



Gunnedah Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

"To be a focused community valuing
Gunnedah's identity and quality lifestyle".



Gunnedah Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

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Overview

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

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

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 28 October 2015. Council has the power to amend and reissue these financial statements.

Gunnedah Shire Council

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

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2015.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income & expenses.

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally 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 commentary on the Council's financial performance & financial position.

Who uses the Financial Statements ?

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

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

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

Gunnedah Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2015

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 21 October 2015.



O HASLER
MAYOR



R G SWAIN
COUNCILLOR



E J GROTH
GENERAL MANAGER



E J GROTH
RESPONSIBLE ACCOUNTING OFFICER

Gunnedah Shire Council

Income Statement

for the financial year ended 30 June 2015

Budget ¹ 2015	\$ '000	Notes	Actual 2015	Actual 2014
Income from Continuing Operations				
<i>Revenue:</i>				
14,786	Rates & Annual Charges	3a	14,864	13,733
8,894	User Charges & Fees	3b	10,985	9,995
1,437	Interest & Investment Revenue	3c	1,597	1,485
321	Other Revenues	3d	814	778
10,039	Grants & Contributions provided for Operating Purposes	3e,f	10,478	8,486 ²
681	Grants & Contributions provided for Capital Purposes	3e,f	2,197	1,048
<i>Other Income:</i>				
-	Net gains from the disposal of assets	5	-	369
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	-	-
36,158	Total Income from Continuing Operations		40,935	35,894
Expenses from Continuing Operations				
13,573	Employee Benefits & On-Costs	4a	12,950	12,406
657	Borrowing Costs	4b	541	161
7,550	Materials & Contracts	4c	9,036	7,058
8,597	Depreciation & Amortisation	4d	9,035	8,589
-	Impairment	4d	-	12
3,623	Other Expenses	4e	2,621	2,599
67	Net Losses from the Disposal of Assets	5	230	-
34,067	Total Expenses from Continuing Operations		34,413	30,825
2,091	Operating Result from Continuing Operations		6,522	5,069
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
2,091	Net Operating Result for the Year		6,522	5,069
2,091	Net Operating Result attributable to Council		6,522	5,069
-	Net Operating Result attributable to Non-controlling Interests		-	-
1,410	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		4,325	4,021

¹ Original Budget as approved by Council - refer Note 16

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

Gunnedah Shire Council

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

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		6,522	5,069
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	71,771	1,828
Total Items which will not be reclassified subsequently to the Operating Result		71,771	1,828
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		71,771	1,828
Total Comprehensive Income for the Year		78,293	6,897
Total Comprehensive Income attributable to Council		78,293	6,897
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Gunnedah Shire Council

Statement of Financial Position

as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash & Cash Equivalents	6a	4,454	1,359	1,336
Investments	6b	44,294	40,336	31,801
Receivables	7	5,886	4,488	4,028
Inventories	8	404	411	413
Other	8	44	28	77
Non-current assets classified as 'held for sale'	22	-	-	-
Total Current Assets		55,082	46,622	37,655
Non-Current Assets				
Investments	6b	-	-	1,452
Receivables	7	33	39	53
Inventories	8	-	-	-
Infrastructure, Property, Plant & Equipment	9	380,597	305,970	296,845
Investments accounted for using the equity method	19	-	-	-
Investment Property	14	-	-	-
Intangible Assets	25	-	-	-
Total Non-Current Assets		380,630	306,009	298,350
TOTAL ASSETS		435,712	352,631	336,005
LIABILITIES				
Current Liabilities				
Payables	10	3,463	2,785	2,416
Borrowings	10	291	516	386
Provisions	10	4,212	3,752	3,866
Total Current Liabilities		7,966	7,053	6,668
Non-Current Liabilities				
Payables	10	-	-	-
Borrowings	10	9,189	5,480	996
Provisions	10	6,778	6,612	1,752
Total Non-Current Liabilities		15,967	12,092	2,748
TOTAL LIABILITIES		23,933	19,145	9,416
Net Assets		411,779	333,486	326,589
EQUITY				
Retained Earnings	20	178,690	172,168	167,099
Revaluation Reserves	20	233,089	161,318	159,490
Council Equity Interest		411,779	333,486	326,589
Non-controlling Equity Interests		-	-	-
Total Equity		411,779	333,486	326,589

Gunnedah Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		171,760	161,318	333,078	-	333,078
a. Correction of Prior Period Errors	20 (c)	408	-	408	-	408
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/14)		172,168	161,318	333,486	-	333,486
c. Net Operating Result for the Year		6,522	-	6,522	-	6,522
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	71,771	71,771	-	71,771
Other Comprehensive Income		-	71,771	71,771	-	71,771
Total Comprehensive Income (c&d)		6,522	71,771	78,293	-	78,293
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		178,690	233,089	411,779	-	411,779

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		165,253	159,490	324,743	-	324,743
a. Correction of Prior Period Errors	20 (c)	1,846	-	1,846	-	1,846
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		167,099	159,490	326,589	-	326,589
c. Net Operating Result for the Year		5,069	-	5,069	-	5,069
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	1,828	1,828	-	1,828
Other Comprehensive Income		-	1,828	1,828	-	1,828
Total Comprehensive Income (c&d)		5,069	1,828	6,897	-	6,897
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		172,168	161,318	333,486	-	333,486

Gunnedah Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
14,731	Rates & Annual Charges		15,165	13,541
8,634	User Charges & Fees		9,845	9,375
1,418	Investment & Interest Revenue Received		1,452	1,462
10,817	Grants & Contributions		12,974	9,810
406	Other		2,225	2,690
Payments:				
(13,573)	Employee Benefits & On-Costs		(12,277)	(12,423)
(8,556)	Materials & Contracts		(10,538)	(6,754)
(643)	Borrowing Costs		(368)	(87)
(3,623)	Other		(2,899)	(4,451)
9,611	Net Cash provided (or used in) Operating Activities	11b	15,579	13,163
Cash Flows from Investing Activities				
Receipts:				
(840)	Sale of Investment Securities		57,541	60,500
1,696	Sale of Infrastructure, Property, Plant & Equipment		473	654
5	Deferred Debtors Receipts		6	14
Payments:				
-	Purchase of Investment Securities		(61,490)	(67,473)
(12,177)	Purchase of Infrastructure, Property, Plant & Equipment		(12,498)	(11,449)
(11,316)	Net Cash provided (or used in) Investing Activities		(15,968)	(17,754)
Cash Flows from Financing Activities				
Receipts:				
4,000	Proceeds from Borrowings & Advances		4,000	5,000
Payments:				
(568)	Repayment of Borrowings & Advances		(516)	(386)
3,432	Net Cash Flow provided (used in) Financing Activities		3,484	4,614
1,727	Net Increase/(Decrease) in Cash & Cash Equivalents		3,095	23
1,718	plus: Cash & Cash Equivalents - beginning of year	11a	1,359	1,336
3,445	Cash & Cash Equivalents - end of the year	11a	4,454	1,359
Additional Information:				
	plus: Investments on hand - end of year	6b	44,294	40,336
Total Cash, Cash Equivalents & Investments			48,748	41,695

Please refer to Note 11 for information on the following:

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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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n/a - not applicable

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have 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 AASBs.

(iii) New and amended standards adopted by Council

There were no accounting standards that became mandatory this year which materially impacted on Council's financial statements.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2014.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

(v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated remediation provisions.

Critical judgements in applying Council's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it and specific

criteria 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.

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).

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

Dividend Income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and **(ii)** all the related operating results (for the financial year ended the 30th June 2015).

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:

- *General Fund*
- *Gunnedah Water Supply Local Fund*
- *Curlewis Water Supply Local Fund*
- *Mullaley Water Supply Local Fund*
- *Tambar Springs Water Supply Local Fund*
- *Gunnedah Sewerage Local Fund*
- *Curlewis Sewerage Local Fund*

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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 Arrangements

Council has no interest in any Joint Arrangements.

(iv) Associates

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 another 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 Ventures.

Such entities are usually termed Associates.

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

Council has no interest in any Associates

(v) County Councils

Council is not a member of any County Councils.

(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

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, 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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

(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.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (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.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

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.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

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

- **Water and Sewerage Networks** (External 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** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (Internal Valuation)
- **Other Structures** (External Valuation)
- **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.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Asset Revaluations (including Indexation)

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

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

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

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

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

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	> \$2,000
Office Equipment	> \$2,000
Other Plant & Equipment	> \$2,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
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Building

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

Other Structures

> \$2,000

Water & Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater Assets

Drains & Culverts	> \$5,000
Other	> \$5,000

Transport Assets

Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs:	> \$10,000

Bridge construction & reconstruction	> \$10,000
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Other Infrastructure Assets

Swimming Pools	> \$ 2,000
Other Open Space/Recreational Assets	> \$ 2,000

Other Infrastructure	> \$ 5,000
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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	3 to 10 years
- Office furniture	5 to 10 years
- Computer Equipment	3 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 10 years
- Other plant and equipment	5 to 15 years

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Other Equipment	
- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years
Buildings	
- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 80 years
Stormwater Drainage	
- Drains	100 to 120 years
- Culverts	50 to 100 years
Transportation Assets	
- Sealed Roads : Surface	21 to 28 years
- Sealed Roads : Structure	60 to 75 years
- Unsealed roads	60 to 75 years
- Bridge : Concrete	100 years
- Bridge : Other	100 years
- Road Formation	150 years (Urban)
- Road Formation	Indefinite (Rural)
- Kerb, Gutter & Paths	80 years
Water & Sewer Assets	
- Dams and reservoirs	80 to 100 years
- Bores	20 to 60 years
- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	80 to 110 years
- Pumps and telemetry	10 to 20 years
Other Infrastructure Assets	
- Bulk earthworks	Infinite
- Swimming Pools	50 years
- Other Open Space/ Recreational Assets	30 to 60 years
- Other Infrastructure	20 to 100 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment to be included in the land asset base.

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

and use in accordance with the specific purposes to which the reserves are dedicated.

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

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

(o) Rural Fire Service assets

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

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

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

(p) Investment property

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.

Council does not classify 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 discount is 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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

(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 Council 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.

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

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.

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 wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

employee benefit obligations disclosed under payables.

Council holds 30% of Employee Entitlement Funds in a ELE reserve.

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value 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.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 the prior period deficit still exists.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Accordingly, Council's contributions to the defined benefit section of the Local Government Superannuation Scheme has been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2015.

The amount of additional contributions included in the total employer contribution advised above is \$173,809.

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.

Defined 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 30/06/15.

(y) Self insurance

Council does not self insure.

(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.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

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.

Apart from the AASB disclosures below, there are no other standards that are "not yet effective" which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

AASB 2015-7 Fair Value Disclosures of Not-for-Profit Public Entities

In accordance with AASB2015-7 and Office of Local Government Circular 15-30/22 July 2015/A428311, Council has elected not to provide the additional disclosures as per AASB 13 as found in Note 27(4)c.

Not applicable to Local Government per se;

None

(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.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2015	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014
Governance	1	38	1	823	668	839	(822)	(630)	(838)	-	-	50	437
Administration	491	425	374	2,294	5,813	5,271	(1,803)	(5,388)	(4,897)	25	35	9,523	14,403
Public Order & Safety	85	115	248	477	552	518	(392)	(437)	(270)	-	-	1,485	1,635
Health	21	64	35	31	33	23	(10)	31	12	33	-	343	344
Environment	3,319	3,189	3,345	2,693	2,945	2,679	626	244	666	359	605	34,078	27,363
Community Services & Education	3,801	4,201	3,800	4,485	3,343	3,320	(684)	858	480	4,083	3,713	2,807	2,218
Housing & Community Amenities	796	717	704	1,474	1,282	811	(678)	(565)	(107)	119	12	6,941	6,653
Water Supplies	3,176	4,293	4,197	2,904	2,664	2,325	272	1,629	1,872	40	40	52,548	51,118
Sewerage Services	2,537	3,707	2,664	1,673	1,269	1,247	864	2,438	1,417	37	38	41,586	39,115
Recreation & Culture	697	793	690	3,326	3,120	3,045	(2,629)	(2,327)	(2,355)	94	50	39,221	37,438
Mining, Manufacturing & Construction	6	5	7	1,005	873	841	(999)	(868)	(834)	-	-	1,300	1,373
Transport & Communication	5,394	6,783	6,246	11,403	10,461	8,511	(6,009)	(3,678)	(2,265)	1,166	1,032	227,960	163,386
Economic Affairs	1,048	1,276	1,191	1,479	1,390	1,395	(431)	(114)	(204)	-	20	7,168	7,148
Total Functions & Activities	21,372	25,606	23,502	34,067	34,413	30,825	(12,695)	(8,807)	(7,323)	5,956	5,545	425,010	352,631
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	14,786	15,329	12,392	-	-	-	14,786	15,329	12,392	4,186	2,114	10,702	-
Operating Result from Continuing Operations	36,158	40,935	35,894	34,067	34,413	30,825	2,091	6,522	5,069	10,142	7,659	435,712	352,631

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

Gunnedah Shire Council

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

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

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

GOVERNANCE

Costs relating to 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,

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.

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, RMS 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.

