1.059 million at the end of the year and represented 6.73% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$1.954 million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$39,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$2.054 million. A cash reserve of \$504,000 was held at year end representing 24.54% 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 \$94,000 and were fully funded by 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 water & sewerage network assets, operational land and buildings and plant and equipment have been revalued.

Hill Rogers
Spencer Steer

Last year, roads and footpaths were revalued to replacement cost however insufficient records were available for us to assess whether an accurate and complete assessment of the condition of those assets was reflected in the asset registers. Bridges and stormwater drainage assets were also required by the Division of Local Government to be revalued last year.

Non compliance with the requirement to revalue roads, bridges, footpaths and drainage assets to fair value resulted in a modification to our audit opinion on the general purpose financial statements in the form of a scope limitation. Further details of the revaluation is provided in Notes 1(j) and 9 to the Financial Statements.

7. MANAGEMENT LETTER

A letter was issued to management during the year in respect of our examination of certain aspects of Council's accounting systems and internal controls necessary to produce reliable financial reports that we considered warrant attention. A response was received from management.

8. CONCLUSION

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

Yours faithfully,

HILL ROGERS SPENCER STEER



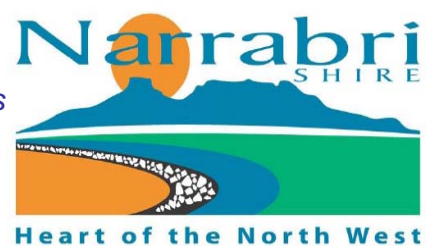
GARY MOTTAU

Partner

Narrabri Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

*“To deliver services to and represent the interests
of the whole community and provide a quality of
living environment within available resources”*



Narrabri Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
- 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 Statements	7
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Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

Narrabri Shire Council

Special Purpose Financial Statements for the financial year ended 30 June 2011

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 18 October 2011.



Robyn Faber
MAYOR



Lester Kelly
COUNCILLOR



Phil Marshall
GENERAL MANAGER



Paul Wearne
RESPONSIBLE ACCOUNTING OFFICER

Narrabri Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
Income from continuing operations			
Access charges	1,050	976	537
User charges	1,339	1,324	887
Fees	-	-	-
Interest	524	599	83
Grants and contributions provided for non capital purposes	37	37	36
Profit from the sale of assets	(2)	(2)	-
Other income	-	-	23
Total income from continuing operations	2,948	2,933	1,566
Expenses from continuing operations			
Employee benefits and on-costs	402	347	384
Borrowing costs	5	4	4
Materials and contracts	966	889	806
Depreciation and impairment	273	242	447
Water purchase charges	-	-	-
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	335	201	185
Total expenses from continuing operations	1,981	1,682	1,826
Surplus (deficit) from Continuing Operations before capital amounts	967	1,251	(260)
Grants and contributions provided for capital purposes	-	-	7
Surplus (deficit) from Continuing Operations after capital amounts	967	1,251	(253)
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	967	1,251	(253)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(290)	(375)	-
SURPLUS (DEFICIT) AFTER TAX	677	876	(253)
plus Opening Retained Profits	11,455	10,204	15,707
plus/less: Prior Period Adjustments	-	-	(5,250)
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	290	375	-
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	12,422	11,455	10,204
Return on Capital %	8.2%	11.1%	-2.3%
Subsidy from Council	-	-	864
Calculation of dividend payable:			
Surplus (deficit) after tax	677	876	(253)
less: Capital grants and contributions (excluding developer contributions)	-	-	-
Surplus for dividend calculation purposes	677	876	-
Potential Dividend calculated from surplus	338	438	-

