



Gunnedah Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

“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 2014

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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 15 October 2014. 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 2014

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 2014.

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 2014

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 15 October 2014.



O HASLER
MAYOR



R G SWAIN
COUNCILLOR



E J GROTH
GENERAL MANAGER



K P CHUA
RESPONSIBLE ACCOUNTING OFFICER

Gunnedah Shire Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
13,686	Rates & Annual Charges	3a	13,733	12,556
7,728	User Charges & Fees	3b	9,995	8,245
998	Interest & Investment Revenue	3c	1,485	1,676
422	Other Revenues	3d	778	597
10,524	Grants & Contributions provided for Operating Purposes	3e,f	8,486 ²	10,371
538	Grants & Contributions provided for Capital Purposes	3e,f	1,048	1,729
Other Income:				
-	Net gains from the disposal of assets	5	369	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
33,896	Total Income from Continuing Operations		35,894	35,174
Expenses from Continuing Operations				
12,482	Employee Benefits & On-Costs	4a	12,406	12,301
367	Borrowing Costs	4b	161	179
8,444	Materials & Contracts	4c	7,058	7,463
8,563	Depreciation & Amortisation	4d	8,589	8,245
-	Impairment	4d	12	2
3,332	Other Expenses	4e	2,599	2,622
102	Net Losses from the Disposal of Assets	5	-	115
33,290	Total Expenses from Continuing Operations		30,825	30,927
606	Operating Result from Continuing Operations		5,069	4,247
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
606	Net Operating Result for the Year		5,069	4,247
606	Net Operating Result attributable to Council		5,069	4,247
-	Net Operating Result attributable to Non-controlling Interests		-	-
68	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		4,021	2,518

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

Gunnedah Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		5,069	4,247
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	1,828	8,052
Total Items which will not be reclassified subsequently to the Operating Result		1,828	8,052
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		1,828	8,052
Total Comprehensive Income for the Year		6,897	12,299
Total Comprehensive Income attributable to Council		6,897	12,299
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Gunnedah Shire Council

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013	Actual 2012
ASSETS				
Current Assets				
Cash & Cash Equivalents	6a	1,359	1,336	2,248
Investments	6b	40,336	31,801	24,331
Receivables	7	4,488	4,028	3,852
Inventories	8	411	413	406
Other	8	28	77	47
Non-current assets classified as 'held for sale'	22	-	-	-
Total Current Assets		46,622	37,655	30,884
Non-Current Assets				
Investments	6b	-	1,452	5,707
Receivables	7	39	53	65
Inventories	8	-	-	-
Infrastructure, Property, Plant & Equipment	9	305,562	296,437	285,311
Investments accounted for using the equity method	19	-	-	-
Investment Property	14	-	-	-
Intangible Assets	25	-	-	-
Total Non-Current Assets		305,601	297,942	291,083
TOTAL ASSETS		352,223	335,597	321,967
LIABILITIES				
Current Liabilities				
Payables	10	2,785	2,416	2,598
Borrowings	10	516	386	399
Provisions	10	3,752	3,866	3,482
Total Current Liabilities		7,053	6,668	6,479
Non-Current Liabilities				
Payables	10	-	-	-
Borrowings	10	5,480	996	1,382
Provisions	10	6,612	1,752	1,662
Total Non-Current Liabilities		12,092	2,748	3,044
TOTAL LIABILITIES		19,145	9,416	9,523
Net Assets		333,078	326,181	312,444
EQUITY				
Retained Earnings	20	171,760	166,691	161,006
Revaluation Reserves	20	161,318	159,490	151,438
Council Equity Interest		333,078	326,181	312,444
Non-controlling Interest		-	-	-
Total Equity		333,078	326,181	312,444

Gunnedah Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2014

\$ '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)	1,438	-	1,438	-	1,438
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		166,691	159,490	326,181	-	326,181
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
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
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		171,760	161,318	333,078	-	333,078
2013						
Opening Balance (as per Last Year's Audited Accounts)		161,006	151,438	312,444	-	312,444
a. Correction of Prior Period Errors	20 (c)	1,438	-	1,438	-	1,438
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		162,444	151,438	313,882	-	313,882
c. Net Operating Result for the Year		4,247	-	4,247	-	4,247
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	8,052	8,052	-	8,052
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	8,052	8,052	-	8,052
Total Comprehensive Income (c&d)		4,247	8,052	12,299	-	12,299
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		166,691	159,490	326,181	-	326,181

Gunnedah Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
13,726	Rates & Annual Charges		13,541	12,563
7,671	User Charges & Fees		9,375	7,586
893	Investment & Interest Revenue Received		1,462	1,522
10,821	Grants & Contributions		9,810	12,503
416	Other		2,690	757
Payments:				
(12,482)	Employee Benefits & On-Costs		(12,423)	(11,893)
(8,360)	Materials & Contracts		(6,754)	(7,799)
(333)	Borrowing Costs		(87)	(114)
(3,435)	Other		(4,451)	(2,652)
8,917	Net Cash provided (or used in) Operating Activities	11b	13,163	12,473
Cash Flows from Investing Activities				
Receipts:				
2,000	Sale of Investment Securities		60,500	61,500
1,179	Sale of Infrastructure, Property, Plant & Equipment		654	710
6	Deferred Debtors Receipts		14	12
Payments:				
(1,000)	Purchase of Investment Securities		(67,473)	(64,500)
(16,013)	Purchase of Infrastructure, Property, Plant & Equipment		(11,449)	(10,708)
(13,828)	Net Cash provided (or used in) Investing Activities		(17,754)	(12,986)
Cash Flows from Financing Activities				
Receipts:				
5,000	Proceeds from Borrowings & Advances		5,000	-
Payments:				
(470)	Repayment of Borrowings & Advances		(386)	(399)
4,530	Net Cash Flow provided (used in) Financing Activities		4,614	(399)
(381)	Net Increase/(Decrease) in Cash & Cash Equivalents		23	(912)
2,918	plus: Cash & Cash Equivalents - beginning of year	11a	1,336	2,248
2,537	Cash & Cash Equivalents - end of the year	11a	1,359	1,336
Additional Information:				
	plus: Investments on hand - end of year	6b	40,336	33,253
Total Cash, Cash Equivalents & Investments			41,695	34,589

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 2014

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n/a - not applicable

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Notes to the Financial Statements

for the financial year ended 30 June 2014

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

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

(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 2013.

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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(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)].

(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 the entity and specific criteria have been met for each of the Council's activities as described below.

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

rateable property or, where earlier, upon receipt of the rates.

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

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(i) The Consolidated Fund

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

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

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

- *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*

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

Council has no interest in any Joint Venture Entities, Assets or Operations.

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 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.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no

reversals of fair value gains or losses recorded before reclassification date are subsequently made.