Gunnedah Shire Council

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

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		3,223	2,947
Farmland		4,109	3,832
Mining		1,229	1,036
Business		1,789	1,679
Total Ordinary Rates		10,350	9,494
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		1,892	1,781
Stormwater Management Services		95	93
Water Supply Services		787	776
Sewerage Services		1,740	1,589
Total Annual Charges		4,514	4,239
TOTAL RATES & ANNUAL CHARGES		14,864	13,733

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		575	442
Water Supply Services		2,316	2,501
Sewerage Services		563	585
Waste Management Services (non-domestic)		44	46
Total User Charges		3,498	3,574
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		232	261
Private Works - Section 67		223	113
Regulatory/ Statutory Fees		53	57
Registration Fees		28	27
Section 149 Certificates (EPA Act)		34	32
Section 603 Certificates		38	31
Total Fees & Charges - Statutory/Regulatory		608	521
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		19	14
Aged Care		92	70
Caravan Park		11	41
Cemeteries		110	125
Library & Art Gallery		7	5
Noxious Weeds		25	28
Park Rents		82	68
Public Halls		4	3
RMS (formerly RTA) Charges (State Roads not controlled by Council)		5,206	4,274
Saleyards		916	870
Swimming Pools		176	188
Theatre		199	185
Tourism		22	18
Other		10	11
Total Fees & Charges - Other		6,879	5,900
TOTAL USER CHARGES & FEES		10,985	9,995

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		83	82
- Interest earned on Investments (interest & coupon payment income)		1,505	1,293
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		9	110
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>1,597</u>	<u>1,485</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		67	82
General Council Cash & Investments		726	702
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		58	45
- Section 64		97	92
Water Fund Operations		274	236
Sewerage Fund Operations		273	232
Domestic Waste Management operations		102	96
Total Interest & Investment Revenue Recognised		<u>1,597</u>	<u>1,485</u>
(d) Other Revenues			
Rental Income - Other Council Properties		86	88
Fines		19	9
Fines - Parking		2	11
Legal Fees Recovery - Rates & Charges (Extra Charges)		127	-
Legal Fees Recovery - Other		-	54
Bad Debts - Recovered		-	72
Commissions & Agency Fees		40	39
Diesel Rebate		34	98
Government Paid Parental Leave		30	54
Insurance Claim Recoveries		3	-
Recycling Income (non domestic)		-	1
Reimbursements		53	63
Sales - Domestic Waste		102	76
Sales - Events		-	8
Sales - General		-	1
Sales - Swimming Pools		96	109
Sales - Theatre		75	60
Sales - Tourism		12	18
Workers Compensation - Wages Recoveries		105	-
Other		30	17
<u>TOTAL OTHER REVENUE</u>		<u>814</u>	<u>778</u>

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1 2,599	1,292	-	-
Financial Assistance - Local Roads Component	1 1,499	735	-	-
Pensioners' Rates Subsidies - General Component	88	87	-	-
Total General Purpose	4,186	2,114	-	-

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

Specific Purpose

Pensioners' Rates Subsidies:

- Water	40	40	-	-
- Sewerage	37	38	-	-
- Domestic Waste Management	37	39	-	-
Community Care	4,083	3,713	-	-
Environmental Protection	52	226	-	49
Heritage & Cultural	-	5	-	-
Information Technology	-	-	-	35
Library	52	46	-	-
Noxious Weeds	154	291	-	-
Recreation & Culture	6	-	55	-
Saleyards	-	-	-	20
Street Lighting	19	12	-	-
Transport (Roads to Recovery)	595	303	-	-
Transport (Other Roads & Bridges Funding)	571	728	-	-
Domestic Waste Management	-	-	150	-
Other	105	-	-	-
Total Specific Purpose	5,751	5,441	205	104
Total Grants	9,937	7,555	205	104

Grant Revenue is attributable to:

- Commonwealth Funding	7,107	4,697	-	-
- State Funding	2,714	2,829	205	104
- Other Funding	116	29	-	-
	9,937	7,555	205	104

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	159	224
S 64 - Water Supply Contributions	-	-	186	201
S 64 - Sewerage Service Contributions	-	-	108	134
S 64 - Stormwater Contributions	-	-	10	70
Total Developer Contributions	17 -	-	463	629
Other Contributions:				
Community Services	3	-	-	-
ELE Contributions - Other Councils	2	22	-	-
Emergency Services	80	189	-	-
Recreation & Culture	45	10	-	-
Riverine Project	20	147	-	-
Roads & Bridges	316	438	-	-
Saleyards	70	60	-	-
Sewerage (excl. Section 64 contributions)	-	-	914	-
Water Supplies (excl. Section 64 contributions)	-	65	615	315
Weeds	5	-	-	-
Total Other Contributions	541	931	1,529	315
Total Contributions	541	931	1,992	944
TOTAL GRANTS & CONTRIBUTIONS	10,478	8,486	2,197	1,048

\$ '000	Actual 2015	Actual 2014
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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	6,914	5,918
add: Grants & contributions recognised in the current period but not yet spent:	2,072	1,255
less: Grants & contributions recognised in a previous reporting period now spent:	(475)	(259)
Net Increase (Decrease) in Restricted Assets during the Period	1,597	996
Unexpended and held as Restricted Assets	8,511	6,914
Comprising:		
- Specific Purpose Unexpended Grants	3,168	2,076
- Developer Contributions	5,343	4,838
	8,511	6,914

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		10,863	9,900
Travelling		139	142
Employee Leave Entitlements (ELE)		1,320	1,723
Superannuation		1,277	1,218
Workers' Compensation Insurance		290	216
Fringe Benefit Tax (FBT)		40	46
Payroll Tax		36	38
Training Costs (other than Salaries & Wages)		223	186
Other		79	96
Total Employee Costs		14,267	13,565
less: Capitalised Costs		(1,317)	(1,159)
TOTAL EMPLOYEE COSTS EXPENSED		12,950	12,406
Number of "Equivalent Full Time" Employees at year end		175	166
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		179	177
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		369	90
Total Interest Bearing Liability Costs Expensed		369	90
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	172	71
Total Other Borrowing Costs		172	71
TOTAL BORROWING COSTS EXPENSED		541	161

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Materials & Contracts			
Raw Materials & Consumables		16,958	14,637
Contractor & Consultancy Costs			
- Community Planning & Development		13	20
- Community Services		81	33
- Domestic Waste Management		27	16
- Engineering		27	-
- Environmental Consultants		1	-
- Finance		4	-
- Governance		62	8
- Human Resources		31	31
- Information Technology		30	42
- Parking		1	11
- Planning		11	89
- Tourism/Economic Development		8	13
- Other		-	21
Auditors Remuneration ⁽¹⁾		24	21
Legal Expenses:			
- Legal Expenses: Planning & Development		19	24
- Legal Expenses: Debt Recovery		128	59
- Legal Expenses: Other		12	3
Total Materials & Contracts		17,437	15,028
less: Capitalised Costs		(8,401)	(7,970)
TOTAL MATERIALS & CONTRACTS		9,036	7,058

Auditor Remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):

Audit and Other Assurance Services

- Audit & review of financial statements: Council's Auditor	24	21
Remuneration for audit and other assurance services	24	21
Total Auditor Remuneration	24	21

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
Plant and Equipment		-	2	1,629	1,621
Office Equipment		-	-	239	269
Furniture & Fittings		-	7	63	63
Buildings - Non Specialised		-	-	250	244
Buildings - Specialised		-	-	319	313
Other Structures		-	-	100	92
Infrastructure:					
- Roads		-	-	3,963	3,889
- Bridges		-	-	98	98
- Footpaths		-	-	52	50
- Stormwater Drainage		-	-	222	219
- Water Supply Network		-	-	875	839
- Sewerage Network		-	-	692	669
- Swimming Pools		-	-	27	27
- Other Open Space/Recreational Assets		-	-	47	45
Other Assets					
- Library Books		-	-	12	9
- Other		-	3	99	93
Asset Reinstatement Costs	9 & 26	-	-	348	49
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	12	9,035	8,589

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Advertising		70	104
Bad & Doubtful Debts		4	11
Bank Charges		35	30
Computer Software Charges		205	166
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		18	19
- NSW Rural Fire Service Levy		158	153
Councillor Expenses - Mayoral Fee		34	24
Councillor Expenses - Councillors' Fees		85	93
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		40	49
Donations, Contributions & Assistance to other organisations (Section 356)		35	-
- Donations, Contributions & Assistance		47	-
Electricity & Heating		740	848
Gas		8	7
Insurance		469	495
Postage		39	42
Printing & Stationery		104	109
Street Lighting		187	198
Subscriptions & Publications		119	25
Telephone & Communications		145	176
Valuation Fees		46	44
Other		33	9
Total Other Expenses		2,621	2,602
less: Capitalised Costs		-	(3)
TOTAL OTHER EXPENSES		2,621	2,599

Note 5. Gains or Losses from the Disposal of Assets

Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		499	654
less: Carrying Amount of P&E Assets Sold / Written Off		(292)	(152)
Net Gain/(Loss) on Disposal		207	502
Infrastructure			
Carrying Amount of Infrastructure Assets Sold / Written Off		(437)	(133)
Net Gain/(Loss) on Disposal		(437)	(133)
Financial Assets			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		57,541	60,500
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(57,541)	(60,500)
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(230)	369

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		454	-	358	-
Cash-Equivalent Assets ¹					
- Deposits at Call		4,000	-	1,001	-
Total Cash & Cash Equivalents		4,454	-	1,359	-
Investments (Note 6b)					
- Long Term Deposits		44,294	-	38,804	-
- Equity Linked Notes		-	-	1,532	-
Total Investments		44,294	-	40,336	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		48,748	-	41,695	-

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"		4,454	-	1,359	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	-	-	1,532	-
b. "Held to Maturity"	6(b-ii)	44,294	-	38,804	-
Investments		44,294	-	40,336	-

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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 6b. Investments (continued)

\$ '000	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	1,532	-	1,970	1,452
Revaluations (through the Income Statement)	9	-	110	-
Disposals (sales & redemptions)	(1,541)	-	(2,000)	-
Transfers between Current/Non Current	-	-	1,452	(1,452)
Balance at End of Year	-	-	1,532	-
Comprising:				
- Equity Linked Notes	-	-	1,532	-
Total	-	-	1,532	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	38,804	-	29,831	-
Additions	61,490	-	67,473	-
Disposals (sales & redemptions)	(56,000)	-	(58,500)	-
Balance at End of Year	44,294	-	38,804	-
Comprising:				
- Long Term Deposits	44,294	-	38,804	-
Total	44,294	-	38,804	-

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	2015	2015	2014	2014
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	48,748	-	41,695	-
attributable to:				
External Restrictions (refer below)	29,755	-	25,842	-
Internal Restrictions (refer below)	10,064	-	12,281	-
Unrestricted	8,929	-	3,572	-
	48,748	-	41,695	-

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General	(A)	1,781	227	(113)	1,895
Developer Contributions - Water Fund	(A)	2,219	257	-	2,476
Developer Contributions - Sewer Fund	(A)	838	134	-	972
Specific Purpose Unexpended Grants	(B)	2,076	1,092	-	3,168
Water Supplies	(C)	8,095	794	-	8,889
Sewerage Services	(C)	7,841	420	-	8,261
Domestic Waste Management	(C)	2,986	1,103	-	4,089
Other		6	-	(1)	5
External Restrictions - Other		25,842	4,027	(114)	29,755
Total External Restrictions		25,842	4,027	(114)	29,755

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- C** 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.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	2,852	960	(2,851)	961
Employees Leave Entitlement	1,143	133	-	1,276
Aerodrome	526	-	(45)	481
Business Partnering Program	26	-	(11)	15
Community Facilities Fund	551	20	-	571
Contract Works	189	-	-	189
Cycleways	-	38	-	38
Depot Refuelling Upgrade	82	60	-	142
Fleet	496	-	(496)	-
Future Works	4,184	3,538	(4,029)	3,693
Gravel Pit Restoration	253	-	-	253
Information Technology	12	155	(12)	155
Kerb & Gutter Works	-	77	-	77
Land	45	-	-	45
Noxious Weeds Washdown Bay	-	100	-	100
Parking Areas	83	-	-	83
Roads	318	-	-	318
Saleyards	924	122	-	1,046
Storm Water - Contingency	100	23	-	123
Strategic Planning	164	-	-	164
Tourism	186	-	-	186
less: Investment Fair Valuation write downs	31	-	(31)	-
Other	116	32	-	148
Total Internal Restrictions	12,281	5,258	(7,475)	10,064
TOTAL RESTRICTIONS	38,123	9,285	(7,589)	39,819

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		801	-	1,101	-
Interest & Extra Charges		155	-	191	-
User Charges & Fees		4,002	-	2,114	-
Private Works		429	-	483	-
Contributions to Works		21	-	133	-
Capital Debtors (being sale of assets)					
- Other Asset Sales		26	-	-	-
Accrued Revenues					
- Interest on Investments		460	-	333	-
- Other Income Accruals		9	-	8	-
Deferred Debtors		-	33	-	39
Government Grants & Subsidies		5	-	104	-
Net GST Receivable		50	-	138	-
Total		5,958	33	4,605	39
less: Provision for Impairment					
Rates & Annual Charges		(11)	-	(10)	-
Interest & Extra Charges		(58)	-	(103)	-
User Charges & Fees		(3)	-	(4)	-
Total Provision for Impairment - Receivables		(72)	-	(117)	-
TOTAL NET RECEIVABLES		5,886	33	4,488	39
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		86	-	107	-
- Other		425	-	482	-
Sewerage Services					
- Rates & Availability Charges		158	-	183	-
- Other		59	-	57	-
Total External Restrictions		728	-	829	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		5,158	33	3,659	39
TOTAL NET RECEIVABLES		5,886	33	4,488	39

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 8.50% (2014 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Gunnedah Shire Council

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

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		404	-	411	-
Total Inventories		404	-	411	-
Other Assets					
Prepayments		44	-	28	-
Total Other Assets		44	-	28	-
TOTAL INVENTORIES/OTHER ASSETS		448	-	439	-
Externally Restricted Assets					
Water					
Stores & Materials		113	-	121	-
Total Water		113	-	121	-
Total Externally Restricted Assets		113	-	121	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		335	-	318	-
TOTAL INVENTORIES & OTHER ASSETS		448	-	439	-

Other Disclosures**Inventory Write Downs**

\$-2,101 was recognised as an expense relating to the write down of Inventory balances held during the year.