Narrabri Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
Income from continuing operations			
Access charges	1,696	1,686	1,575
User charges	461	49	63
Liquid Trade Waste charges	-	-	-
Fees	-	-	-
Interest	231	242	43
Grants and contributions provided for non capital purposes	33	32	33
Profit from the sale of assets	-	-	-
Other income	133	49	69
Total income from continuing operations	2,554	2,058	1,783
Expenses from continuing operations			
Employee benefits and on-costs	353	310	323
Borrowing costs	97	107	118
Materials and contracts	868	795	799
Depreciation and impairment	434	380	839
Loss on sale of assets	(1)	(1)	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	131	112	134
Total expenses from continuing operations	1,882	1,703	2,213
Surplus (deficit) from Continuing Operations before capital amounts	672	355	(430)
Grants and contributions provided for capital purposes	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	672	355	(430)
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	672	355	(430)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(202)	(107)	-
SURPLUS (DEFICIT) AFTER TAX	470	249	(430)
plus Opening Retained Profits	9,161	8,806	17,603
plus/less: Prior Period Adjustments	-	-	(8,367)
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	202	107	-
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	9,833	9,161	8,806
Return on Capital %	4.0%	2.5%	-1.7%
Subsidy from Council	224	490	1,329
Calculation of dividend payable:			
Surplus (deficit) after tax	470	249	(430)
less: Capital grants and contributions (excluding developer contributions)	-	-	-
Surplus for dividend calculation purposes	470	249	-
Potential Dividend calculated from surplus	235	124	-

Narrabri Shire Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	6,013	3,067
Investments	372	360
Receivables	490	196
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	6,875	3,623
Non-Current Assets		
Investments	1,064	3,292
Receivables	12	268
Inventories	-	-
Infrastructure, property, plant and equipment	11,826	11,268
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	12,902	14,828
TOTAL ASSETS	19,777	18,451
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	42	52
Interest bearing liabilities	7	6
Provisions	53	54
Total Current Liabilities	102	112
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	37	43
Provisions	8	8
Total Non-Current Liabilities	45	51
TOTAL LIABILITIES	147	163
NET ASSETS	19,630	18,288
EQUITY		
Retained earnings	12,422	11,455
Revaluation reserves	7,208	6,833
Council equity interest	19,630	18,288
Minority equity interest	-	-
TOTAL EQUITY	19,630	18,288

Narrabri Shire Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	2,000	-
Investments	849	1,556
Receivables	151	102
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	3,000	1,658
Non-Current Assets		
Investments	452	1,037
Receivables	9	53
Inventories	-	-
Infrastructure, property, plant and equipment	19,055	18,662
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	19,516	19,752
TOTAL ASSETS	22,516	21,410
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	17	24
Interest bearing liabilities	191	183
Provisions	70	70
Total Current Liabilities	278	277
Non-Current Liabilities		
Payables	136	135
Interest bearing liabilities	1,140	1,308
Provisions	3	3
Total Non-Current Liabilities	1,279	1,446
TOTAL LIABILITIES	1,557	1,723
NET ASSETS	20,959	19,687
EQUITY		
Retained earnings	9,833	9,161
Revaluation reserves	11,126	10,526
Council equity interest	20,959	19,687
Minority equity interest	-	-
TOTAL EQUITY	20,959	19,687

Narrabri Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

Contents of the Notes accompanying the Financial Statements

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis. 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 Division of Local Government in July 1997 has also been adopted.

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

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

Declared Business Activities

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

Category 1

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

a. Narrabri Shire Council Combined Water Supplies

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

Category 2

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

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 NSW Office of Water (Department of Environment, Climate Change and Water) some amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

(i) Taxation Equivalent Charges

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies (continued)

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$387,000** of combined land values attracts **0%**. From \$387,001 to \$2,366,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,366,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$658,000.

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies (continued)

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return 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 5.21% at 30/6/11.

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 2011 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2011

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	13,449
(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]	338,450
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	134,490
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	1,299,600

2011 Surplus	676,900	2010 Surplus	875,700	2009 Surplus	(253,000)
		2010 Dividend	-	2009 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	134,490
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 6 Criteria

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

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	YES
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	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 Statements for the financial year ended 30 June 2011

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

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

2011

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	2,426
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)]	%	50.40%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	11,340
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,529
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	444
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)]	%	5.28%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

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

Narrabri Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2011

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	11,733
(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]	235,200
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	117,330
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	288,900

2011 Surplus	470,400	2010 Surplus	248,500	2009 Surplus	(430,000)
		2010 Dividend	-	2009 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	117,330
(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 Statements for the financial year ended 30 June 2011