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

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.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

(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;

- **Investment Properties** – refer Note 1(p),
- **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)

Gunnedah Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

- **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.

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

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

Other Structures	> \$2,000
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Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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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- Bridge : Other	50 years
- Road Pavements	60 years
- Kerb, Gutter & Paths	40 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
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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

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	80 to 100 years
- Culverts	50 to 80 years

Transportation Assets

- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	60 years
- Unsealed roads	20 years
- Bridge : Concrete	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).

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(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.

(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 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 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

Gunnedah Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 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.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 employee benefit obligations disclosed under payables.

Council holds 30% of Employee Entitlements 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.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 2014 the prior period deficit still exists.

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities.

As a result, they have asked for significant increases in future contributions to recover that deficiency.

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

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

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

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 30/6/14.

(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

Gunnedah Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

liability is classified as current even if not expected to be settled within the next 12 months.

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

Applicable to Local Government but no implications for Council;

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

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

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities)

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

Not applicable to Local Government per se;

None

There are no other standards that are "not yet effective" and expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

(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 2014

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
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	3	1	5	728	839	725	(725)	(838)	(720)	-	-	29	5,577
Administration	137	374	186	3,415	5,271	4,902	(3,278)	(4,897)	(4,716)	35	-	14,403	8,069
Public Order & Safety	46	248	150	463	518	494	(417)	(270)	(344)	-	-	1,635	1,770
Health	26	35	50	80	23	78	(54)	12	(28)	-	-	344	354
Environment	2,853	3,345	3,085	3,130	2,679	2,825	(277)	666	260	605	214	27,363	21,616
Community Services & Education	3,714	3,800	3,700	3,505	3,320	3,482	209	480	218	3,713	3,585	2,218	2,173
Housing & Community Amenities	910	704	886	1,065	811	804	(155)	(107)	82	12	56	6,653	7,680
Water Supplies	3,122	4,197	3,511	2,959	2,325	2,499	163	1,872	1,012	40	79	51,118	46,888
Sewerage Services	2,189	2,664	2,370	1,896	1,247	1,302	293	1,417	1,068	38	37	39,115	37,266
Recreation & Culture	724	690	794	3,787	3,045	3,127	(3,063)	(2,355)	(2,333)	50	75	37,438	35,457
Mining, Manufacturing & Construction	606	7	6	983	841	708	(377)	(834)	(702)	-	-	1,373	1,277
Transport & Communication	2,942	6,246	5,797	9,060	8,511	8,315	(6,118)	(2,265)	(2,518)	1,032	2,211	163,386	160,446
Economic Affairs	1,931	1,191	1,271	2,219	1,395	1,666	(288)	(204)	(395)	20	-	7,148	7,024
Total Functions & Activities	19,203	23,502	21,811	33,290	30,825	30,927	(14,087)	(7,323)	(9,116)	5,545	6,257	352,223	335,597
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	14,693	12,392	13,363	-	-	-	14,693	12,392	13,363	2,114	3,842	-	-
Operating Result from Continuing Operations	33,896	35,894	35,174	33,290	30,825	30,927	606	5,069	4,247	7,659	10,099	352,223	335,597

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 2014

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 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		2,947	2,669
Farmland		3,832	3,543
Mining		1,036	768
Business		1,679	1,616
Total Ordinary Rates		9,494	8,596
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		1,781	1,683
Stormwater Management Services		93	92
Water Supply Services		776	747
Sewerage Services		1,589	1,438
Total Annual Charges		4,239	3,960
TOTAL RATES & ANNUAL CHARGES		13,733	12,556

Council has used 2010 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 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		442	490
Water Supply Services		2,501	2,142
Sewerage Services		585	527
Waste Management Services (non-domestic)		46	38
Total User Charges		3,574	3,197
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		261	407
Private Works - Section 67		113	375
Regulatory/ Statutory Fees		57	54
Registration Fees		27	31
Section 149 Certificates (EPA Act)		32	37
Section 603 Certificates		31	37
Total Fees & Charges - Statutory/Regulatory		521	941
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		14	10
Aged Care		70	100
Caravan Park		41	8
Cemeteries		125	109
Conferences		-	2
Library & Art Gallery		5	5
Noxious Weeds		28	10
Park Rents		68	86
Public Halls		3	2
RMS (formerly RTA) Charges (State Roads not controlled by Council)		4,274	2,665
Saleyards		870	705
Swimming Pools		188	177
Theatre		185	180
Tourism		18	29
Other		11	19
Total Fees & Charges - Other		5,900	4,107
TOTAL USER CHARGES & FEES		9,995	8,245

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		82	96
- Interest earned on Investments (interest & coupon payment income)		1,293	1,365
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		110	215
TOTAL INTEREST & INVESTMENT REVENUE		1,485	1,676
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		82	60
General Council Cash & Investments		702	865
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		45	44
- Section 64		92	93
Water Fund Operations		236	279
Sewerage Fund Operations		232	222
Domestic Waste Management operations		96	113
Total Interest & Investment Revenue Recognised		1,485	1,676
(d) Other Revenues			
Rental Income - Other Council Properties		88	112
Fines		9	6
Fines - Parking		11	3
Legal Fees Recovery - Other		54	40
Commissions & Agency Fees		39	25
Diesel Rebate		98	-
Insurance Claim Recoveries		-	24
Recycling Income (non domestic)		1	-
Sales - Domestic Waste		76	105
Sales - Events		8	5
Sales - General		1	16
Sales - Swimming Pools		109	115
Sales - Theatre		60	50
Sales - Tourism		18	25
Reimbursements		63	61
Bad Debts - Recovered		72	-
Government Paid Parental Leave		54	-
Other		17	10
TOTAL OTHER REVENUE		778	597

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,292	2,371	-	-
Financial Assistance - Local Roads Component	735	1,384	-	-
Pensioners' Rates Subsidies - General Component	87	87	-	-
Total General Purpose	2,114	3,842	-	-

¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.