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

Gunnedah Shire Council

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

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014					Asset Movements during the Reporting Period				as at 30/6/2015				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value					Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	1,461	-	-	-	1,461	1,440	-	-	-	2,901	-	-	-	2,901
Plant & Equipment	-	18,453	10,419	-	8,034	2,024	(292)	(1,629)	-	-	18,788	10,651	-	8,137
Office Equipment	-	2,225	1,379	-	846	297	-	(239)	-	-	2,417	1,513	-	904
Furniture & Fittings	-	976	441	-	535	85	-	(63)	-	-	1,057	500	-	557
Land:														
- Operational Land	-	8,432	-	-	8,432	-	-	-	-	-	8,432	-	-	8,432
- Community Land	-	5,797	-	-	5,797	-	-	-	-	-	5,797	-	-	5,797
Buildings - Non Specialised	-	20,099	7,484	-	12,615	77	-	(250)	-	-	20,176	7,734	-	12,442
Buildings - Specialised	-	29,962	10,076	-	19,886	212	-	(319)	-	-	30,174	10,395	-	19,779
Other Structures	-	4,699	1,170	-	3,529	93	-	(100)	-	-	4,791	1,269	-	3,522
Infrastructure:														
- Roads	-	243,907	104,801	-	139,106	5,270	-	(3,963)	61,127	-	285,880	84,340	-	201,540
- Bridges	-	11,993	5,265	-	6,728	-	-	(98)	986	-	13,697	6,081	-	7,616
- Footpaths	-	4,167	680	-	3,487	131	-	(52)	2,170	-	7,089	1,353	-	5,736
- Stormwater Drainage	-	22,150	5,414	-	16,736	186	-	(222)	6,490	-	31,545	8,355	-	23,190
- Water Supply Network	-	64,564	25,161	-	39,403	1,166	(437)	(875)	571	-	65,876	26,048	-	39,828
- Sewerage Network	-	50,644	21,101	-	29,543	1,511	-	(692)	427	-	52,923	22,134	-	30,789
- Swimming Pools	-	1,912	894	-	1,018	-	-	(27)	-	-	1,912	921	-	991
- Other Open Space/Recreational Assets	-	1,855	733	-	1,122	96	-	(47)	-	-	1,952	781	-	1,171
Other Assets:														
- Library Books	-	127	24	-	103	32	-	(12)	-	-	159	36	-	123
- Other	-	1,893	328	-	1,565	-	-	(99)	-	-	1,893	427	-	1,466
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):														
- Tip Assets	-	5,208	53	-	5,155	-	-	(309)	-	-	5,208	362	-	4,846
- Quarry Assets	-	1,066	197	-	869	-	-	(39)	-	-	1,066	236	-	830
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,461	500,129	195,620	-	305,970	12,620	(729)	(9,035)	71,771	2,901	560,832	183,136	-	380,597

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$6,902K) and New Assets (\$1,840K). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Actual				Actual			
	2015				2014			
Class of Asset	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	751	-	-	751	317	-	-	317
Plant & Equipment	-	481	285	196	-	452	241	211
Office Equipment	-	22	10	12	-	23	10	13
Land								
- Operational Land	-	164	-	164	-	164	-	164
Infrastructure	-	65,876	26,048	39,828	-	64,564	25,161	39,403
Total Water Supply	751	66,543	26,343	40,951	317	65,203	25,412	40,108
Sewerage Services								
WIP	1,023	-	-	1,023	481	-	-	481
Plant & Equipment	-	196	134	62	-	196	125	71
Office Equipment	-	96	61	35	-	100	56	44
Land								
- Operational Land	-	465	-	465	-	465	-	465
Infrastructure	-	52,924	22,134	30,790	-	50,236	21,101	29,135
Total Sewerage Services	1,023	53,681	22,329	32,375	481	50,997	21,282	30,196
Domestic Waste Management								
WIP	19	-	-	19	-	15	-	15
Plant & Equipment	-	341	285	56	-	296	279	17
Office Equipment	-	2	2	-	-	2	2	-
Furniture & Fittings	-	25	6	19	-	25	4	21
Land								
- Operational Land	-	661	-	661	-	661	-	661
- Community Land	-	134	-	134	-	134	-	134
Buildings	-	1,097	206	891	-	1,034	192	842
Other Structures	-	163	76	87	-	140	73	67
Other Assets	-	297	34	263	-	297	13	284
Total DWM	19	2,720	609	2,130	-	2,604	563	2,041
TOTAL RESTRICTED I,PP&E	1,793	122,944	49,281	75,456	798	118,804	47,257	72,345

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

\$ '000	Notes	Actual 2015	Actual 2014
Impairment Losses recognised in the Income Statement:			
Work Station Trainee No longer exists		-	(1)
Office Alteration & Town Hall Entrance Walls - included in revalued assets		-	(8)
Promotional Images - No longer used		-	(3)
Total Impairment Losses		-	(12)
IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L	4(d)	-	(12)

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,715	-	1,491	-
Goods & Services - capital expenditure		787	-	665	-
Payments Received In Advance		208	-	170	-
Accrued Expenses:					
- Borrowings		10	-	9	-
- Salaries & Wages		743	-	450	-
Total Payables		3,463	-	2,785	-
Borrowings					
Loans - Secured ¹		289	9,174	500	5,462
Government Advances		2	15	16	18
Total Borrowings		291	9,189	516	5,480
Provisions					
Employee Benefits;					
Annual Leave		1,422	-	1,336	-
Long Service Leave		2,601	231	2,239	237
Rostered Days Off		136	-	126	-
Wages - Time in Lieu		46	-	44	-
Sub Total - Aggregate Employee Benefits		4,205	231	3,745	237
Asset Remediation/Restoration (Future Works) ²⁶		-	6,547	-	6,375
Other		7	-	7	-
Total Provisions		4,212	6,778	3,752	6,612
Total Payables, Borrowings & Provisions		7,966	15,967	7,053	12,092
(i) Liabilities relating to Restricted Assets					
		2015		2014	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		7	-	5	-
Sewer		1	-	1	-
Liabilities relating to externally restricted assets		8	-	6	-
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		8	-	6	-
Total Liabilities relating to Unrestricted Assets		7,958	15,967	7,047	12,092
TOTAL PAYABLES, BORROWINGS & PROVISIONS		7,966	15,967	7,053	12,092

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.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Actual 2015	Actual 2014
(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	3,444	3,034
Other Liabilities	7	7
	<u>3,451</u>	<u>3,041</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2014		2015			
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	1,336	832	(746)	-	-	1,422
Long Service Leave	2,476	531	(175)	-	-	2,832
Other Leave (enter deta	170	133	(121)	-	-	182
Asset Remediation	6,375	172	-	-	-	6,547
Other	7	-	-	-	-	7
TOTAL	10,364	1,668	(1,042)	-	-	10,990

- 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.
- b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.
- c. Other reflects provision for replacement of the Community Transport Bus.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	4,454	1,359
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		4,454	1,359
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		6,522	5,069
Adjust for non cash items:			
Depreciation & Amortisation		9,035	8,589
Net Losses/(Gains) on Disposal of Assets		230	(369)
Non Cash Capital Grants and Contributions		(1,504)	-
Impairment Losses Recognition - I,PP&E		-	12
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(9)	(110)
- Other non cash - Developer Contributions (Water & Sewer Assets)		1,504	-
- Other non cash - Tip Asset Additions		-	(4,728)
Unwinding of Discount Rates on Reinstatement Provisions		172	71
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(1,327)	(400)
Increase/(Decrease) in Provision for Doubtful Debts		(45)	(60)
Decrease/(Increase) in Inventories		7	2
Decrease/(Increase) in Other Assets		(16)	49
Increase/(Decrease) in Payables		224	302
Increase/(Decrease) in accrued Interest Payable		1	3
Increase/(Decrease) in other accrued Expenses Payable		293	36
Increase/(Decrease) in Other Liabilities		38	22
Increase/(Decrease) in Employee Leave Entitlements		454	(53)
Increase/(Decrease) in Other Provisions		-	4,728
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		15,579	13,163

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
(c) Non-Cash Investing & Financing Activities			
Recalculation of Remediation - Domestic Waste Management Sites		-	4,728
Developer Contributions to the Gunnedah Water Network		591	315
Developer Contributions to the Gunnedah Sewerage Network		913	-
Total Non-Cash Investing & Financing Activities		1,504	5,043

(d) Financing Arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank Overdraft Facilities ⁽¹⁾		500	500
Credit Cards / Purchase Cards		50	50
Total Financing Arrangements		550	550

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.

Note 12. Commitments for Expenditure

(a) Capital Commitments (exclusive of GST)

Nil

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

Nil

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014 2013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>4,546</u>	11.74%	10.31%	7.28%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	38,729			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. ALL Grants & Contributions)</u>	<u>28,251</u>	69.03%	73.08%	65.39%
Total continuing operating revenue ⁽¹⁾	40,926			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>24,486</u>	5.43x	4.95	4.81
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>4,507</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	<u>14,122</u>	13.36x	22.49	18.76
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	<u>1,057</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>887</u>	5.46%	7.96%	7.30%
Rates, Annual and Extra Charges Collectible	<u>16,253</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	<u>48,748</u>	21.99	20.00	16.36
Payments from cash flow of operating and financing activities	<u>2,217</u>	mths		

Notes

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

(2) Refer Notes 6-8 inclusive.

Also excludes any real estate & land for resale not expected to be sold in the next 12 months

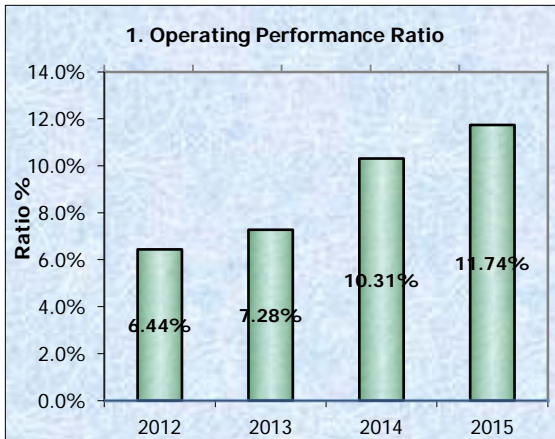
(3) Refer to Note 10(a).

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

Gunnedah Shire Council

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

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Purpose of Operating Performance Ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.



Commentary on 2014/15 Result

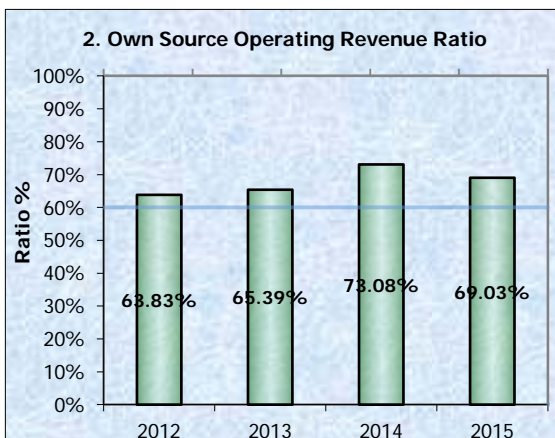
2014/15 Ratio 11.74%

Council continues to maintain operating expenditures within Operating Revenues. The result is similar to the previous year and reflects increased revenues reflecting increased operating expenditures. Additional revenue has been received due to the Special Rate Variation.

Benchmark: ——— Minimum $\geq 0.00\%$

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

 Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Own Source Operating Revenue Ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.



Commentary on 2014/15 Result

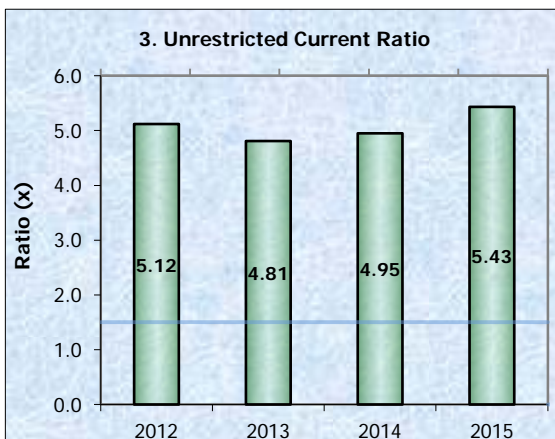
2014/15 Ratio 69.03%

The Ratio reflects councils reliance on Rating income. This result reflects the greater amount of income received by Grants and contributions. Also noting the 3rd year of the Special Rate Variation.

Benchmark: ——— Minimum $\geq 60.00\%$

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

 Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Unrestricted Current Ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.



Commentary on 2014/15 Result

2014/15 Ratio 5.43x

Council continues to remain in a very healthy situation with regards to the Unrestricted Current Ratio. Council should have no problems in meeting it's short term obligations as they fall due. Council is well above the Local Government bench mark of 1.5.

Benchmark: ——— Minimum ≥ 1.50

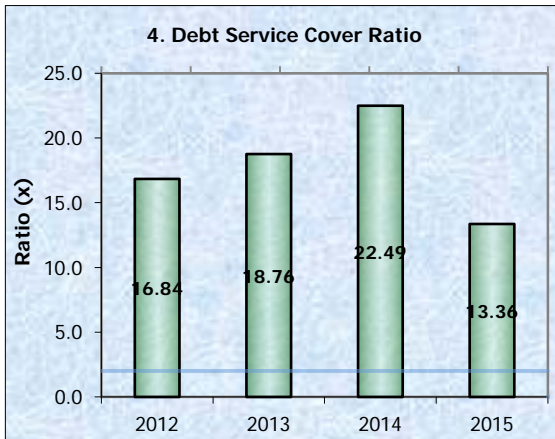
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

 Ratio is within Benchmark
 Ratio is outside Benchmark

Gunnedah Shire Council

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

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Purpose of Debt Service Cover Ratio

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

Commentary on 2014/15 Result

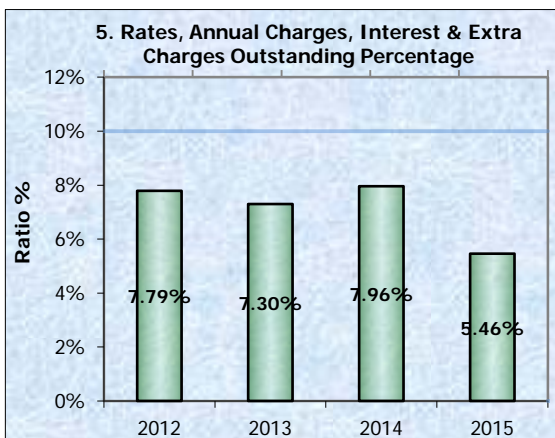
2014/15 Ratio 13.36x

The result has been effected by the improved operating result for the year. Council borrowed \$5million in June 2014 which has now shown a reduction in the ratio. Council also borrowed \$4million in June 2015 so a further reduction would be expected in next years financial statements. Council is still well above the Local Government benchmark of 2%. This keeps Council in a strong position to borrow in the future in line with the Long Term Financial Plan.