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

Dollars Amounts shown below are in **WHOLE DOLLARS** (unless otherwise indicated) **2011**

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	2,324
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	17,968
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	1,326
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	182
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)]	%	2.96%
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	4,747
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.47%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	626
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	3.85%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Narrabri Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

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

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

2011

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)]	%	-23.10%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		> 100
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	1,639
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	70

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

NARRABRI SHIRE COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *special purpose financial statements* of **Narrabri Shire Council**, which comprises the Balance Sheet as at 30 June 2011, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Independence

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


Auditor's Opinion

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

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

HILL ROGERS SPENCER STEER



GARY MOTTAU

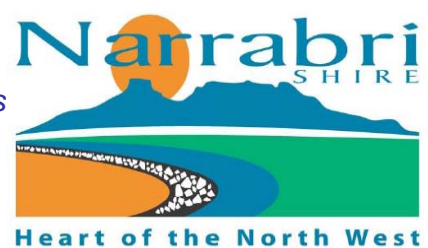
Partner

Dated at Sydney this 7th day of November 2011

Narrabri Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2011

*“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 2011

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¹ Special Purpose Schedules are not audited.

Background

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

Narrabri Shire Council

Special Schedule No. 1 - Net Cost of Services for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	755	14	-	(741)
Administration	2,833	449	-	(2,384)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	519	608	2	91
Beach Control	-	-	-	-
Enforcement of Local Govt Regs	13	38	-	25
Animal Control	61	22	-	(39)
Other	-	-	-	-
Total Public Order & Safety	593	668	2	77
Health	6	30	-	24
Environment				
Noxious Plants and Insect/Vermin Control	185	115	-	(70)
Other Environmental Protection	75	-	-	(75)
Solid Waste Management	1,862	2,039	-	177
Street Cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater Management	151	14	-	(137)
Total Environment	2,273	2,168	-	(105)
Community Services and Education				
Administration & Education	77	3	-	(74)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	5	-	-	(5)
Childrens Services	6	3	-	(3)
Total Community Services & Education	88	6	-	(82)
Housing and Community Amenities				
Public Cemeteries	325	243	-	(82)
Public Conveniences	-	-	-	-
Street Lighting	236	51	-	(185)
Town Planning	102	144	-	42
Other Community Amenities	179	110	-	(69)
Total Housing and Community Amenities	842	548	-	(294)
Water Supplies	1,981	2,948	-	967
Sewerage Services	1,882	2,554	-	672

Narrabri Shire Council

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

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	533	136	-	(397)
Museums	6	4	28	26
Art Galleries	-	-	-	-
Community Centres and Halls	2,419	1,175	-	(1,244)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	402	53	133	(216)
Swimming Pools	738	83	-	(655)
Parks & Gardens (Lakes)	1,727	(31)	44	(1,714)
Other Sport and Recreation	-	743	-	743
Total Recreation and Culture	5,825	2,163	205	(3,457)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	868	115	-	(753)
Other Mining, Manufacturing & Construction	(20)	220	-	240
Total Mining, Manufacturing and Const.	848	335	-	(513)
Transport and Communication				
Urban Roads (UR) - Local	775	4,302	-	3,527
Urban Roads - Regional	19	-	-	(19)
Sealed Rural Roads (SRR) - Local	909	-	-	(909)
Sealed Rural Roads - Regional	5,193	404	2,854	(1,935)
Unsealed Rural Roads (URR) - Local	4,815	-	-	(4,815)
Unsealed Rural Roads (URR) - Regional	154	-	-	(154)
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	45	-	-	(45)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	705	-	-	(705)
Parking Areas	-	-	-	-
Footpaths	109	-	-	(109)
Aerodromes	671	374	-	(297)
Other Transport & Communication	7,425	2,749	150	(4,526)
Total Transport and Communication	20,820	7,829	3,004	(9,987)
Economic Affairs				
Camping Areas & Caravan Parks	47	60	-	13
Other Economic Affairs	1,628	891	-	(737)
Total Economic Affairs	1,675	951	-	(724)
Totals – Functions	40,421	20,663	3,211	(16,547)
General Purpose Revenues⁽²⁾		16,475		16,475
Share of interests - joint ventures & associates using the equity method	7	-		(7)
NET OPERATING RESULT⁽¹⁾	40,428	37,138	3,211	(79)