Specific Purpose

Pensioners' Rates Subsidies:

- Water	40	40	-	-
- Sewerage	38	38	-	-
- Domestic Waste Management	39	44	-	-
Water Supplies	-	-	-	38
Community Care	3,713	3,585	-	-
Community Centres	-	-	-	20
Environmental Protection	226	20	49	-
Heritage & Cultural	5	-	-	-
Library	46	46	-	-
Noxious Weeds	291	194	-	-
Recreation & Culture	-	9	-	-
Saleyards	-	-	20	-
Street Lighting	12	12	-	-
Transport (Roads to Recovery)	303	1,068	-	-
Transport (Other Roads & Bridges Funding)	728	1,029	-	114
Information Technology	-	-	35	-
Total Specific Purpose	5,441	6,085	104	172
Total Grants	7,555	9,927	104	172

Grant Revenue is attributable to:

- Commonwealth Funding	4,697	7,201	-	172
- State Funding	2,829	2,726	104	-
- Other Funding	29	-	-	-
	7,555	9,927	104	172

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	224	293
S 64 - Water Supply Contributions	-	-	201	106
S 64 - Sewerage Service Contributions	-	-	134	74
S 64 - Stormwater Contributions	-	-	70	-
Total Developer Contributions	17 -	-	629	473
Other Contributions:				
Breeza Park Toilets	-	-	-	7
Community Services	-	1	-	-
Emergency Services	189	113	-	-
Recreation & Culture	10	-	-	86
Roads & Bridges	438	203	-	663
Saleyards	60	37	-	-
Water Supplies (excl. Section 64 contributions)	65	90	315	-
Riverine Project	147	-	-	328
ELE Contributions - Other Councils	22	-	-	-
Total Other Contributions	931	444	315	1,084
Total Contributions	931	444	944	1,557
TOTAL GRANTS & CONTRIBUTIONS	8,486	10,371	1,048	1,729

\$ '000	Actual 2014	Actual 2013
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(g) Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	5,918	4,424
add: Grants & contributions recognised in the current period but not yet spent:	1,255	1,668
less: Grants & contributions recognised in a previous reporting period now spent:	(259)	(174)

Net Increase (Decrease) in Restricted Assets during the Period **996** **1,494**

Unexpended and held as Restricted Assets **6,914** **5,918**

Comprising:

- Specific Purpose Unexpended Grants	2,076	1,614
- Developer Contributions	4,838	4,222
- Other Contributions	-	82
	6,914	5,918

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		9,900	9,882
Travelling		142	174
Employee Leave Entitlements (ELE)		1,723	1,138
Superannuation		1,218	1,194
Workers' Compensation Insurance		216	434
Fringe Benefit Tax (FBT)		46	36
Payroll Tax		38	39
Training Costs (other than Salaries & Wages)		186	201
Other		96	65
Total Employee Costs		13,565	13,163
less: Capitalised Costs		(1,159)	(862)
TOTAL EMPLOYEE COSTS EXPENSED		12,406	12,301
Number of "Equivalent Full Time" Employees at year end		166	170
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		177	178
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Overdraft		-	1
Interest on Loans		90	107
Interest on Advances		-	5
Total Interest Bearing Liability Costs Expensed		90	113
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	71	66
Total Other Borrowing Costs		71	66
TOTAL BORROWING COSTS EXPENSED		161	179

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts			
Raw Materials & Consumables		14,637	14,908
Contractor & Consultancy Costs			
- Environmental Consultants		-	26
- Governance		8	40
- Information Technology		42	25
- Parking		11	-
- Planning		89	131
- Water Services		-	13
- Human Resources		31	-
- Domestic Waste Management		16	-
- Community Services		33	-
- Tourism/Economic Development		13	-
- Community Planning & Development		20	-
- Other		21	37
Auditors Remuneration ⁽¹⁾		21	26
Legal Expenses:			
- Legal Expenses: Planning & Development		24	1
- Legal Expenses: Debt Recovery		59	58
- Legal Expenses: Other		3	14
Total Materials & Contracts		15,028	15,279
less: Capitalised Costs		(7,970)	(7,816)
TOTAL MATERIALS & CONTRACTS		7,058	7,463
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		21	26
Remuneration for audit and other assurance services		21	26
Total Auditor Remuneration		21	26

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		2	1	1,621	1,542
Office Equipment		-	1	269	250
Furniture & Fittings		7	-	63	51
Buildings - Non Specialised		-	-	244	229
Buildings - Specialised		-	-	313	338
Other Structures		-	-	92	86
Infrastructure:					
- Roads		-	-	3,889	3,752
- Bridges		-	-	98	98
- Footpaths		-	-	50	49
- Stormwater Drainage		-	-	219	206
- Water Supply Network		-	-	839	820
- Sewerage Network		-	-	669	649
- Swimming Pools		-	-	27	23
- Other Open Space/Recreational Assets		-	-	45	43
Other Assets					
- Library Books		-	-	9	7
- Other		3	-	93	52
Asset Reinstatement Costs	9 & 26	-	-	49	50
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		12	2	8,589	8,245

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		104	102
Bad & Doubtful Debts		11	7
Bank Charges		30	34
Computer Software Charges		166	153
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		19	20
- NSW Rural Fire Service Levy		153	151
Councillor Expenses - Mayoral Fee		24	24
Councillor Expenses - Councillors' Fees		93	90
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		49	48
Election Expenses		-	8
Electricity & Heating		848	895
Gas		7	8
Insurance		495	457
Postage		42	39
Printing & Stationery		109	118
Street Lighting		198	186
Subscriptions & Publications		25	14
Telephone & Communications		176	225
Valuation Fees		44	41
Other		9	2
Total Other Expenses		2,602	2,622
less: Capitalised Costs		(3)	-
<u>TOTAL OTHER EXPENSES</u>		<u>2,599</u>	<u>2,622</u>

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	9
less: Carrying Amount of Property Assets Sold / Written Off		-	(11)
Net Gain/(Loss) on Disposal		-	(2)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		654	701
less: Carrying Amount of P&E Assets Sold / Written Off		(152)	(735)
Net Gain/(Loss) on Disposal		502	(34)
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(133)	(79)
Net Gain/(Loss) on Disposal		(133)	(79)
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		60,500	61,500
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(60,500)	(61,500)
Net Gain/(Loss) on Disposal		-	-
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>369</u>	<u>(115)</u>

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		358	-	1,085	-
Cash-Equivalent Assets ¹					
- Deposits at Call		1,001	-	251	-
Total Cash & Cash Equivalents		1,359	-	1,336	-
Investments (Note 6b)					
- Long Term Deposits		38,804	-	29,831	-
- Equity Linked Notes		1,532	-	-	1,452
- NCD's, FRN's (with Maturities > 3 months)		-	-	1,970	-
Total Investments		40,336	-	31,801	1,452
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		41,695	-	33,137	1,452

¹ Those Investments where time to maturity (from date of purchase) is < 3 months.