Benchmark: Minimum ≥ 2.00

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

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Rates & Annual Charges Outstanding Ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2014/15 Result

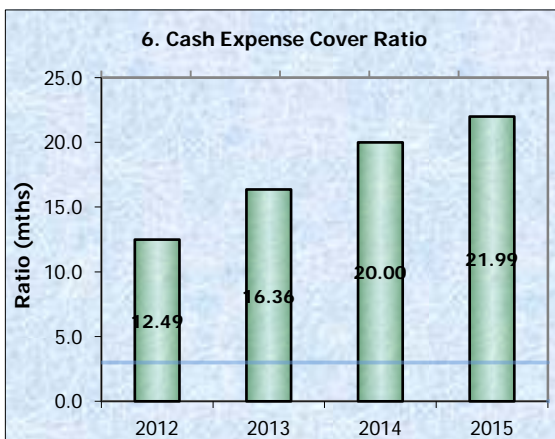
2014/15 Ratio 5.46%

This year has seen a significant drop in this Ratio. Council Rating staff has made a concerted push to collect outstanding debts. This ratio reflect a great improvement over a number of years and is well below the Country Councils benchmark of 10%.

Benchmark: Maximum $< 10.00\%$

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

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Cash Expense Cover Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 21.99 mths

Council Cash expense ration is well above the bench mark of 3 months. This is reflected by Council investing in safe and liquid term deposits and the additional loan funds received in late June 2015.

Benchmark: Minimum ≥ 3.00

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

Ratio is within Benchmark
 Ratio is outside Benchmark

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Water 2015	Sewer 2015	General ⁵ 2015
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	11.23%	31.73%	10.12%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: 30.42%	36.59%	4.98%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. ALL Grants & Contributions)</u>	82.01%	71.53%	66.88%
Total continuing operating revenue ⁽¹⁾			
	prior period: 86.38%	93.57%	68.98%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽²⁾</u>	No Liabilities	No Liabilities	5.43x
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: No Liabilities	No Liabilities	4.95
4. Debt Service Cover Ratio			
<u>Operating Result⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation</u>	0.00	0.00	10.60x
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)			
	prior period: 0.00	0.00	15.66
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	10.54%	9.02%	4.70%
Rates, Annual and Extra Charges Collectible			
	prior period: 13.21%	11.38%	7.18%
6. Cash Expense Cover Ratio			
<u>Current Year's Cash and Cash Equivalents + All Term Deposits</u>	0.00	0.00	21.72
Payments from cash flow of operating and financing activities			mths
	prior period: 0.00	0.00	19.70

Notes

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 14. Investment Properties

\$ '000

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

Note 15. Financial Risk Management

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	4,454	1,359	4,454	1,359
Investments				
- "Held for Trading"	-	1,532	-	1,532
- "Held to Maturity"	44,294	38,804	44,294	38,804
Receivables	5,919	4,527	5,703	4,357
Total Financial Assets	54,667	46,222	54,451	46,052
Financial Liabilities				
Payables	3,255	2,615	3,255	2,615
Loans / Advances	9,480	5,996	9,480	5,996
Total Financial Liabilities	12,735	8,611	12,735	8,611

Fair Value is determined as follows:

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio.

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

The risks associated with the investments held are:

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2015				
Possible impact of a 10% movement in Market Values	-	-	-	-
Possible impact of a 1% movement in Interest Rates	424	424	(424)	(424)
2014				
Possible impact of a 10% movement in Market Values	249	249	(249)	(249)
Possible impact of a 1% movement in Interest Rates	290	290	(290)	(290)

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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

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

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

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	100%	0%	100%
Overdue	100%	0%	100%	0%
	100%	100%	100%	100%

		2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(ii) Ageing of Receivables - value					
Rates & Annual Charges	Other Receivables				
Current	Current	-	4,219	-	2,658
< 1 year overdue	0 - 30 days overdue	567	216	1,101	151
1 - 2 years overdue	30 - 60 days overdue	115	202	-	90
2 - 5 years overdue	60 - 90 days overdue	90	268	-	402
> 5 years overdue	> 90 days overdue	29	285	-	242
		801	5,190	1,101	3,543

(iii) Movement in Provision for Impairment of Receivables

	2015	2014
Balance at the beginning of the year	117	177
+ new provisions recognised during the year	4	12
- amounts already provided for & written off this year	(49)	-
- previous impairment losses reversed	-	(72)
Balance at the end of the year	72	117

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2015									
Trade/Other Payables	-	3,255	-	-	-	-	-	3,255	3,255
Loans & Advances	-	291	308	328	347	366	7,840	9,480	9,480
Total Financial Liabilities	-	3,546	308	328	347	366	7,840	12,735	12,735
2014									
Trade/Other Payables	-	2,615	-	-	-	-	-	2,615	2,615
Loans & Advances	-	516	173	183	197	210	4,717	5,996	5,996
Total Financial Liabilities	-	3,131	173	183	197	210	4,717	8,611	8,611

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

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

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-	8.4%	-	8.9%
Trade/Other Payables	3,255	0.0%	2,615	0.0%
Loans & Advances - Fixed Interest Rate	9,480	5.5%	5,996	6.3%
	<u>12,735</u>		<u>8,611</u>	

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 25 June 2014.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	14,786	14,864	78	1%	F
User Charges & Fees	8,894	10,985	2,091	24%	F
The user fees and charges have exceeded budget in the following main areas: Additional works under the RMCC contract for \$1,405,725 mainly around the Roundabout. Water Usage charges \$436,024 with the dry summer, additional saleyard due of \$133,633 with additional numbers and sewerage charges of 128,937.					
Interest & Investment Revenue	1,437	1,597	160	11%	F
This variance is as a result of the increase in Council's investment portfolio. The portfolio rose from \$41.7 million as at June 2014 to \$48.7 million as at 30th June 2015. Whilst \$4 million relates to a loan taken out in June 2014 the portfolio rose by \$3 million net of the loan. The last of the investments effected by the Global Crisis have now matured and are now earning interest. The value of these investments is \$1.5 million.					
Other Revenues	321	814	493	154%	F
Various factors have effected this variance. This includes recoupment of legal costs with the concerted effort to reduce rates, additional waste fees from drum muster & scrap metal sales, Paid Maternity Leave receipts and workers compensation recoupment of wages & other sundry reimbursements.					
Operating Grants & Contributions	10,039	10,478	439	4%	F
Capital Grants & Contributions	681	2,197	1,516	223%	F
Additional funds have been received for capital projects for Roads to Recovery \$595,000, Developer Contributions for water & sewer, built by the developer now under the control of Council - \$1,505,000 and a grant received for a Community Recycling Centre at the Waste Management Facility.					

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	13,573	12,950	623	5%	F
Borrowing Costs	657	541	116	18%	F
Council delayed the borrowing of Loan Funds until late in the Financial Year. Whilst interest on this loan was partially budgeted for, the delay meant the interest wasn't required.					
Materials & Contracts	7,550	9,036	(1,486)	(20%)	U
The increase in Materials and Contracts is due, in main, to the additional works carried out under the RMCC contract and the work on the roundabout. There is a revenue adjustment outlined in User Fees and Charges.					
Depreciation & Amortisation	8,597	9,035	(438)	(5%)	U
Other Expenses	3,623	2,621	1,002	28%	F
Reflection of various cost saving initiatives put forward. Major areas of savings in other expense areas such as electricity, telephone, computer software costs and various project expenses.					
Net Losses from Disposal of Assets	67	230	(163)	(243%)	U
Council trades various Plant & Fleet and dispose of infrastructure assets during the year. The plant and fleet sales resulted in a gain of disposal of \$207,000. It was necessary also to dispose of Water assets resulting in a net value of \$437,000 to be written off for a renewal to take place.					
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	9,611	15,579	5,968	62.1%	F
During the year Council have received additional Cash Flows especially from the RMS work on the State Roads, developer contributions, additional water sales. Council has made significant inroads in reducing the outstanding rates which has further contributed to a positive result. Payments have been effected by cost saving measures implemented.					
Cash Flows from Investing Activities	(11,316)	(15,968)	(4,652)	41.1%	U
The major variance in the Cash Flows from Investing is a result of major Capital projectd budget in the year still needing to be completed. During the year projects were completed from previous budgets.					
Cash Flows from Financing Activities	3,432	3,484	52	1.5%	F

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	269	10	-	9	-	-	288	-	(288)	-	-
Parking	132	-	-	4	-	-	136	-	(136)	-	-
Open Space	19	-	-	1	-	-	20	-	(20)	-	-
Community Facilities	26	-	-	1	-	-	27	-	(27)	-	-
S94 Contributions - under a Plan	446	10	-	15	-	-	471	-	(471)	-	-
S94A Levies - under a Plan	1,336	159	-	43	(113)	-	1,425				-
Total S94 Revenue Under Plans	1,782	169	-	58	(113)	-	1,896				-
S64 Contributions	3,056	294	-	97	-	-	3,447				
Total Contributions	4,838	463	-	155	(113)	-	5,343	-	(471)	-	-

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

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	269	10	-	9	-	-	288	-	(288)	-	-
Parking	132	-	-	4	-	-	136	-	(136)	-	-
Open Space	19	-	-	1	-	-	20	-	(20)	-	-
Community Facilities	26	-	-	1	-	-	27	-	(27)	-	-
Total	446	10	-	15	-	-	471	-	(471)	-	-

S94A LEVIES - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 01

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	
Community Facilities	1,336	159	-	43	(113)	-	1,425	-	-	-	-
Total	1,336	159	-	43	(113)	-	1,425				-

Gunnedah Shire Council

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

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities

\$ '000

Council has no interest in any Controlled Entities, Joint Arrangements or Associates.

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		171,760	165,253
a. Correction of Prior Period Errors	20 (c)	408	1,846
b. Net Operating Result for the Year		6,522	5,069
Balance at End of the Reporting Period		178,690	172,168
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		233,089	161,318
Total		233,089	161,318
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		161,318	159,490
- Revaluations for the year	9(a)	71,771	1,828
- Balance at End of Year		233,089	161,318
TOTAL VALUE OF RESERVES		233,089	161,318
(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.			

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
(c) Correction of Error/s relating to a Previous Reporting Period			
Correction of errors disclosed in this year's financial statements:			
Developer Contributions - Gunnedah Sewerage not added 2014		419	-
Developer Contributions - Gunnedah Sewerage not added 2014 (depreciation)		(11)	-
Correction of errors as disclosed in last year's financial statements:			
Developer Contributions - Gunnedah Water not added 2013			1,364
Developer Contributions - Gunnedah Water not added 2013 (depreciation)			(5)
Gunnedah Water - Bores previously not added			58
Gunnedah Water - Bores previously not added (depreciation)			(7)
Gunnedah Water - Bores depreciation adjustment			28
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/13 (relating to adjustments for the 30/6/13 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30/6/14 (relating to adjustments for the 30/6/14 year end)		408	1,438
Total Prior Period Adjustments - Prior Period Errors		408	1,438

(d) Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	816	1,751	12,297
User Charges & Fees	2,660	607	7,718
Interest & Investment Revenue	344	300	953
Other Revenues	4	-	810
Grants & Contributions provided for Operating Purposes	61	37	10,380
Grants & Contributions provided for Capital Purposes	778	1,021	398
Other Income			
Net Gains from Disposal of Assets	-	-	207
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	4,663	3,716	32,763
Expenses from Continuing Operations			
Employee Benefits & on-costs	631	377	11,942
Borrowing Costs	-	-	541
Materials & Contracts	600	285	8,151
Depreciation & Amortisation	921	711	7,403
Impairment	-	-	-
Other Expenses	841	467	1,313
Net Losses from the Disposal of Assets	437	-	-
Total Expenses from Continuing Operations	3,430	1,840	29,350
Operating Result from Continuing Operations	1,233	1,876	3,413
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	1,233	1,876	3,413
Net Operating Result attributable to each Council Fund	1,233	1,876	3,413
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	455	855	3,015

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.

Gunnedah Shire Council

Notes to the Financial Statements

as at 30 June 2015

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

Statement of Financial Position by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	374	239	3,841
Investments	10,991	8,994	24,309
Receivables	511	217	5,158
Inventories	113	-	291
Other	-	-	44
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	11,989	9,450	33,643
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	33
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	40,951	32,375	307,271
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	40,951	32,375	307,304
TOTAL ASSETS	52,940	41,825	340,947
LIABILITIES			
Current Liabilities			
Payables	7	1	3,455
Borrowings	-	-	291
Provisions	-	-	4,212
Total Current Liabilities	7	1	7,958
Non-Current Liabilities			
Payables	-	-	-
Borrowings	-	-	9,189
Provisions	-	-	6,778
Total Non-Current Liabilities	-	-	15,967
TOTAL LIABILITIES	7	1	23,925
Net Assets	52,933	41,824	317,022
EQUITY			
Retained Earnings	29,718	14,375	134,597
Revaluation Reserves	23,215	27,449	182,425
Total Equity	52,933	41,824	317,022

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.

Gunnedah Shire Council

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

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

\$ '000

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

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2015) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 28/10/15.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2015.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2015	2014
Quarry Sites	2036	1,177	1,126
Waste Management Tip Sites	2031	5,370	5,249
Balance at End of the Reporting Period	10(a)	6,547	6,375

Under AASB 116 - Property, Plant & Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in Provision for year:

Balance at beginning of year	6,375	1,576
Amounts capitalised to new or existing assets:		
Tip Revised Remediation Costs	-	4,728
Amortisation of discount (expensed to borrowing costs)	172	71
Total - Reinstatement, rehabilitation and restoration provision	6,547	6,375

Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services & Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities (continued)

\$ '000

Provisions for close down and restoration and for environmental clean up costs – Tips and Quarries

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and 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. The 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 and restoration 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.