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

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

for the financial year ended 30 June 2011

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	2,758	8,178	10,936	1,970	2,696	-	-	769	911	9,299	10,210
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	2,758	8,178	10,936	1,970	2,696	-	-	769	911	9,299	10,210
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	2,758	8,178	10,936	1,970	2,696	-	-	769	911	9,299	10,210

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

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Narrabri Shire Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993]

for the financial year ended 30 June 2011

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	40	10	13
Water	215	30	200
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals	255	40	213

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
Housing	Quarries		01/11/07	5	01/11/12	7.50%	40	10	13
Water	Quarries		02/08/00	10	01/07/10	6.94%	215	30	200
Totals							255	40	213

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 2011

\$'000	Actuals 2011	Actuals 2010
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	383	343
b. Engineering and Supervision	172	105
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	76	135
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	5	-
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	161	176
i. Maintenance expenses	385	399
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	-	-
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	347	252
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	260	225
b. Plant and equipment	13	17
4. Miscellaneous expenses		
a. Interest expenses	3	4
b. Revaluation Decrements	-	-
c. Other expenses	176	26
d. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	1,981	1,682

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 2011

\$'000	Actuals 2011	Actuals 2010
Income		
6. Residential charges		
a. Access (including rates)	1,050	976
b. Usage charges	1,067	1,295
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	7	2
8. Extra charges	-	-
9. Interest income	524	599
10. Other income	16	-
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	37	37
c. Other grants	-	-
12. Contributions		
a. Developer charges	249	26
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	2,950	2,935
14. Gain or loss on disposal of assets	(2)	(2)
15. Operating Result	967	1,251
15a. Operating Result (less grants for acquisition of assets)	967	1,251

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 2011

\$'000	Actuals 2011	Actuals 2010
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	176	65
c. Renewals	85	98
d. Plant and equipment	183	66
17. Repayment of debt		
a. Loans	-	6
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	444	235
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)	3,670	3,641
b. Residential (unoccupied, ie. vacant lot)	108	114
c. Non-residential (occupied)	642	642
d. Non-residential (unoccupied, ie. vacant lot)	63	69
25. Number of ETs for which developer charges were received	84 ET	9 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 36,600	\$ 37,000

Narrabri Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2011

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
<input type="checkbox"/>			
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2010/11 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>
* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.			
However, disclosure of cross-subsidies is not required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.			

Narrabri Shire Council

Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2011

\$'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	-	7,449	7,449
31. Receivables			
a. Specific purpose grants	8	-	8
b. Rates and charges	281	12	293
c. Other	201	-	201
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	11,340	11,340
b. Plant and equipment	-	486	486
34. Other assets	-	-	-
35. Total assets	490	19,287	19,777
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	42	-	42
38. Borrowings			
a. Loans	7	37	44
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	53	8	61
40. Total liabilities	102	45	147
41. NET ASSETS COMMITTED	388	19,242	19,630
EQUITY			
42. Accumulated surplus			12,422
43. Asset revaluation reserve			7,208
44. TOTAL EQUITY			19,630
Note to system assets:			
45. Current replacement cost of system assets			26,971
46. Accumulated current cost depreciation of system assets			(15,631)
47. Written down current cost of system assets			11,340

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 2011

\$'000	Actuals 2011	Actuals 2010
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	31	29
b. Engineering and Supervision	84	68
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	174	142
b. Maintenance expenses	149	230
- Pumping Stations		
c. Operation expenses (excluding energy costs)	96	101
d. Energy costs	79	68
e. Maintenance expenses	100	59
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	464	384
g. Chemical costs	-	-
h. Energy costs	26	20
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	122	92
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	1	-
3. Depreciation expenses		
a. System assets	428	363
b. Plant and equipment	6	16
4. Miscellaneous expenses		
a. Interest expenses	97	107
b. Revaluation Decrements	-	-
c. Other expenses	25	23
d. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	1,882	1,702