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"		1,359	-	1,336	-
---	--	--------------	----------	--------------	----------

Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	1,532	-	1,970	1,452
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	38,804	-	29,831	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		40,336	-	31,801	1,452

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 2014

Note 6b. Investments (continued)

\$ '000	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 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	1,970	1,452	-	5,707
Revaluations (through the Income Statement)	110	-	-	215
Disposals (sales & redemptions)	(2,000)	-	-	(2,500)
Transfers between Current/Non Current	1,452	(1,452)	1,970	(1,970)
Balance at End of Year	1,532	-	1,970	1,452
Comprising:				
- Equity Linked Notes	1,532	-	-	1,452
- NCD's, FRN's (with Maturities > 3 months)	-	-	1,970	-
Total	1,532	-	1,970	1,452
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	29,831	-	24,331	-
Additions	67,473	-	64,500	-
Disposals (sales & redemptions)	(58,500)	-	(59,000)	-
Balance at End of Year	38,804	-	29,831	-
Comprising:				
- Long Term Deposits	38,804	-	29,831	-
Total	38,804	-	29,831	-
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	41,695	-	33,137	1,452
attributable to:				
External Restrictions (refer below)	25,842	-	20,924	1,452
Internal Restrictions (refer below)	12,281	-	10,799	-
Unrestricted	3,572	-	1,414	-
	41,695	-	33,137	1,452

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	1,443	322	16	1,781
Developer Contributions - Water Fund (D)	1,953	266	-	2,219
Developer Contributions - Sewer Fund (D)	826	178	(166)	838
Specific Purpose Unexpended Grants (F)	1,614	462	-	2,076
Water Supplies (G)	7,036	1,059	-	8,095
Sewerage Services (G)	6,611	1,230	-	7,841
Domestic Waste Management (G)	2,805	181	-	2,986
Breeza Hall Toilets - Contribution	82	-	(82)	-
Other	6	-	-	6
External Restrictions - Other	22,376	3,698	(232)	25,842
Total External Restrictions	22,376	3,698	(232)	25,842

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

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)

G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	2,775	202	(125)	2,852
Employees Leave Entitlement	1,168	75	(100)	1,143
Aerodrome	531	67	(72)	526
Business Partnering Program	26	-	-	26
Community Facilities Fund	510	118	(77)	551
Contract Works	189	-	-	189
Future Works	1,752	4,184	(1,752)	4,184
Gravel Pit Restoration	160	93	-	253
Land	45	-	-	45
Information Technology	12	-	-	12
Parking Areas	83	-	-	83
Roads	2,301	-	(1,983)	318
Saleyards	800	124	-	924
Storm Water - Contingency	100	-	-	100
Strategic Planning	164	-	-	164
Tourism	186	-	-	186
Fleet	179	317	-	496
Depot Refuelling Upgrade	-	82	-	82
Other	111	15	(10)	116
less: Investment Fair Valuation write downs	(293)	324	-	31
Total Internal Restrictions	10,799	5,601	(4,119)	12,281
TOTAL RESTRICTIONS	33,175	9,299	(4,351)	38,123

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,101	-	909	-
Interest & Extra Charges		191	-	185	-
User Charges & Fees		2,114	-	1,287	-
Private Works		483	-	736	-
Contributions to Works		133	-	115	-
Accrued Revenues					
- Interest on Investments		333	-	418	-
- Other Income Accruals		8	-	7	-
Government Grants & Subsidies		104	-	380	-
Deferred Debtors		-	39	-	53
Net GST Receivable		138	-	168	-
Total		4,605	39	4,205	53
less: Provision for Impairment					
Rates & Annual Charges		(10)	-	(10)	-
Interest & Extra Charges		(103)	-	(95)	-
User Charges & Fees		(4)	-	(72)	-
Total Provision for Impairment - Receivables		(117)	-	(177)	-
TOTAL NET RECEIVABLES		4,488	39	4,028	53
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		107	-	84	-
- Other		482	-	352	-
Sewerage Services					
- Rates & Availability Charges		183	-	147	-
- Other		57	-	56	-
Total External Restrictions		829	-	639	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		3,659	39	3,389	53
TOTAL NET RECEIVABLES		4,488	39	4,028	53

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 9.00% (2013 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Gunnedah Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		411	-	413	-
Total Inventories		411	-	413	-
Other Assets					
Prepayments		28	-	77	-
Total Other Assets		28	-	77	-
TOTAL INVENTORIES/OTHER ASSETS		439	-	490	-
Externally Restricted Assets					
Water					
Stores & Materials		121	-	124	-
Total Water		121	-	124	-
Sewerage					
Stores & Materials		-	-	1	-
Total Sewerage		-	-	1	-
Domestic Waste Management					
Nil					
Other					
Nil					
Total Externally Restricted Assets		121	-	125	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		318	-	365	-
TOTAL INVENTORIES & OTHER ASSETS		439	-	490	-

(i) Other Disclosures

(a) Inventory Write Downs

\$ 1,019 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.

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period					as at 30/6/2014				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	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	1,448	-	-	-	1,448	13	-	-	-	-	1,461	-	-	-	1,461
Plant & Equipment	-	18,929	11,125	-	7,804	2,005	(152)	(1,621)	(2)	-	-	18,453	10,419	-	8,034
Office Equipment	-	2,452	1,701	-	751	364	-	(269)	-	-	-	2,225	1,379	-	846
Furniture & Fittings	-	1,135	634	-	501	104	-	(63)	(7)	-	-	976	441	-	535
Land:															
- Operational Land	-	8,361	-	-	8,361	71	-	-	-	-	-	8,432	-	-	8,432
- Community Land	-	5,797	-	-	5,797	-	-	-	-	-	-	5,797	-	-	5,797
Buildings - Non Specialised	-	20,012	7,240	-	12,772	87	-	(244)	-	-	-	20,099	7,484	-	12,615
Buildings - Specialised	-	29,768	9,763	-	20,005	194	-	(313)	-	-	-	29,962	10,076	-	19,886
Other Structures	-	4,460	1,077	-	3,383	238	-	(92)	-	-	-	4,699	1,170	-	3,529
Infrastructure:															
- Roads	-	238,091	101,048	-	137,043	6,078	(126)	(3,889)	-	-	-	243,907	104,801	-	139,106
- Bridges	-	11,993	5,167	-	6,826	-	-	(98)	-	-	-	11,993	5,265	-	6,728
- Footpaths	-	3,969	630	-	3,339	198	-	(50)	-	-	-	4,167	680	-	3,487
- Stormwater Drainage	-	21,884	5,195	-	16,689	266	-	(219)	-	-	-	22,150	5,414	-	16,736
- Water Supply Network	-	61,782	24,008	-	37,774	1,433	(7)	(839)	-	1,042	-	64,564	25,161	-	39,403
- Sewerage Network	-	48,615	19,857	-	28,758	260	-	(669)	-	786	-	50,236	21,101	-	29,135
- Swimming Pools	-	1,912	867	-	1,045	-	-	(27)	-	-	-	1,912	894	-	1,018
- Other Open Space/Recreational Assets	-	1,849	689	-	1,160	7	-	(45)	-	-	-	1,855	733	-	1,122
Other Assets:															
- Library Books	-	101	15	-	86	26	-	(9)	-	-	-	127	24	-	103
- Other	-	1,788	238	-	1,550	111	-	(93)	(3)	-	-	1,893	328	-	1,565
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):															
- Tip Assets	-	480	43	-	437	4,728	-	(10)	-	-	-	5,208	53	-	5,155
- Quarry Assets	-	1,066	158	-	908	-	-	(39)	-	-	-	1,066	197	-	869
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,448	484,444	189,455	-	296,437	16,183	(285)	(8,589)	(12)	1,828	1,461	499,721	195,620	-	305,562