Other movements in the provisions for close down and restoration 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.

Rehabilitation

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 reporting 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 reporting 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 unwinding 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.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

\$ '000

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

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

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

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

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

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

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

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

2015	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/11	-	-	8,137	8,137
Office Equipment	30/06/11	-	-	904	904
Furniture & Fittings	30/06/11	-	-	557	557
Operational Land	30/06/13	-	-	8,432	8,432
Community Land	30/06/13	-	-	5,797	5,797
Buildings - Non Specialised	30/06/13	-	-	12,442	12,442
Buildings - Specialised	30/06/13	-	-	19,779	19,779
Other Structures	30/06/13	-	-	3,522	3,522
Roads	30/06/15	-	-	201,540	201,540
Bridges	30/06/15	-	-	7,616	7,616
Footpaths	30/06/15	-	-	5,736	5,736
Stormwater Drainage	30/06/15	-	-	23,190	23,190
Water Supplies Networks	30/06/12	-	-	39,828	39,828
Sewerage Networks	30/06/12	-	-	30,789	30,789
Swimming Pools	30/06/13	-	-	991	991
Other Open Space/ Recreational Assets	30/06/13	-	-	1,171	1,171
Library Books	30/06/11	-	-	123	123
Other Assets	30/06/11	-	-	1,466	1,466
Tip Remediation Assets	30/06/14	-	-	4,846	4,846
Quarry Remediation Assets	30/06/11	-	-	830	830
Total Infrastructure, Property, Plant & Equipment		-	-	377,696	377,696

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Held for Trading"	30/06/14	-	-	1,532	1,532
Total Financial Assets		-	-	1,532	1,532
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/11	-	-	8,034	8,034
Office Equipment	30/06/11	-	-	846	846
Furniture & Fittings	30/06/11	-	-	535	535
Operational Land	30/06/13	-	-	8,432	8,432
Community Land	30/06/13	-	-	5,797	5,797
Buildings - Non Specialised	30/06/13	-	-	12,615	12,615
Buildings - Specialised	30/06/13	-	-	19,886	19,886
Other Structures	30/06/13	-	-	3,529	3,529
Roads	30/06/10	-	-	139,106	139,106
Bridges	30/06/10	-	-	6,728	6,728
Footpaths	30/06/10	-	-	3,487	3,487
Stormwater Drainage	30/06/10	-	-	16,736	16,736
Water Supplies Networks	30/06/12	-	-	39,403	39,403
Sewerage Networks	30/06/12	-	-	29,135	29,135
Swimming Pools	30/06/13	-	-	1,018	1,018
Other Open Space/ Recreational Assets	30/06/13	-	-	1,122	1,122
Library Books	30/06/11	-	-	103	103
Other Assets	30/06/11	-	-	1,565	1,565
Tip Remediation Assets	30/06/14	-	-	5,155	5,155
Quarry Remediation Assets	30/06/11	-	-	869	869
Total Infrastructure, Property, Plant & Equipment		-	-	304,101	304,101

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

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

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

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

Example of assets in these classes are as follows:

- Plant & Equipment - Graders, trucks, Motor Vehicles
- Office Equipment - Computer Equipment
- Furniture & Fittings - Desks, Chairs.

The key unobservable inputs to the valuation are the remaining life and residual value. Council reviews the classes of assets each year for signs of impairment. There has been no change in the valuation process during the reporting year.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuations is the price per square metre. The last valuation was undertaken at 30 June 2013 and was performed by Peter Spackman valuations, Jarad R. Ewing, Registered Valuer N.S.W. 7298 B. Comm (Property Economics).

All operational land has been valued at market value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price including but not limited to the land description, area and dimensions, planning and other constraints on development and potential for alternate use. There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council controlled land were based on valuations performed by Peter Spackman valuations, Jarad R. Ewing, Registered Valuer N.S.W 7298 B. Comm (Property Economics).

All Community Land has been valued at market value (highest and best use). As these rates are were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting year.

Gunnedah Shire Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

Buildings - Non Specialised and Specialised

Valuations of all Council's Buildings Specialised & Non-Specialised were based on valuations performed by Peter Spackman valuations, Jarad R. Ewing, Registered Valuer N.S.W 7298 B. Comm (Property Economics).

The value of non-specialised buildings, which are predominately houses and units for which there is a secondary market, have been determined on the basis of market value.

Buildings that have been determined as specialised, meaning they are designed for a particular purpose for which there is generally little or no market based evidence available, they have been valued on the basis of depreciated replacement cost taking into consideration a reduction for physical wear and tear and functional obsolescence. The valuations take into account different components of buildings and different useful lives.

While all buildings were physically inspected, inputs such as estimates of residual values and pattern of consumption required extensive judgement and impacted on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

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

Other Structures

Other Structures class generally comprises memorials, weighbridges and saleyards.

Valuations of all Council's - Other Structures were based on valuations performed by Peter Spackman Valuers, Jarad R. Ewing, Registered Valuer N.S.W 7298 B. Comm (Property Economics).

The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Roads

This class of assets comprises Urban Roads, Sealed Rural Roads, Unsealed Rural Roads, Road Furniture, Islands & Pedestrian Refuges, Guard Rails, Causeways, Culverts, Parking Areas, Aerodrome, Bus Shelters & Kerb & Gutter. Council uses the "Cost Approach" using Level 3 inputs for all Road infrastructure. Valuations for Road Infrastructure are componentised generally into surface, pavement & formation to reflect the different nature of the assets. Valuations were completed in June 2015 by the Manager of Mapping, Assets, Design and Development and reviewed Director of Infrastructure Services utilising detailed pavement information residing in councils BizeAssets Management System.

The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. A full revaluation of the Roads have been completed as at 30th June 2015.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

Bridges

Bridges were valued in June 2015 by the Director of Infrastructure Services using the cost approach.

The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Deck/Superstructure, Bridge Abutments/Foundations and Bridge rails/handrails. The information is maintained in the BizeAssets Management System.

Inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. A full revaluation of Bridges have been completed as at 30th June 2015.

Footpaths

Footpaths were valued in June 2015 by the Manager of Mapping, Assets, Design & Development and reviewed by the Director of Infrastructure and Services using the cost approach. Footpaths were segmented to match the adjacent road segment and no further componentisation was undertaken. Footpaths were originally mapped and condition assessed using a physical inspection by the Roads inspector. The information is maintained in the BizeAssets Management System.

Condition are updated as changes in the networks are observed through regular inspections. There has been a full revaluation of Footpaths as at 30th June 2015.

Stormwater Drainage

Stormwater Assets comprise pits, pipes, open channels, headwalls and various types of water quality devices in the Urban Areas. Stormwater Drainage was valued by the Manager of Mapping, Assets, Design & Development and reviewed by the Director of Infrastructure and Services using the cost approach.

The 'Cost Approach' is the estimated replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with the Institute of Public Works Engineers Australia Infrastructure Management Manual (IMM). Inputs such as estimates of pattern of consumption, residual value, Asset Condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Further condition estimates were carried out with CCTV inspection on over 3.3 km of Stormwater lines. Additionally due to limitations in the historical records of long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been a valuation of Stormwater Assets as at 30th June 2015.

Water Supplies

The valuation of the Water Supplies was completed in June 2012 by AssetVal Pty Ltd. The Water supplies comprise the Gunnedah, Curlewis, Tambar Springs & Mullaley water schemes. The components of the Water Systems include the Mains, Bores, Reservoirs and Pumping Stations. The information is maintained on the BizeAsset Management System.

Due to the nature of much of the Water Network being inaccessible (subsurface) there are limitations in the inputs such as pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impact significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

Sewerage Systems

The valuation of the Sewerage Systems was completed in June 2012 by AssetVal Pty Ltd. The Sewerage Systems comprise the Gunnedah & Curlewis Sewerage Systems. The components include the pipelines, Treatment works and Pump Stations. The assets are maintained on the BizeAssets Management System.

Due to the nature of much of the Sewer Network being inaccessible (subsurface) there are limitations in the inputs such as pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impact significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Swimming Pools

Swimming Pools class comprises the 3 pools, diving board & shade sails at the Gunnedah Swimming complex

Valuations of Council's Swimming Pools were based on valuations performed by Peter Spackman valuations, Jarad R. Ewing, Registered Valuer N.S.W 7298 B. Comm (Property Economics).

The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Other Open Space/ Recreational Assets

Other Open Space/ Recreational Assets comprise tennis courts, showground structures such as lighting towers, Grandstands and Park structures such as play equipment, Rotundas, seating etc.

Valuations of Council's Other Open Space/Recreational Assets were based on valuations performed by Peter Spackman valuations, Jarad R. Ewing, Registered Valuer N.S.W 7298 B. Comm (Property Economics).

The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Library Book/Other Assets

Library Books & Other Assets are valued at cost but are disclosed at fair value in the Notes

The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The key unobservable inputs to the valuation are the remaining life and residual value. Council reviews the classes of assets each year for signs of impairment. There has been no change in the valuation process during the reporting year.

Gunnedah Shire Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

Tip Remediation

Gunnedah Shire Council has 3 landfills being at Gunnedah, Curlewis & Carroll and 3 transfer stations at Mullaley, Breeza and Tambar Springs. The Waste management service includes a wide range of waste disposal services, resource recovery services, recycled and reclaimed products and waste management educational activities. It is recognised that there will be significant costs in the closure of the landfill sites.

Closure of the landfill will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill, site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removal of infrastructure and equipment.

The evaluation of costs for the landfill closure and post closure management was prepared by the Manager of Building & Environment. The key unobservable inputs are the discount rate, cost excavation rate, actual timing of costs and future environmental requirements. This valuation was reviewed at June 2014.

Quarries Remediation

Gunnedah Shire Council has some 51 Quarries that will require remediation in the future. Quarries provide council with Gravel as part of the Road maintenance and construction activities.

Closure of the Quarries will require remediation including earth works to restore the quarries and reseed and plant native trees.

The Quarry remediation Valuation was completed in June 2011 by the Director of Infrastructure & Services.

The key unobservable inputs are the discount rate, Cost escalation, timing of future costs and future environmental requirement. There has been no change to the valuation process during the year.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

	Investments At Fair Value Through P&L	Plant & Equipment	Office Equipment	Furniture & Fittings	Operational Land	Community Land	Buildings Non - Specialised	Buildings Specialised	Total
Adoption of AASB 13	3,422	7,804	751	501	8,361	5,797	12,772	20,005	59,413
Purchases (GBV)	-	2,005	364	104	71	-	87	194	2,825
Disposals (WDV)	(2,000)	(152)	-	-	-	-	-	-	(2,152)
Depreciation & Impairment	-	(1,623)	(269)	(70)	-	-	(244)	(313)	(2,519)
FV Gains - Income Statement ¹	110	-	-	-	-	-	-	-	110
Closing Balance - 30/6/14	1,532	8,034	846	535	8,432	5,797	12,615	19,886	57,677
Purchases (GBV)	-	2,024	297	85	-	-	77	212	2,695
Disposals (WDV)	(1,540)	(292)	-	-	-	-	-	-	(1,832)
Depreciation & Impairment	-	(1,629)	(239)	(63)	-	-	(250)	(319)	(2,500)
FV Gains - Income Statement ¹	8	-	-	-	-	-	-	-	8
Closing Balance - 30/6/15	-	8,137	904	557	8,432	5,797	12,442	19,779	56,048

¹ FV Gains recognised in the Income Statement relating to assets still on hand at year end total:

YE 13/14	110	-	-	-	-	-	-	-	110
YE 14/15	8	-	-	-	-	-	-	-	8

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

	Other Structures	Roads	Bridges	Footpaths	Stormwater	Water Supplies	Sewerage Network	Swimming Pools	Total
Adoption of AASB 13	3,383	137,044	6,825	3,339	16,689	36,336	28,758	1,045	233,419
Purchases (GBV)	238	6,078	-	198	266	1,433	260	-	8,473
Disposals (WDV)	-	(126)	-	-	-	(7)	-	-	(133)
Depreciation & Impairment	(92)	(3,890)	(97)	(50)	(219)	(839)	(669)	(27)	(5,883)
Material Error - Recognised	-	-	-	-	-	1,438	408	-	1,846
Revaluations to Equity	-	-	-	-	-	1,042	786	-	1,828
Closing Balance - 30/6/14	3,529	139,106	6,728	3,487	16,736	39,403	29,543	1,018	239,550
Purchases (GBV)	93	5,270	-	131	186	1,166	1,511	-	8,357
Disposals (WDV)	-	-	-	-	-	(437)	-	-	(437)
Depreciation & Impairment	(100)	(3,963)	(98)	(52)	(222)	(875)	(692)	(27)	(6,029)
Revaluations to Equity	-	61,127	986	2,170	6,490	571	427	-	71,771
Closing Balance - 30/6/15	3,522	201,540	7,616	5,736	23,190	39,828	30,789	991	313,212

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

	Open Space Recreational Assets	Library Books	Other Assets	Tip Remediation Asset	Quarry Remediation	Total
Adoption of AASB 13	1,160	86	1,550	437	908	4,141
Purchases (GBV)	7	26	111	-	-	144
Depreciation & Impairment	(45)	(9)	(96)	(10)	(39)	(199)
Restatement of Tip Asset	-	-	-	4,728	-	4,728
Closing Balance - 30/6/14	1,122	103	1,565	5,155	869	8,814
Purchases (GBV)	96	32	-	-	-	128
Depreciation & Impairment	(47)	(12)	(99)	(309)	(39)	(506)
Closing Balance - 30/6/15	1,171	123	1,466	4,846	830	8,436

b. Information relating to the transfers into and out of the Level 3 Fair Valuation hierarchy (as disclosed in the Table above) includes:

Nil

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. The Valuation Process for Level 3 Fair Value Measurements

Gunnedah Shire Council value their assets on a fair value basis, in accordance with the NSW Department of Local Government's Guidelines and standards AASB13, AASB116 each year. For the 2015 financial year council has opted to utilise AASB 2015-7 for level 3 unobservable inputs. These assets are valued utilising the cost approach identifying actual plant, staff and material costs where available.