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 2011

\$'000	Actuals 2011	Actuals 2010
Income		
6. Residential charges (including rates)	1,697	1,686
7. Non-residential charges		
a. Access (including rates)	5	10
b. Usage charges	84	-
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	231	242
11. Other income	133	49
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	33	32
c. Other grants	-	-
13. Contributions		
a. Developer charges	372	39
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	2,555	2,058
15. Gain or loss on disposal of assets	(1)	(1)
16. Operating Result	672	355
16a. Operating Result (less grants for acquisition of assets)	672	355

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 2011

\$'000	Actuals 2011	Actuals 2010
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	5	45
c. Renewals	177	129
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	-	132
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	182	306
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)	3,190	3,188
b. Residential (unoccupied, ie. vacant lot)	166	170
c. Non-residential (occupied)	518	519
d. Non-residential (unoccupied, ie. vacant lot)	37	36
26. Number of ETs for which developer charges were received	82 ET	9 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 33,500	\$ 33,500

Narrabri Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2011

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?			
<input type="checkbox"/>			
<input type="checkbox"/>			
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2010/11 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>
<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 2011

\$'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	-	3,301	3,301
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	147	9	156
c. Other	4	-	4
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	17,968	17,968
b. Plant and equipment	-	1,087	1,087
35. Other assets	-	-	-
36. Total Assets	151	22,365	22,516
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	17	136	153
39. Borrowings			
a. Loans	191	1,140	1,331
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	70	3	73
41. Total Liabilities	278	1,279	1,557
42. NET ASSETS COMMITTED	(127)	21,086	20,959
EQUITY			
42. Accumulated surplus			9,833
44. Asset revaluation reserve			11,126
45. TOTAL EQUITY			20,959
Note to system assets:			
46. Current replacement cost of system assets			46,539
47. Accumulated current cost depreciation of system assets			(28,571)
48. Written down current cost of system assets			17,968

Narrabri Shire Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2011

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) incl. capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

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

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

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n. Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition [#]	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
Buildings		per Note 1	per Note 4	<<<<<<<<<< per Note 9 >>>>>>>>>>				<<<<<<< per Section 428(2d) >>>>>>>>			
	Council Offices	1.00%	44		7,829	4,377	3,452	2	120	45	80
	Council Works Depot	5.00%	21		6,137	3,717	2,420	2	65	26	24
	Fire Control & Emergency S'vces	2 - 5%	13		2,064	880	1,184	2	30	7	20
	Council Houses	1 - 5%	20		1,766	327	1,439	3	65	48	28
	Domestic Waste Management	5.00%	2		186	90	96	2	5	4	
	Cemeteries	5.00%	1		142	57	85	2	15	6	1
	Libraries	2.00%	16		2,546	1,233	1,313	2	30	12	10
	Museum	2.00%	1		2,241	254	1,987	2	15	11	2
	Community Centres & Halls	1.00%	28		2,487	941	1,546	3	25	9	2
	Culture Centre	1.00%	67		6,411	401	6,010	2	80	40	20
	Swimming Pools	2 - 5%	17		2,187	905	1,282	4	200	50	34
	Parks & Gardens	1 - 5%	69		7,472	2,325	5,147	3	350	80	35
	Aerodromes	1 - 5%	5		959	533	426	3	35	25	11
	Caravan Parks	2.00%	3		837	339	498	3	80	25	14
	Tourism	1.00%	2		370	200	170	2	8	6	10
	Saleyards	2 - 5%	2		274	120	154	3	30	15	4
	Other Business	1.00%	11		1,801	757	1,044	3	40	22	10
	Water	1 - 5%	1		234	65	169	3	50	22	12
	Sewer	1 - 5%	3		467	136	331	3	48	18	17
Animal Business	1 - 10%	1		57	5	52	3	47	23	2	
	sub total		327	-	46,467	17,662	28,805		1,338	494	336
Other Structures											
	Assets not included in Buildings	1 - 10%	425		16,889	5,318	11,571	3	400	390	336
	sub total		425	-	16,889	5,318	11,571		400	390	336