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$7,898K) and New Assets (\$625K). 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 2014

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

\$ '000	Actual				Actual			
	2014				2013			
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	317	-	-	317	583	-	-	583
Plant & Equipment	-	452	241	211	-	452	191	261
Office Equipment	-	23	10	13	-	23	9	14
Land								
- Operational Land	-	164	-	164	-	164	-	164
Infrastructure	-	64,564	25,161	39,403	-	61,782	24,008	37,774
Total Water Supply	317	65,203	25,412	40,108	583	62,421	24,208	38,796
Sewerage Services								
WIP	481	-	-	481	269	-	-	269
Plant & Equipment	-	196	125	71	-	198	117	81
Office Equipment	-	100	56	44	-	100	47	53
Land								
- Operational Land	-	465	-	465	-	465	-	465
Infrastructure	-	50,236	21,101	29,135	-	48,615	19,857	28,758
Total Sewerage Services	481	50,997	21,282	30,196	269	49,378	20,021	29,626
Domestic Waste Management								
WIP	-	15	-	15	-	5	-	5
Plant & Equipment	-	296	279	17	-	296	270	26
Office Equipment	-	2	2	-	-	2	2	-
Furniture & Fittings	-	25	4	21	-	25	2	23
Land								
- Operational Land	-	661	-	661	-	661	-	661
- Community Land	-	134	-	134	-	134	-	134
Buildings	-	1,034	192	842	-	1,034	178	856
Other Structures	-	140	73	67	-	140	70	70
Other Assets	-	297	13	284	-	206	-	206
Total DWM	-	2,604	563	2,041	-	2,503	522	1,981
TOTAL RESTRICTED I,PP&E	798	118,804	47,257	72,345	852	114,302	44,751	70,403

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

\$ '000	Notes	Actual 2014	Actual 2013
(i) Impairment Losses recognised in the Income Statement:			
TV, DVD & Cam Recorder - Library - Office Equipment - Not Found		-	(1)
Water leak detector - Water Fund - Plant & Equipment - Not Found		-	(1)
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)	(2)
IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L	4(d)	(12)	(2)

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,491	-	1,189	-
Goods & Services - capital expenditure		665	-	659	-
Payments Received In Advance		170	-	148	-
Accrued Expenses:					
- Borrowings		9	-	6	-
- Salaries & Wages		450	-	414	-
Total Payables		2,785	-	2,416	-
Borrowings					
Loans - Secured ¹		500	5,462	365	962
Government Advances		16	18	21	34
Total Borrowings		516	5,480	386	996
Provisions					
Employee Benefits;					
Annual Leave		1,336	-	1,388	-
Long Service Leave		2,239	237	2,338	169
Wages - Time in Lieu		44	-	47	-
Rostered Days Off		126	-	93	-
Sub Total - Aggregate Employee Benefits		3,745	237	3,866	169
Asset Remediation/Restoration (Future Works) ²⁶		-	6,375	-	1,576
Other		7	-	-	7
Total Provisions		3,752	6,612	3,866	1,752
Total Payables, Borrowings & Provisions		7,053	12,092	6,668	2,748
(i) Liabilities relating to Restricted Assets					
		2014		2013	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		5	-	4	-
Sewer		1	-	1	-
Liabilities relating to externally restricted assets		6	-	5	-
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		6	-	5	-
Total Liabilities relating to Unrestricted Assets		7,047	12,092	6,663	2,748
TOTAL PAYABLES, BORROWINGS & PROVISIONS		7,053	12,092	6,668	2,748

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 2014

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

\$ '000	Actual 2014	Actual 2013
(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	3,034	3,336
Other Liabilities	7	7
	<u>3,041</u>	<u>3,343</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2013		2014			
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Annual Leave	1,388	585	(637)	-	-	1,336
Long Service Leave	2,507	312	(343)	-	-	2,476
Other Leave (enter deta	140	414	(384)	-	-	170
Asset Remediation	1,576	1,460	-	3,339	-	6,375
Other	7	-	-	-	-	7
TOTAL	5,618	2,771	(1,364)	3,339	-	10,364

- 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 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	1,359	1,336
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		1,359	1,336
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		5,069	4,247
Adjust for non cash items:			
Depreciation & Amortisation		8,589	8,245
Net Losses/(Gains) on Disposal of Assets		(369)	115
Impairment Losses Recognition - I,PP&E		12	2
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(110)	(215)
- Other non cash tip asset additions		(4,728)	-
Unwinding of Discount Rates on Reinstatement Provisions		71	66
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(400)	(34)
Increase/(Decrease) in Provision for Doubtful Debts		(60)	6
Decrease/(Increase) in Inventories		2	(7)
Decrease/(Increase) in Other Assets		49	(30)
Increase/(Decrease) in Payables		302	(329)
Increase/(Decrease) in accrued Interest Payable		3	(1)
Increase/(Decrease) in other accrued Expenses Payable		36	-
Increase/(Decrease) in Other Liabilities		22	-
Increase/(Decrease) in Employee Leave Entitlements		(53)	408
Increase/(Decrease) in Other Provisions		4,728	-
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		13,163	12,473

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(c) Non-Cash Investing & Financing Activities			
Recalculation of Remediation - Domestic Waste Management Sites		4,728	-
Developer Contributions to the Gunnedah Water Network		315	-
Total Non-Cash Investing & Financing Activities		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

(d) Investment Property Commitments

Nil

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>3,542</u>	10.31%	7.28%	6.44%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	34,367			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(less ALL Grants & Contributions)</u>	<u>25,881</u>	73.08%	65.39%	63.83%
Total continuing operating revenue ⁽¹⁾	35,415			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>19,830</u>	4.95 : 1	4.81	5.12
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>4,006</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>12,304</u>	22.49	18.76	16.84
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>547</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>1,179</u>	7.96%	7.30%	7.79%
Rates, Annual and Extra Charges Collectible	14,804			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>40,163</u>	20.00	16.36	12.49
Payments from cash flow of operating and financing activities	<u>2,008</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

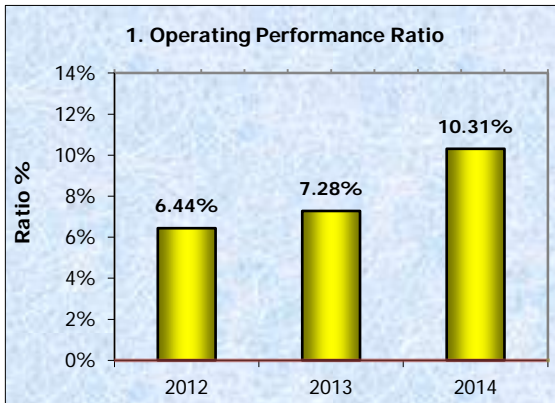
⁽³⁾ Refer to Note 10(a).