Construction estimates have been completed based on current Australian standards and guidelines to gain unit rates based on the various asset components within each asset class. For example Rural Sealed Roads has been broken down to Formation, Pavement and Seal. The cost to construct each asset component has been calculated on a standard length, depth and width in accordance with Austroads and RMS guidelines and then calculated to give appropriate rates for each component. Distances used for cartage etc. have been averaged over the Shire. Material costs are current prices evidenced by either invoices or current quotes.

Bridges, due to their complexity, have been calculated from tender documents provided by Tamworth Regional Council for a bridge constructed in 2013/14 and applied to Gunnedah Shire bridges at a component level by the Director of Infrastructure Services.

In the case of urban Stormwater the NSW References Rates Manual for water, sewer and stormwater was used.

All other assets have had works estimated by the Manager - Mapping, Assets, Design and Developments in consultation with the Manager - Infrastructure Works and the Director - Infrastructure Services. Once verified these rates were then applied across Council asset classes.

The resulting values were then compared against previous values and verified by the Director Infrastructure Services and Manager, Assets, Design and Development.

Valuations have been undertaken by Gunnedah Shire Council utilising Councils Asset Management System (Biz E Asset). The unit rates and useful lives utilised in this have been compared to a variety of other rural councils.

(5). Highest and best use

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

Gunnedah Shire Council

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

Note 28. Council Information & Contact Details

Principal Place of Business:

63 Elgin Street
GUNNEDAH NSW 2380

Contact Details**Mailing Address:**

PO Box 63
GUNNEDAH NSW 2380

Opening Hours:

Business Hours
Monday to Friday
8:30am to 5:00

Telephone: 02 6740 2100

Facsimile: 02 6740 2119

Internet: www.infogunnedah.nsw.gov.au

Email: council@infogunnedah.gov.au

Officers**GENERAL MANAGER**

E J GROTH

RESPONSIBLE ACCOUNTING OFFICER

E J GROTH

PUBLIC OFFICER

L E ROWE

AUDITORS

UHY HAINES NORTON
LEVEL 11, 1 YORK STREET
SYDNEY. NSW 2380

Elected Members**MAYOR**

O HASLER

COUNCILLORS

H ALLGAYER
G SWAIN
T DUDDY
C FULLER
G GRIFFEN
D QUINCE
R RYAN
S SMITH

Other Information

ABN: 80 183 655 793

Gunnedah Shire Council
General Purpose Financial Statements
Independent Auditor's Report

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhn.com.au
www.uhyhnsydney.com.au

Report on the Financial Statements

We have audited the accompanying financial statements of Gunnedah Shire Council (the Council), which comprises the statement of financial position as at 30 June 2015, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by Councillors and Management.

Councillor's Responsibility for the Financial Statements

The Councillors of the Council are 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* and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Council'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 Councillors, as well as evaluating the overall presentation of the financial statements.

Our audit responsibility does not extend to the original budget information disclosed in the income statement, statement of cash flows, note 2(a), note 16 budget variation explanation, note 17 forecast information, nor the attached special schedules and accordingly, we express no opinion on them. In addition, our audit did not include an analysis of the prudence of business decisions made by Councillors or Management.

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

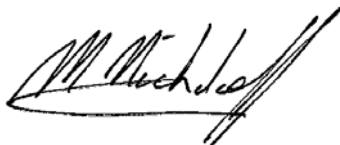
Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Gunnedah Shire Council for the year ended 30 June 2015 published in the annual report and included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

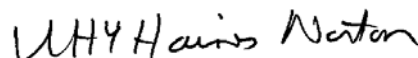
Auditor's Opinion

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division;
 - (ii) are consistent with the Council's accounting records;
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30 June 2015 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and the Local Government (General) Regulations 2005.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed in Sydney on 28th October 2015

28 October 2015

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhn.com.au
www.uhyhnsydney.com.au

The Mayor
Gunnedah Shire Council
63 Elgin Street
GUNNEDAH NSW 2380

**Report on the Conduct of the Audit
Year Ended 30 June 2015**

We are pleased to advise completion of our audit of the General and Special Purpose Financial Statements for Gunnedah Shire Council for the year ended 30 June 2015, in accordance with Section 415 of the Local Government Act, 1993 (“the Act”); and that our audit opinion provided under Section 417(2) of the Act has been issued to Council. The following report on the conduct of the audit is issued in compliance with Section 417(3) of the Act.

The Councillors and Council Management are responsible for the preparation and true and fair presentation of the financial reports, which includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial reports. While we considered the effectiveness of management’s internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We have conducted our audit in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the Council’s financial reports are free of material misstatement. An audit is influenced by factors such as professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We have reviewed 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.

We offer the following comments on the financial statements and the audit:

STATEMENT OF COMPREHENSIVE INCOME

MOVEMENT IN RESULTS OVER PRIOR YEAR

Council's Net Operating Result before Grants and Contributions provided for capital purposes indicates a surplus of \$4.325 million for the year ended 30 June 2015 compared to a surplus of \$4.021 million for the year ended 30 June 2014.

The Net Operating Result after Grants and Contributions for capital purposes has increased \$1.453 million to a surplus of \$6.522 million (2014: surplus of \$5.069 million).

Commentary on the major movements within the income and expense categories within the income statement is detailed below:

MOVEMENT IN REVENUE ITEMS 2014-2015

	2015	2014	Increase (Decrease)
	\$'000	\$'000	\$'000
Rates and Annual Charges	14,864	13,733	1,131
User Charges and Fees	10,985	9,995	990
Grants & Contributions Provided for Operating Purposes	10,478	8,486	1,992
Grants & Contributions Provided for Capital Purposes	2,197	1,048	1,149

RATES AND ANNUAL CHARGES

Rates and annual charges have increased by \$1.131 million (8%). The increase in rate income is in line with the special rate variation granted by the Minister for Local Government.

USER CHARGES AND FEES

User fees & charges have increased this year by \$990,000 (10%). This increase is mainly a result of higher income from routine maintenance charges from the Roads and Maritimes Services.

GRANTS AND CONTRIBUTIONS PROVIDED FOR OPERATING PURPOSES

Grants and contributions provided for operating purposes has increased by \$1.992 million (23%) to \$10.478 million. The increase was largely due to the full receipt of the Financial Assistance Grant in the 2014/15 financial year.

GRANTS AND CONTRIBUTIONS PROVIDED FOR CAPITAL PURPOSES

Grants and contributions provided for capital purposes have increased by \$1.149 million (110%) to \$2.197 million. The increase in Capital Grant income is a result of developer paid contributions received by Council in relation to water and sewerage assets.

MOVEMENT IN EXPENSE ITEMS 2014-2015

	2015	2014	Increase (Decrease)
	\$'000	\$'000	\$'000
Employee Benefits and On-costs	12,950	12,406	544
Materials and Contracts	9,036	7,058	1,978
Depreciation and Amortisation	9,035	8,589	446
Other Expenses	2,621	2,599	22

EMPLOYEE BENEFITS & ON-COSTS

Employee benefits & on-costs expense has increased by \$544,000 (4%) to \$12.950 million. The increase is broadly consistent with award rate increases and increase in full time staff.

MATERIALS AND CONTRACTS

Materials & contracts expense has increased by \$1.978 million (28%) to \$9.036 million. The increase can mainly be attributed to an increase in raw material and consumables costs.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation expense has increased by \$446,000 (5%) to \$9.035 million. The increase was largely in line with depreciation charged on Council's infrastructure additions.

OTHER EXPENSES

Other expenses have increased by \$22,000 (less than 1%) to \$2.621 million. There were no significant variances.

STATEMENT OF FINANCIAL POSITION

During the year, the Council's net assets increased by \$78.293 million to \$411.779 million. The major movements within the balance sheet were:

- Increase of \$74.627 million in the value of infrastructure, property, plant, and equipment.
- Increase of \$3.958 million in investment securities.
- Increase of \$3.484 million in borrowings.

INFRASTRUCTURE, PROPERTY, PLANT, AND EQUIPMENT

The increase in the I,PPE balance is largely a result of capital revaluations throughout the financial year. These revaluations can be attributed to the following asset classes:

- Roads - \$61.127 million
- Stormwater Drainage - \$6.490 million
- Footpaths - \$2.170 million

INVESTMENTS SECURITIES

The increase in the investments is a result of net investment additions of \$3.949 million. This is accompanied by a \$9,000 increase as a result of revaluations to investments through the income statement.

BORROWINGS

The increase in borrowings is a result of Council acquiring additional loan facilities throughout the financial year.

STATEMENT OF CASH FLOWS

	2015	2014	Increase (Decrease)
	\$'000	\$'000	\$'000
Net Cash Flows from Operations	15,579	13,163	2,416
Net Cash Flows from Investing	(15,968)	(17,754)	(1,786)
Net Cash Flows from Financing	3,484	4,614	(1,130)

NET CASH FLOWS FROM OPERATIONS

Net cash provided from operating activities amounted to \$15.579 million in 2015 compared to \$13.163 million in the prior year. The increase can mainly be explained by a cash increase in rates and annual charges of \$1.624 million and cash increase in grants & contributions of \$3.164 million. These have been offset by an increase materials & contract costs of \$3.784 million.

NET CASH FLOWS FROM INVESTING

Net cash used in investing activities amounted to \$15.968 million for the year ended 30 June 2015 compared to \$17.754 million for the prior year. This is largely due to the purchase of investment securities of \$61.490 million and the acquisition of property, plant and equipment of \$12.498 million, partially offset through the sale of investment securities of \$57.541 million.

NET CASH FLOWS FROM FINANCING

Net cash provided from financing activities amount to \$3.484 million for the year ended 30 June 2015. This can be attributed to new borrowings obtained of \$4.000 million and offset by \$516,000 in borrowing repayments.

TOTAL INVESTMENTS AND CASH BALANCES

	2015	2014	Increase (Decrease)
	\$'000	\$'000	\$'000
Externally Restricted Cash	29,755	25,842	3,913
Internally Restricted Cash	10,064	12,281	(2,217)
Unrestricted Cash	8,929	3,572	5,357
Total Cash, Cash Equivalents and Investments	48,748	41,695	7,053

EXTERNALLY RESTRICTED CASH

Externally restricted cash and investments are restricted in their use by externally imposed requirements. The movement in externally restricted cash balances included the increase in domestic waste management restrictions of \$1.103 million and unexpended grants of \$1.092 million.

INTERNALLY RESTRICTED CASH

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internally restricted cash balances included a net decrease of \$491,000 in future works reserves and a net decrease of \$1.891 million in plant & vehicle replacement reserves.

UNRESTRICTED CASH

Unrestricted cash and investments are those funds available to provide liquidity for day to day operations.

WORKING CAPITAL (NET CURRENT ASSETS)

	2015	2014	Increase (Decrease)
	\$'000	\$'000	\$'000
Current Assets	55,082	46,622	8,460
Current Liabilities	(7,966)	(7,053)	(913)
Net Current Assets	47,116	39,569	7,547
Add: Current Liabilities not anticipated to be settled within the next 12 months	3,451	3,041	410
Adjusted Net Current Assets	50,567	42,610	7,957
Less: Externally Restricted Assets	(30,588)	(26,786)	(3,802)
Less: Internally Restricted Assets	(10,064)	(12,281)	2,217
Working Capital as at 30 June	9,915	3,543	6,372

Council's balance of working capital has increased \$6.372 million to \$9.915 million for the 2015 financial year. This increase is as a result of Council's increase in cash, cash equivalents and investment securities as at 30 June 2015 accompanied by a decrease in internally restricted assets. This is partially offset by Council's increase in externally restricted assets.

PERFORMANCE INDICATORS AND TRENDS

Our comments in regard to Council's performance for the 2015 year are based on those performance indicators that are considered meaningful.

The indicators we have reviewed are as follows:

	2015	2014
Unrestricted Current Ratio	5.43 : 1	4.95 : 1
Debt Service Cover Ratio	13.36 : 1	22.49 : 1
Operating Performance Ratio	11.74%	10.31%
Own Source Operating Revenue Ratio	69.03%	73.08%
Rates and Annual Charges Outstanding Percentage	5.46%	7.96%
Cash Expense Cover Ratio	21.99	20.00

UNRESTRICTED CURRENT RATIO

The unrestricted current ratio is used to assess the adequacy of available current assets and Council's ability to satisfy its obligations in the short term after taking into account any external restrictions over the use of the current assets. The ratio of 5.43 has increased from the prior year's ratio of 4.95 and is an indicator of Council's ability to effectively meet the current liabilities. The increase in the current ratio is largely a result of the increase in Council's cash and investment securities as at 30 June 2015.

DEBT SERVICE COVER RATIO

At 30 June 2015 Council had outstanding borrowings of \$9.480 million compared with \$5.996 million as at 30 June 2014. The debt service cover ratio measures the availability of operating cash to service debt repayments. For the 2015 financial year the ratio indicated that operating results before capital, interest, depreciation and amortisation covered payments required to service debt by 13.36 to 1. The ratio has decreased as a result of Council's increase in borrowings as at 30 June 2015.

OPERATING PERFORMANCE RATIO

This ratio is essentially measures Council's ability to contain operating expenditure within its operating revenue, excluding capital grants and contributions. For the 2015 financial year, this indicator was 11.74%, which exceeded the benchmark of >0%.

OWN SOURCE OPERATING REVENUE RATIO

The own source operating revenue ratio measures Council's fiscal flexibility and their degree of reliance on external funding sources such as grants and contributions. For the 2015 financial year, this indicator was 69.03% and exceeded the benchmark of 60%.