		Dep'n. Rate (%)	Dep'n. Expense (\$)			Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition [#]	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
ASSET CLASS	Asset Category			Cost	Valuation						
		per Note 1	per Note 4	<<<<<<<<<<<<<<<<<>>>>>>>>>>				<<<<<<<<<<<<<<<<<>>>>>>>>>>			
Public Roads											
	Sealed Roads	3.33%	1,813		58,703	32,161	26,542	3	2,950	880	1,602
	Unsealed Roads	1.67%	61		42,221	20,202	22,019	4	3,952	1,926	2,067
	Sealed Roads Structure	0 - 8.33%	3,039		27,484	22,124	5,360	3	5,236	456	666
	Bridges	0.95%	594		64,850	24,942	39,908	4	4,999	555	132
	Footpaths	2.00%	108		6,980	3,833	3,147	3	180	179	49
	Kerb and Gutter	2.00%	594		35,545	17,656	17,889	3	1,425	892	572
	Road Furniture	10.00%	207		625	50	575	2	11	3	82
				-	236,408	120,968	115,440		18,786	4,899	5,170
Water											
	Bellata Water	1 - 3.33%	5		1,101	756	345	3	188	50	40
	Boggabri Water	1 - 5%	53		4,973	2,230	2,743	3	752	150	88
	Gwabegar Water	1 - 3.33%	10		854	512	342	3	126	35	13
	Narrabri Water	1 - 10%	137		13,755	8,739	5,016	3	642	525	257
	Pilliga Water	1 - 3.33%	13		1,121	551	570	3	222	28	12
	Wee Waa Water	1 - 10%	42		5,197	2,849	2,348	3	1,005	260	125
					-	27,001	15,637	11,364		2,935	1,048
Sewerage											
	Boggabri Sewer	1.25 - 2%	25		4,882	3,426	1,456	3	1,060	135	198
	Narrabri Water	1.25 - 2%	302		30,519	17,417	13,102	3	2,000	521	266
	Wee Waa Water	1.25 - 2%	101		11,135	7,728	3,407	3	1,925	296	87
					-	46,536	28,571	17,965		4,985	952

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n. Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition[#]	Estimated cost to bring up to a satisfactory condition / standard⁽¹⁾	Required⁽²⁾ Annual Maintenance	Current⁽³⁾ Annual Maintenance
Drainage Works		per Note 1	per Note 4	<<<<<<<<<<<<< per Note 9 >>>>>>>>>				<<<<<<< per Section 428(2d) >>>>>>>			
	Stormwater Conduits	1.67%	10		7,054	2,754	4,300	3	93	15	6
	Inlet and Junction Pits	1.67%	69		2,293	1,417	876	3	862	40	3
	Head Walls	1.67%	37		298	172	126	3	462	36	18
	sub total		116	-	9,645	4,343	5,302		1,417	91	27
	TOTAL - ALL ASSETS			7,972	-	382,946	192,499	190,447		29,861	7,874

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

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

Narrabri Shire Council

Special Schedule No. 8 - Financial Projections
as at 30 June 2011

\$'000	Actual ⁽¹⁾ 10/11	Forecast 11/12	Forecast 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15
(i) RECURRENT BUDGET					
Income from continuing operations	40,349	29,728	30,720	31,749	32,713
Expenses from continuing operations	40,428	32,160	33,331	34,458	36,969
Operating Result from Continuing Operations	(79)	(2,432)	(2,611)	(2,709)	(4,256)
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	8,129	1,000	1,000	1,000	1,000
Replacement/Refurbishment of Existing Assets	23,126	9,919	10,211	10,511	10,819
Total Capital Budget	31,255	10,919	11,211	11,511	11,819
Funded by:					
– Loans	5,350	-	-	-	-
– Asset sales	1,109	883	983	883	983
– Reserves	8,030	493	585	591	595
– Grants/Contributions	6,012	2,498	2,573	2,650	2,730
– Recurrent revenue	-	-	-	-	-
– Other	-	-	-	-	-
	20,501	3,874	4,141	4,124	4,308

Notes:

(1) From 10/11 Income Statement.

(2) New Capital Works are major non-recurrent projects.