⁽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 2014

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



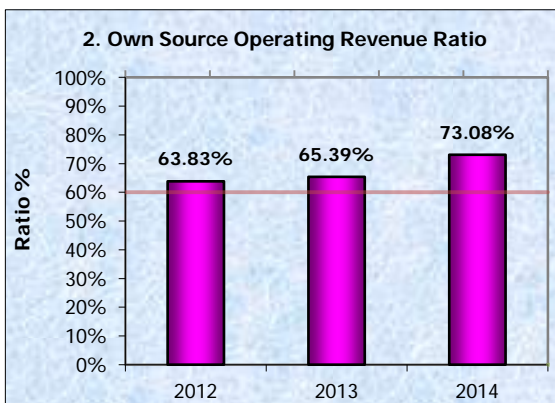
— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Operating Performance Ratio

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

Commentary on 2013/14 Result	
2013/14 Ratio	10.31%
<p>Council continues to maintain operating expenditures within operating revenues. This improved result reflects reduced Materials and Contracts expenses due to increased renewal works. Additional revenue has been received due to the Special Rate Variation.</p>	



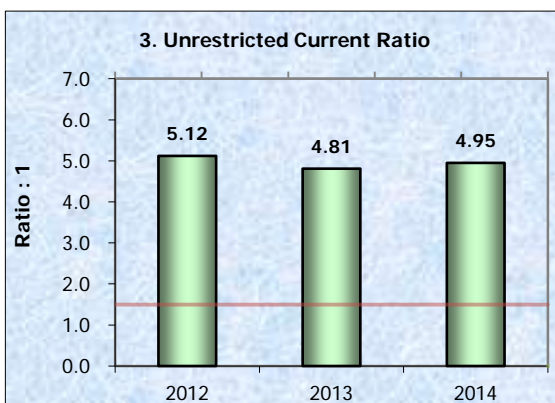
— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting

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 2013/14 Result	
2013/14 Ratio	73.08%
<p>This Ratio reflects councils reliance on Rating income. This addition would reflect the additional income of the Special Rate Variation and a reduction of Grant & contributions received. This remains well above the bench mark.</p>	



— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Unrestricted Current Ratio

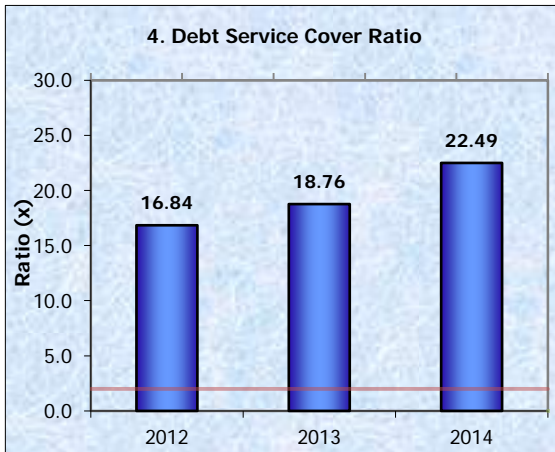
To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2013/14 Result	
2013/14 Ratio	4.95 : 1
<p>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. They are above the Local Government bench mark of 1.50.</p>	

Gunnedah Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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



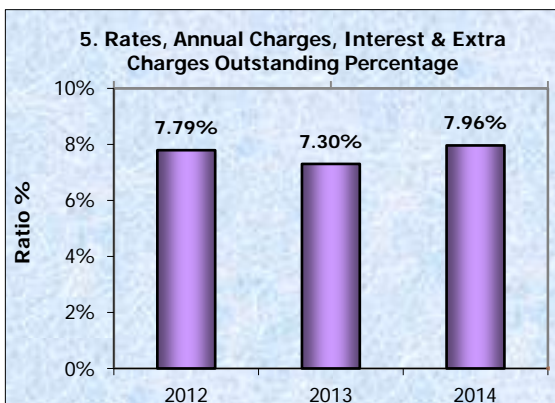
— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

Purpose of Debt Service Cover Ratio

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

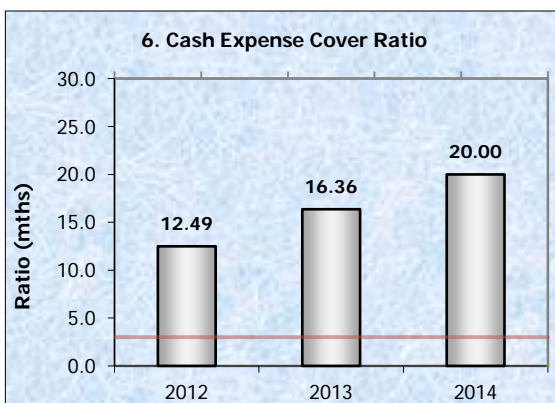
Commentary on 2013/14 Result	
2013/14 Ratio	22.49
<p>This result has been affected by the improved operating result for the year due to the additional income from the Special Rate Variation. Council borrowed \$5 million in June 2014 and would expect to see a reduction in this ratio next year. Council still remains in a strong position to borrow into the future to carry out projected renewal works as per the Long Term Financial Plan.</p>	



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 2013/14 Result	
2013/14 Ratio	7.96%
<p>Council's outstanding percentage has plateaued this year showing a slight increase. Whilst all efforts are taken to collect outstanding debts, this has been effected by staff changes in the Rating Team. The ratio of 7.96% still reflects well compared to past years.</p>	



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

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 Result	
2013/14 Ratio	20.00
<p>Councils Cash expense ratio 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 held as at the 30th June 2014 of \$5 million.</p>	

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Water 2014	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	30.42%	36.59%	4.98%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: 21.26%	37.67%	2.84%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(less ALL Grants & Contributions)</u>	86.38%	93.57%	68.98%
Total continuing operating revenue ⁽¹⁾			
	prior period: 92.76%	95.29%	59.32%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽²⁾</u>	No Liabilities	No Liabilities	4.95 : 1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 2387.25	7641.00	4.81
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)			
<u>Principal Repayments (from the Statement of Cash Flows)</u>	0.00	0.00	15.66
+ Borrowing Interest Costs (from the Income Statement)			
	prior period: 0.00	0.00	13.25
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	13.21%	11.38%	7.18%
Rates, Annual and Extra Charges Collectible			
	prior period: 10.84%	10.17%	6.69%
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents including All Term Deposits			
<u>Payments from cash flow of operating and financing activities</u> x12	0.00	0.00	19.70
	prior period: 0.00	0.00	15.96