RATES AND ANNUAL CHARGES OUTSTANDING PERCENTAGE

The rates and annual charges outstanding percentage is used to assess the impact of uncollected rates and annual charges on liquidity and the adequacy of debt recovery efforts. The percentage of rates and annual charges outstanding has decreased from 7.96% to 5.46% in the current year. This indicates that debtors are being collected at a faster rate than in the prior year.

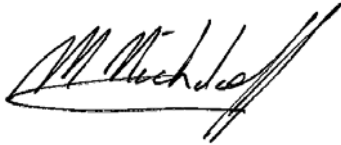
CASH EXPENSE COVER RATIO

This liquidity ratio indicates the number of months that Council can continue to pay its immediate expenditure items with available cash and term deposit balances, without the need for additional cash inflow. For 2015, this ratio stood at 21.99 months compared to the benchmark of greater than 3 months.

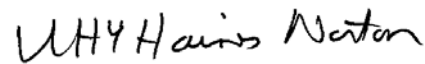
REPORTING TO MANAGEMENT

A management letter highlighting matters arising from our interim audit has been prepared and issued where considered necessary or appropriate. Matters raised in the letter included suggestions for improvement and management's comments and proposed actions.

We wish to record our appreciation to your General Manager, Acting Finance Manager and their staff for the co-operation and courtesy extended to us during the course of our audit and commend their efforts in the timely completion of the financial statements.



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed at Sydney on 28th October 2015



Gunnedah Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

“To be a focused community valuing
Gunnedah’s identity and quality lifestyle”.



Gunnedah Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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Income Statement - Sewerage Business Activity	4
Income Statement - Other Business Activities	n/a
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Statement of Financial Position - Sewerage Business Activity	6
Statement of Financial Position - Other Business Activities	n/a
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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the 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).
-

Gunnedah Shire Council

Special Purpose Financial Statements for the financial year ended 30 June 2015

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 21 October 2015.



O HASLER
MAYOR



R G SWAIN
COUNCILLOR



E J GROTH
GENERAL MANAGER



E J GROTH
RESPONSIBLE ACCOUNTING OFFICER

Gunnedah Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	816	810
User charges	2,660	2,824
Fees	-	-
Interest	344	303
Grants and contributions provided for non capital purposes	61	104
Profit from the sale of assets	-	-
Other income	4	2
Total income from continuing operations	3,885	4,043
Expenses from continuing operations		
Employee benefits and on-costs	631	637
Borrowing costs	-	-
Materials and contracts	600	512
Depreciation and impairment	921	890
Water purchase charges	-	-
Loss on sale of assets	437	7
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	841	767
Total expenses from continuing operations	3,430	2,813
Surplus (deficit) from Continuing Operations before capital amounts	455	1,230
Grants and contributions provided for capital purposes	778	516
Surplus (deficit) from Continuing Operations after capital amounts	1,233	1,746
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,233	1,746
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(137)	(369)
SURPLUS (DEFICIT) AFTER TAX	1,097	1,377
plus Opening Retained Profits	28,483	25,299
plus/less: Prior Period Adjustments	2	1,438
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	137	369
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	29,718	28,483
Return on Capital %	1.1%	3.1%
Subsidy from Council	782	198
Calculation of dividend payable:		
Surplus (deficit) after tax	1,097	1,377
less: Capital grants and contributions (excluding developer contributions)	(591)	(315)
Surplus for dividend calculation purposes	506	1,062
Potential Dividend calculated from surplus	253	531

Gunnedah Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	1,751	1,608
User charges	607	631
Liquid Trade Waste charges	-	-
Fees	-	-
Interest	300	257
Grants and contributions provided for non capital purposes	37	38
Profit from the sale of assets	-	-
Other income	-	5
Total income from continuing operations	2,695	2,539
Expenses from continuing operations		
Employee benefits and on-costs	377	318
Borrowing costs	-	-
Materials and contracts	285	260
Depreciation and impairment	711	687
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	467	345
Total expenses from continuing operations	1,840	1,610
Surplus (deficit) from Continuing Operations before capital amounts	855	929
Grants and contributions provided for capital purposes	1,021	134
Surplus (deficit) from Continuing Operations after capital amounts	1,876	1,063
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,876	1,063
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(257)	(279)
SURPLUS (DEFICIT) AFTER TAX	1,620	784
plus Opening Retained Profits	12,091	11,028
plus/less: Prior Period Adjustments	408	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	257	279
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	14,375	12,091
Return on Capital %	2.6%	3.1%
Subsidy from Council	123	146
Calculation of dividend payable:		
Surplus (deficit) after tax	1,620	784
less: Capital grants and contributions (excluding developer contributions)	(913)	16
Surplus for dividend calculation purposes	707	800
Potential Dividend calculated from surplus	353	400

Gunnedah Shire Council

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

as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	374	356
Investments	10,991	9,958
Receivables	511	589
Inventories	113	121
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	11,989	11,024
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	40,951	40,108
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total non-Current Assets	40,951	40,108
TOTAL ASSETS	52,940	51,132
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	7	5
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	7	5
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	7	5
NET ASSETS	52,933	51,127
EQUITY		
Retained earnings	29,718	28,483
Revaluation reserves	23,215	22,644
Council equity interest	52,933	51,127
Non-controlling equity interest	-	-
TOTAL EQUITY	52,933	51,127

Gunnedah Shire Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	239	244
Investments	8,994	8,436
Receivables	217	239
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	9,450	8,919
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	32,375	30,196
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total non-Current Assets	32,375	30,196
TOTAL ASSETS	41,825	39,115
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	1	1
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	1	1
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	1	1
NET ASSETS	41,824	39,114
EQUITY		
Retained earnings	14,375	12,091
Revaluation reserves	27,449	27,023
Council equity interest	41,824	39,114
Non-controlling equity interest	-	-
TOTAL EQUITY	41,824	39,114

Gunnedah Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
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2	Water Supply Business Best Practice Management disclosure requirements	11
3	Sewerage Business Best Practice Management disclosure requirements	13

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

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

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

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

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

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

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

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

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

National Competition Policy

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

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

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

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

Declared Business Activities

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

Category 1

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

a. Water Supply Service

Comprising the whole of the water supply operations and net assets servicing the towns of Gunnedah, Curlewis, Mullaley & Tambar Springs.

b. Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing the towns of Gunnedah & Curlewis.

Category 2

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

Nil

Monetary Amounts

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

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

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 **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, a premium marginal rate of **2.0%** applies.

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

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

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

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

Income Tax

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

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

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

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

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

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

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

(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 each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of 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 3.02% at 30/6/15.

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

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2015 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2015Note 2. Water Supply Business
Best Practice Management disclosure requirements

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

2015

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	13,821
(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]	252,750
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	138,210
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	2,215,300

2015 Surplus	505,500	2014 Surplus	1,062,000	2013 Surplus	647,800
		2014 Dividend	-	2013 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	138,210
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 6 Criteria

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

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	YES
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	YES
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2015Note 2. Water Supply Business
Best Practice Management disclosure requirements (continued)

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

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	4,319
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)]	%	73.08%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	39,828
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	2,066
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,194
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)]	%	3.25%
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.

Gunnedah Shire Council

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

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2015

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	10,866
(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]	353,250
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	108,660
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	2,189,400

2015 Surplus	706,500	2014 Surplus	800,300	2013 Surplus	682,600
		2014 Dividend	-	2013 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	108,660
(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

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2015Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	3,416
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	30,790
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	1,129
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	1,511
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)]	%	4.87%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	7,298
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.06%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	2,705
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)]	%	3.97%
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%

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2015Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

National Water Initiative (NWI) Financial Performance Indicators
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)]	%	-21.74%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 2,908 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: - 644 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	3,109
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	77

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

**Gunnedah Shire Council
Special Purpose Financial Statements
Independent Auditor's Report**

Report on the Financial Statements

We have audited the accompanying financial statements, being the special purpose financial statements, of Gunnedah Shire Council (the Council), which comprises the statement of financial position by business activity as at 30 June 2015, the income statement by business activity for the year then ended, notes to the financial statements for the business activities identified by Council and the statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting for the year ended 30 June 2015.

Councillor's Responsibility for the Financial Statements

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements are appropriate to satisfy the requirements of the Local Government Code of Accounting Practice and Financial Reporting. The Councillors responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 Council'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 Councillors, as well as evaluating the overall presentation of the financial statements.

Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3 to the financial statements, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Councillors or Management.

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Gunnedah Shire Council for the year ended 30 June 2015 included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

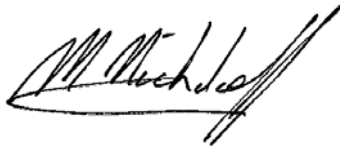
Auditor's Opinion

In our opinion the special purpose financial statements of Gunnedah Shire Council:

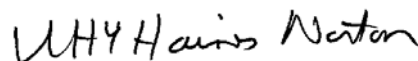
- a) have been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in note 1 to the financial statements and the Local Government Code of Accounting Practice and Financial Reporting;
 - i) are consistent with the Council's accounting records;
 - ii) presents fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2015 and the results of their operations for the year then ended;

Basis of Accounting and Restriction on Distribution and Use

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 Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Council.



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed in Sydney on 28th October 2015



Gunnedah Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2015

“To be a focused community valuing
Gunnedah’s identity and quality lifestyle”.



Gunnedah Shire Council

Special Schedules

for the financial year ended 30 June 2015

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

Background

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

Gunnedah Shire Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	668	38	-	(630)
Administration	5,813	425	-	(5,388)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	430	77	-	(353)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	9	2	-	(7)
Animal Control	113	36	-	(77)
Other	-	-	-	-
Total Public Order & Safety	552	115	-	(437)
Health	33	64	-	31
Environment				
Noxious Plants and Insect/Vermin Control	275	186	-	(89)
Other Environmental Protection	27	41	-	14
Solid Waste Management	2,235	2,708	150	623
Street Cleaning	202	-	-	(202)
Drainage	-	-	-	-
Stormwater Management	206	94	10	(102)
Total Environment	2,945	3,029	160	244
Community Services and Education				
Administration & Education	98	1	-	(97)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	3,119	4,124	-	1,005
Children's Services	126	76	-	(50)
Total Community Services & Education	3,343	4,201	-	858
Housing and Community Amenities				
Public Cemeteries	104	110	-	6
Public Conveniences	-	-	-	-
Street Lighting	196	19	-	(177)
Town Planning	878	396	160	(322)
Other Community Amenities	104	32	-	(72)
Total Housing and Community Amenities	1,282	557	160	(565)
Water Supplies	2,664	3,493	800	1,629
Sewerage Services	1,269	2,685	1,022	2,438

Gunnedah Shire Council

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

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	320	71	-	(249)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	283	1	-	(282)
Performing Arts Venues	525	285	-	(240)
Other Performing Arts	-	-	-	-
Other Cultural Services	175	8	-	(167)
Sporting Grounds and Venues	537	47	25	(465)
Swimming Pools	692	272	-	(420)
Parks & Gardens (Lakes)	588	54	30	(504)
Other Sport and Recreation	-	-	-	-
Total Recreation and Culture	3,120	738	55	(2,327)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	325	5	-	(320)
Other Mining, Manufacturing & Construction	548	-	-	(548)
Total Mining, Manufacturing and Const.	873	5	-	(868)
Transport and Communication				
Urban Roads (UR) - Local	1,556	16	-	(1,540)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	2,287	355	-	(1,932)
Sealed Rural Roads (SRR) - Regional	136	502	-	366
Unsealed Rural Roads (URR) - Local	1,823	625	-	(1,198)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	104	-	-	(104)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	-	-	-	-
Footpaths	73	-	-	(73)
Aerodromes	221	-	-	(221)
Other Transport & Communication	4,261	5,285	-	1,024
Total Transport and Communication	10,461	6,783	-	(3,678)
Economic Affairs				
Camping Areas & Caravan Parks	9	11	-	2
Other Economic Affairs	1,381	1,265	-	(116)
Total Economic Affairs	1,390	1,276	-	(114)
Totals – Functions	34,413	23,409	2,197	(8,807)
General Purpose Revenues ⁽²⁾		15,329		15,329
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	34,413	38,738	2,197	6,522

(1) As reported in the Income Statement

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

Gunnedah Shire Council

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

for the financial year ended 30 June 2015

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	500	5,462	5,962	4,000	500	-	-	367	289	9,173	9,462
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	500	5,462	5,962	4,000	500	-	-	367	289	9,173	9,462
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	16	18	34	-	16	-	-	2	2	16	18
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	16	18	34	-	16	-	-	2	2	16	18
Total Debt	516	5,480	5,996	4,000	516	-	-	369	291	9,189	9,480

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).

Gunnedah Shire Council

Special Schedule No. 3 - Water Supply Income Statement

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

\$'000	Actuals 2015	Actuals 2014
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	529	393
b. Engineering and Supervision	200	328
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	656	561
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	64	54
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	343	387
i. Maintenance expenses	144	169
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	14	6
l. Maintenance expenses	3	4
- Other		
m. Operation expenses	62	10
n. Maintenance expenses	23	-
o. Purchase of water	28	-
3. Depreciation expenses		
a. System assets	874	839
b. Plant and equipment	47	51
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	6	11
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	2,993	2,813

Gunnedah Shire Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

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

\$'000	Actuals 2015	Actuals 2014
Income		
6. Residential charges		
a. Access (including rates)	665	662
b. Usage charges	1,805	2,034
7. Non-residential charges		
a. Access (including rates)	151	147
b. Usage charges	855	790
8. Extra charges	-	-
9. Interest income	344	303
10. Other income	4	2
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	40	40
c. Other grants	-	-
12. Contributions		
a. Developer charges	208	201
b. Developer provided assets	591	315
c. Other contributions	-	65
13. Total income	4,663	4,559
14. Gain (or loss) on disposal of assets	(437)	-
15. Operating Result	1,233	1,746
15a. Operating Result (less grants for acquisition of assets)	1,233	1,746

Gunnedah Shire Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

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

\$'000	Actuals 2015	Actuals 2014
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	125	-
b. New Assets for Growth	804	36
c. Renewals	236	1,082
d. Plant and equipment	29	-
17. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	1,194	1,118
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)	3,980	4,005
b. Residential (unoccupied, ie. vacant lot)	205	150
c. Non-residential (occupied)	422	595
d. Non-residential (unoccupied, ie. vacant lot)	-	10
25. Number of ETs for which developer charges were received	22 ET	26 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 72,303	\$ 73,127

Gunnedah Shire Council

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

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, 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 2014/15 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
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.

Gunnedah Shire Council

Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2015

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	2,476	-	2,476
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	8,889	-	8,889
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	86	-	86
c. User Charges	424	-	424
d. Other	1	-	1
32. Inventories	113	-	113
33. Property, plant and equipment			
a. System assets	-	39,828	39,828
b. Plant and equipment	-	1,123	1,123
34. Other assets	-	-	-
35. Total assets	<u>11,989</u>	<u>40,951</u>	<u>52,940</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	7	-	7
38. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	<u>7</u>	<u>-</u>	<u>7</u>
41. NET ASSETS COMMITTED	<u>11,982</u>	<u>40,951</u>	<u>52,933</u>
EQUITY			
42. Accumulated surplus			29,097
43. Asset revaluation reserve			23,836
44. TOTAL EQUITY			<u>52,933</u>
Note to system assets:			
45. Current replacement cost of system assets			65,876
46. Accumulated current cost depreciation of system assets			(26,048)
47. Written down current cost of system assets			<u>39,828</u>

Gunnedah Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement

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

\$'000	Actuals 2015	Actuals 2014
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	399	273
b. Engineering and Supervision	131	148
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	-	-
b. Maintenance expenses	199	144
- Pumping Stations		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	68	72
e. Maintenance expenses	45	38
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	-	-
g. Chemical costs	3	-
h. Energy costs	-	-
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	206	192
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	78	56
3. Depreciation expenses		
a. System assets	693	669
b. Plant and equipment	18	18
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	1,840	1,610

Gunnedah Shire Council

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

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

\$'000	Actuals 2015	Actuals 2014
Income		
6. Residential charges (including rates)	1,751	1,608
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	565	585
8. Trade Waste Charges		
a. Annual Fees	9	46
b. Usage charges	33	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	300	257
11. Other income	-	5
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	37	38
c. Other grants	-	-
13. Contributions		
a. Developer charges	1,021	134
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	3,716	2,673
15. Gain (or loss) on disposal of assets	-	-
16. Operating Result	1,876	1,063
16a. Operating Result (less grants for acquisition of assets)	1,876	1,063

Gunnedah Shire Council

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

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

\$'000	Actuals 2015	Actuals 2014
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	1,259	-
c. Renewals	252	260
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	1,511	260
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)	3,466	3,463
b. Residential (unoccupied, ie. vacant lot)	146	87
c. Non-residential (occupied)	10	13
d. Non-residential (unoccupied, ie. vacant lot)	-	-
26. Number of ETs for which developer charges were received	14 ET	22 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 67,335	\$ 67,517

Gunnedah Shire Council

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

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

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

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

Gunnedah Shire Council

Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2015

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	972	-	972
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	8,261	-	8,261
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	158	-	158
c. User Charges	58	-	58
d. Other	1	-	1
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	30,790	30,790
b. Plant and equipment	-	1,585	1,585
35. Other assets	-	-	-
36. Total Assets	9,450	32,375	41,825
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	1	-	1
39. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	1	-	1
42. NET ASSETS COMMITTED	9,449	32,375	41,824
EQUITY			
42. Accumulated surplus			14,208
44. Asset revaluation reserve			27,616
45. TOTAL EQUITY			41,824
Note to system assets:			
46. Current replacement cost of system assets			52,924
47. Accumulated current cost depreciation of system assets			(22,134)
48. Written down current cost of system assets			30,790

Gunnedah Shire Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2015

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Gunnedah Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Buildings	Council Offices / Administration Centres	17	24	24	3,237	9%	16%	72%	3%	0%
	Council Works Depot	-	36	36	1,584	7%	17%	74%	2%	0%
	Public Halls	-	96	92	6,751	6%	24%	59%	10%	1%
	Cultural Facilities	7	11	11	4,086	3%	37%	54%	6%	0%
	Saleyards	-	3	3	264	4%	0%	96%	0%	0%
	Waste Depot	156	16	16	1,028	5%	74%	17%	4%	0%
	Council Housing	-	20	2	1,069	7%	1%	62%	6%	24%
	Emergency Services	-	48	48	923	5%	27%	68%	0%	0%
	Swimming Pools	-	4	4	1,332	0%	0%	100%	0%	0%
	Showground	-	7	7	8,271	1%	20%	68%	10%	1%
	Aerodrome	-	1	1	550	2%	40%	56%	2%	0%
	Sporting Grounds	-	19	14	3,081	10%	6%	73%	11%	0%
	Other	-	4	10	45	100%	0%	0%	0%	0%
	sub total		180	289	268	32,221	4.8%	21.7%	64.9%	7.2%
Other Structures	Other Structures	8	4	4	596	6%	22%	5%	58%	9%
	Saleyards	-	212	212	2,815	22%	56%	22%	0%	0%
	Waste	-	6	6	111	0%	100%	0%	0%	0%
	sub total	8	222	222	3,522	18.6%	51.6%	18.4%	9.8%	1.5%

Gunnedah Shire Council

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

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Roads	Sealed Roads	2,371	681	681	56,867	34%	32%	34%	0%	0%
	Unsealed Roads	1,256	1,489	1,489	71,781	24%	22%	53%	1%	0%
	Urban Roads	1,321	308	308	38,204	41%	25%	32%	2%	0%
	Bridges	1,370	6	6	7,616	29%	36%	21%	14%	0%
	Culverts Rural	-	-	-	14,437	21%	42%	31%	6%	0%
	Footpaths	-	42	42	5,735	58%	29%	13%	0%	0%
	Kerb and Gutter	393	30	30	12,504	11%	78%	11%	0%	0%
	Car Parks	-	12	12	464	41%	49%	10%	0%	0%
	Bus Shelters	-	4	4	177	73%	27%	0%	0%	0%
	Aerodrome	693	95	95	1,017	22%	7%	39%	32%	0%
	Causeways	-	-	-	3,655	40%	20%	30%	10%	0%
	Traffic Island/Guard Rails & Signs	-	118	118	2,435	59%	25%	12%	4%	0%
	sub total	7,404	2,785	2,785	214,892	30.5%	30.5%	37.1%	2.0%	0.0%
Water Supply Network	Bores	-	-	-	1,525	18%	23%	18%	35%	6%
	Mains	612	645	645	35,300	30%	32%	18%	20%	0%
	Reservoirs	-	37	7	2,638	7%	16%	46%	23%	8%
	Pumping Station/s	-	131	131	365	17%	23%	17%	37%	6%
	sub total	612	813	783	39,828	27.9%	30.5%	19.8%	20.9%	0.8%
Sewerage Network	Pump Stations	-	40	40	1,119	0%	50%	50%	0%	0%
	Pipeline	284	172	172	25,314	9%	15%	17%	59%	0%
	Treatment Works	-	178	178	4,356	0%	48%	0%	52%	0%
	sub total	284	390	390	30,789	7.4%	20.9%	15.8%	55.9%	0.0%

Gunnedah Shire Council

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

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Stormwater Drainage	Stormwater Works	5	31	31	23,190	40%	31%	28%	1%	0%
	sub total	5	31	31	23,190	40.0%	31.0%	28.0%	1.0%	0.0%
Open Space/ Recreational Assets	Swimming Pools	1,500	40	40	991	0%	0%	75%	25%	0%
	Parks Infrastructure	76	46	46	1,171	35%	45%	20%	0%	0%
	sub total	1,576	86	86	2,162	19.0%	24.4%	45.2%	11.5%	0.0%
	TOTAL - ALL ASSETS	10,069	4,616	4,565	346,604	26.2%	29.0%	35.0%	9.5%	0.2%

Notes:

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

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

Gunnedah Shire Council

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods	
			2014	2013
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures Renewals Ratio				
Asset Renewals				
<u>(Building, Infrastructure & Other Structures) ⁽¹⁾</u>	<u>6,902</u>	103.87%	121.79%	115.24%
Depreciation, Amortisation & Impairment	6,645			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>10,069</u>			
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>346,604</u>	2.91%	4.27%	5.82%
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>4,565</u>			
Required Asset Maintenance	4,616	0.99	0.95	1.03
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>11,891</u>			
Annual Depreciation	9,035	1.32	1.85	1.20

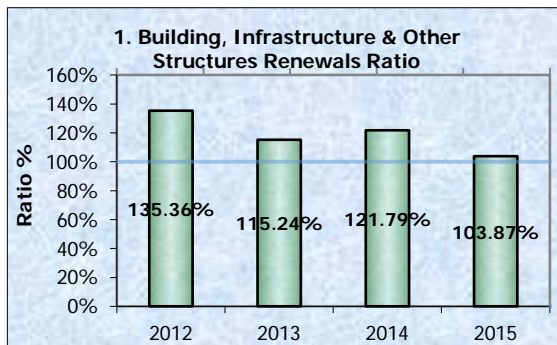
Notes

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

⁽²⁾ Written Down Value

Gunnedah Shire Council

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



Purpose of Asset Renewals Ratio

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

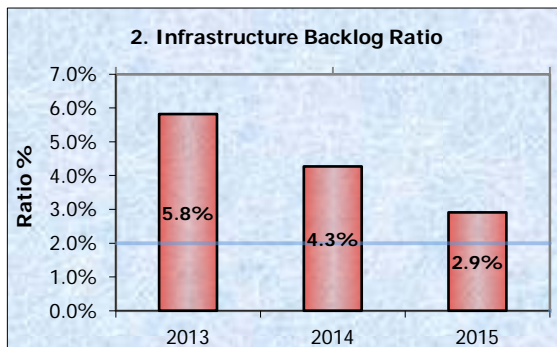
Commentary on 2014/15 Result

2014/15 Ratio 103.87%

Council's long term objective is to match spending on infrastructure renewals with their systematic deterioration. This requires the renewal ratio to approach 100% over the long term. Council has achieved 103.87% this year. More detailed information is available from Council's Strategic Asset Management Plans.

Benchmark: —— Minimum $\geq 100.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Infrastructure Backlog Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 2.91%

This Ratio shows a positive trend as Council continues to tackle its Infrastructure Backlog.

Benchmark: —— Maximum < 0.02
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Asset Maintenance Ratio

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

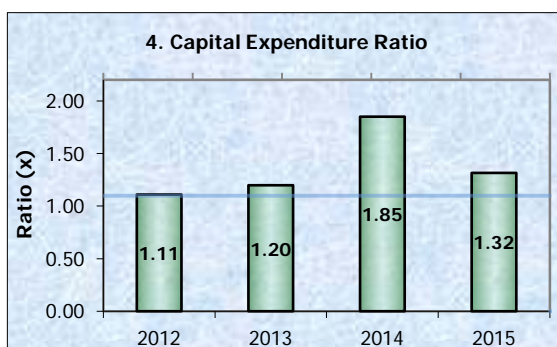
Commentary on 2014/15 Result

2014/15 Ratio 0.99 x

This ratio reflects Council's commitment to maintaining current assets and improving where fiscally responsible.

Benchmark: —— Minimum > 1.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Capital Expenditure Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 1.32 x

Council is currently renewing assets at a greater rate than the deterioration to improve the asset renewal backlog. Council's long term goal is for a ratio of 1.0.

Benchmark: —— Minimum > 1.10
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark

Gunnedah Shire Council

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

\$ '000	Water 2015	Sewer 2015	General ⁽¹⁾ 2015
Infrastructure Asset Performance Indicators By Fund			
1. Building, Infrastructure & Other Structures Renewals Ratio			
Asset Renewals (Building, Infrastructure & Other Structures) ⁽²⁾	76.91%	86.56%	110.87%
Depreciation, Amortisation & Impairment			
prior period:	165.44%	38.86%	125.58%
2. Infrastructure Backlog Ratio			
Estimated Cost to bring Assets to a Satisfactory Condition			
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	1.54%	0.92%	3.32%
prior period:	2.57%	21.24%	2.14%
3. Asset Maintenance Ratio			
Actual Asset Maintenance			
Required Asset Maintenance	0.96	1.00	0.99
prior period:	1.00	1.00	0.94
4. Capital Expenditure Ratio			
Annual Capital Expenditure			
Annual Depreciation	0.82	2.13	1.30
prior period:	1.26	0.38	2.07

Notes

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

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

⁽³⁾ Written Down Value

Gunnedah Shire Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	9,807	10,660
Plus or minus Adjustments ⁽²⁾	b	27	30
Notional General Income	c = (a + b)	9,834	10,690
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	8.50%	9.50%
or Rate peg percentage	e	0.00%	0.00%
or Crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = d x (c-g)	836	1,016
or plus Rate peg amount	i = c x e	-	-
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	10,670	11,706
plus (or minus) last year's Carry Forward Total	l	(8)	2
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	(8)	2
Total Permissible income	o = k + n	10,662	11,708
less Notional General Income Yield	p	10,660	11,698
Catch-up or (excess) result	q = o - p	2	10
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	-
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	2	10

Notes

- The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.

Gunnedah Shire Council

Report on Special Schedule No. 9

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhn.com.au
www.uhyhnsydney.com.au

Scope

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No.9) of Gunnedah Shire Council ("the Council") for 30 June 2016.

Councillors' Responsibility for Special Schedule No.9

The Councillors of the Council are responsible for the preparation and fair presentation of Special Schedule No.9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No.23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No.9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

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

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

Independence

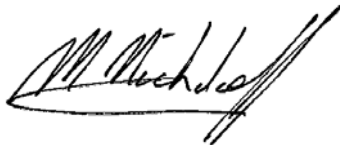
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

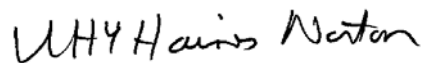
In our opinion, Special Schedule No.9 of Gunnedah Shire Council for the year ending 30 June 2016 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

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



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed in Sydney on 28th October 2015