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 2014

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	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	1,359	1,336	1,359	1,336
Investments				
- "Held for Trading"	1,532	3,422	1,532	3,422
- "Held to Maturity"	38,804	29,831	38,804	29,831
Receivables	4,527	4,081	4,357	3,932
Total Financial Assets	46,222	38,670	46,052	38,521
Financial Liabilities				
Payables	2,615	2,268	2,615	2,268
Loans / Advances	5,996	1,382	5,996	1,382
Total Financial Liabilities	8,611	3,650	8,611	3,650

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 2014

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
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)
2013				
Possible impact of a 10% movement in Market Values	532	532	(532)	(532)
Possible impact of a 1% movement in Interest Rates	(239)	(239)	(239)	(239)

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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:

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	100%	0%	77%
Overdue	100%	0%	100%	23%
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)	-	2,658	-	2,575
Past due by up to 30 days	-	151	-	81
Past due between 31 and 60 days	-	90	-	142
Past due between 61 and 90 days	724	402	-	306
Past due by more than 90 days	377	242	909	245
	1,101	3,543	909	3,349
(iii) Movement in Provision for Impairment of Receivables			2014	2013
Balance at the beginning of the year			177	171
+ new provisions recognised during the year			12	6
- previous impairment losses reversed			(72)	-
Balance at the end of the year			117	177

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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		
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
2013									
Trade/Other Payables	-	2,268	-	-	-	-	-	2,268	2,268
Loans & Advances	-	386	382	33	36	38	507	1,382	1,382
Total Financial Liabilities	-	2,654	382	33	36	38	507	3,650	3,650

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:

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-	8.9%	-	9.1%
Trade/Other Payables	2,615	0.0%	2,268	0.0%
Loans & Advances - Fixed Interest Rate	5,996	6.3%	1,382	6.7%
	<u>8,611</u>		<u>3,650</u>	

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 06 March 2013.

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	2014 Budget	2014 Actual	2014 Variance*		
REVENUES					
Rates & Annual Charges	13,686	13,733	47	0%	F
User Charges & Fees	7,728	9,995	2,267	29%	F
The user Fees & Charges have exceeded budget in the following main areas: Additional works for the RMS exceeded budget by \$3,119,000, Additional Water Usage with the hot summer amounted to an addition \$571,000. With the additional RMS works private works income reduced by \$748,000.					
Interest & Investment Revenue	998	1,485	487	49%	F
This variance is due to the increase in Council's investment portfolio. The portfolio rose from \$34.6 million to \$41.7 million. Whist \$5million relates to a loan taken out in June 2014, the portfolio has risen by \$2.1million net of loan funds. Some investments have previously been effected by the Global Crisis are now maturing and are earning interest. These equate to 1.9Million. Unrealised Capital Gains from these Investments amounted to \$110,000.					
Other Revenues	422	778	356	84%	F
Various factors have results in this variance including external review of Diesel Fuel Rebate, reimbursements for the Paid Maternity payments, Legal fees recovered and a recovery of an outstanding bad debt.					
Operating Grants & Contributions	10,524	8,486	(2,038)	(19%)	U
Council usually receives an advance payment of the Financial Assistance Grant in June each year equating to the first 2 instalments of the next year. The Federal Budget in May 2014 announced that this would cease and Councils would revert back to normal quarterly payments. This amounted to \$1.9 million.					
Capital Grants & Contributions	538	1,048	510	95%	F
Additional funds received for Roadworks contributions from the RMS & Developer contributions in relation to Water, Sewerage & Amenities.					
Net Gains from Disposal of Assets	-	369	369	0%	F
Council trades out various Plant & Fleet, dispose of infrastructure assets throughout the year. This year in Council traded out 2 graders and received values greater than the book values.					

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 Variance*	
EXPENSES				
Employee Benefits & On-Costs	12,482	12,406	76	1% F
Borrowing Costs	367	161	206	56% F
Council delayed the borrowing of Loan Funds until late in the Financial year, whilst a full year of interest was budgeted for the delay meant the interest wasn't required.				
Materials & Contracts	8,444	7,058	1,386	16% F
The lower Materials and Contracts is reflection of budgets being under spent and the cost savings initiatives being put into effect.				
Depreciation & Amortisation	8,563	8,589	(26)	(0%) U
Impairment Expenses	-	12	(12)	0% U
This is as a result of a review of Council assets that are impaired. No budget was set for this process.				
Other Expenses	3,332	2,599	733	22% F
Reflection of cost savings initiatives put forward. Major areas of savings in other expenses relate to telephone & Electricity savings.				
Net Losses from Disposal of Assets	102	-	102	100% F
Council trades out various Plant & Fleet, dispose of infrastructure assets throughout the year. This year in Council traded out 2 graders and received values greater than the book values. This resulted in an overall profit on sale of assets.				

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

Cash Flows from Operating Activities	8,917	13,163	4,246	47.6% F
Council over the 13/14 year has received additional Cash Flows especially from the RMS for work on State Roads, Developer Contributions, additional Water Sales as a result of the dry Summer. Payments have been effected by Cost savings measures implemented.				
Cash Flows from Investing Activities	(13,828)	(17,754)	(3,926)	28.4% U
The major variance in the Cash Flows from Investing Activities is a result of major Capital projects budgeted in the year still needing to be completed.				
Cash Flows from Financing Activities	4,530	4,614	84	1.9% F

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	Expenditure still outstanding	Over or (under) Funding	
Drainage	195	70	-	4	-	-	269	-	(269)	-	-
Parking	127	-	-	5	-	-	132	-	(132)	-	-
Open Space	19	-	-	-	-	-	19	-	(19)	-	-
Community Facilities	26	-	-	-	-	-	26	-	(26)	-	-
S94 Contributions - under a Plan	367	70	-	9	-	-	446	-	(446)	-	-
S94A Levies - under a Plan	1,075	225	-	36	-	-	1,336				-
Total S94 Revenue Under Plans	1,442	295	-	45	-	-	1,782				-
S64 Contributions	2,780	334	-	92	(150)	-	3,056				
Total Contributions	4,222	629	-	137	(150)	-	4,838	-	(446)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	Expenditure still outstanding	Over or (under) Funding	
Drainage	195	70	-	4	-	-	269	-	(269)	-	-
Parking	127	-	-	5	-	-	132	-	(132)	-	-
Open Space	19	-	-	-	-	-	19	-	(19)	-	-
Community Facilities	26	-	-	-	-	-	26	-	(26)	-	-
Total	367	70	-	9	-	-	446	-	(446)	-	-

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	Expenditure still outstanding	Over or (under) Funding	
Community Facilities	1,075	225	-	36	-	-	1,336	-	-		-
Total	1,075	225	-	36	-	-	1,336				-

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 2014

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 2014

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

\$ '000

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
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(a) Retained Earnings

Movements in Retained Earnings were as follows:

Balance at beginning of Year (from previous years audited accounts)		165,253	161,006
a. Correction of Prior Period Errors	20 (c)	1,438	1,438
b. Net Operating Result for the Year		5,069	4,247
Balance at End of the Reporting Period		<u>171,760</u>	<u>166,691</u>

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		161,318	159,490
Total		<u>161,318</u>	<u>159,490</u>

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

- Opening Balance		159,490	151,438
- Revaluations for the year	9(a)	1,828	8,052
- Balance at End of Year		<u>161,318</u>	<u>159,490</u>

TOTAL VALUE OF RESERVES

<u>161,318</u>	<u>159,490</u>
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(iii) Nature & Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(c) Correction of Error/s relating to a Previous Reporting Period			
Correction of errors disclosed in this 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 - 1/7/12 (relating to adjustments for the 30/6/12 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30/6/13 (relating to adjustments for the 30/6/13 year end)		1,438	-
Total Prior Period Adjustments - Prior Period Errors		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 2014

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	810	1,608	11,315
User Charges & Fees	2,824	631	6,540
Interest & Investment Revenue	303	257	925
Other Revenues	2	5	771
Grants & Contributions provided for Operating Purposes	104	38	8,344
Grants & Contributions provided for Capital Purposes	516	134	398
Other Income			
Net Gains from Disposal of Assets	-	-	369
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	4,559	2,673	28,662
Expenses from Continuing Operations			
Employee Benefits & on-costs	637	318	11,451
Borrowing Costs	-	-	161
Materials & Contracts	512	260	6,286
Depreciation & Amortisation	890	687	7,012
Impairment	-	-	12
Other Expenses	767	345	1,487
Net Losses from the Disposal of Assets	7	-	(7)
Total Expenses from Continuing Operations	2,813	1,610	26,402
Operating Result from Continuing Operations	1,746	1,063	2,260
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	1,746	1,063	2,260
Net Operating Result attributable to each Council Fund	1,746	1,063	2,260
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	1,230	929	1,862

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 2014

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

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	356	244	759
Investments	9,958	8,436	21,942
Receivables	589	239	3,660
Inventories	121	-	290
Other	-	-	28
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	11,024	8,919	26,679
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	39
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	40,108	30,196	235,258
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	40,108	30,196	235,297
TOTAL ASSETS	51,132	39,115	261,976
LIABILITIES			
Current Liabilities			
Payables	5	1	2,779
Borrowings	-	-	516
Provisions	-	-	3,752
Total Current Liabilities	5	1	7,047
Non-Current Liabilities			
Payables	-	-	-
Borrowings	-	-	5,480
Provisions	-	-	6,612
Total Non-Current Liabilities	-	-	12,092
TOTAL LIABILITIES	5	1	19,139
Net Assets	51,127	39,114	242,837
EQUITY			
Retained Earnings	28,483	12,091	131,186
Revaluation Reserves	22,644	27,023	111,651
Total Equity	51,127	39,114	242,837

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 2014

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 2014) 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 15/10/14.

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 2014.

(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 2014 and which are only indicative of conditions that arose after 30 June 2014.

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 2014

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	
		2014	2013
Quarry Sites	2036	1,126	1,078
Waste Management Tip Sites	2029	5,249	498
Balance at End of the Reporting Period	10(a)	6,375	1,576

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	1,576	1,510
Amounts capitalised to new or existing assets:		
Tip Revised Remediation Costs	4,728	-
Amortisation of discount (expensed to borrowing costs)	71	66
Total - Reinstatement, rehabilitation and restoration provision	6,375	1,576

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 2014

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, e.g. 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 2014

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
- Investment Property
- 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:

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Held for Trading"	30/6/14	-	-	1,532	1,532
Total Financial Assets		-	-	1,532	1,532
Financial Liabilities					
Payables	30/6/14	2,615	-	-	2,615
Loans / Advances	30/6/14	5,996	-	-	5,996
Total Financial Liabilities		8,611	-	-	8,611
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

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(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.

(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 (i.e.. 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:

Financial Assets

Investments - At fair value through profit and loss are represented by two notes. Note 1 is "All Seasons", Capital Protected - Hedge Fund arranged through FIIG Securities. The Second note Series 32 - a 7 year Capital Protected Client Managed Equity and Fund Basket Linked Note arranged by Longreach Capital Markets. Council obtains, on a monthly basis and at the end of the reporting period the most up to date valuations from our arrangers. They represent the Mid point valuations provided by the Calculation Agent. As at 30th June 2014 "All Seasons" was quoted at 103.72 and Series 32 at 98.88. "All Seasons" note matured on the 29th August 2014 realising 104.04. Series 32 is due to mature 28th November 2014. The market for these securities are highly illiquid as a direct consequence of the Global Financial Crisis therefore creating difficulties valuing the security within the market.

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 marker 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 2014

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.

Council purchased a building over the walkway in Conadilly Street. This was classified as a level 3 as the value was immaterial in relation to the Asset Class. There has been no change to the valuation process during the period.

Other Structures

Other Structures class comprises memorials, weighbridges and saleyards.

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 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 2010 by the 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. 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 2014

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 2010 by the Director of Infrastructure and 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. There has been no change to the valuation process during the reporting period.

Footpaths

Footpaths were valued in June 2010 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 is updated as changes in the networks are observed through regular inspections. There has been no change to the valuation process during the period.

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 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. 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 no change to the valuation process during the reporting period/

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 2014

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 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.

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.

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 2014

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 2014

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
Transfers from/(to) Level 1 FV hierarchy 27 4(b)	-	-	-	-	-	-	-	-	-
Transfers from/(to) Level 2 FV hierarchy 27 4(b)	-	-	-	-	-	-	-	-	-
Transfers from/(to) another asset class	-	-	-	-	-	-	-	-	-
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

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

YE 12/13	215	-	-	-	-	-	-	-	215
YE 13/14	110	-	-	-	-	-	-	-	110

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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
Transfers from/(to) Level 1 FV hierarchy 27 4(b)	-	-	-	-	-	-	-	-	-
Transfers from/(to) Level 2 FV hierarchy 27 4(b)	-	-	-	-	-	-	-	-	-
Transfers from/(to) another asset class	-	-	-	-	-	-	-	-	-
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	-	-	1,438
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	29,135	1,018	239,142

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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
Transfers from/(to) Level 1 FV hierarchy 27 4(b)	-	-	-	-	-	-
Transfers from/(to) Level 2 FV hierarchy 27 4(b)	-	-	-	-	-	-
Transfers from/(to) another asset class	-	-	-	-	-	-
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

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 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Financial Assets					
Investments - At fair Value through profit or loss	1,532	Valuations received from Arranger - Mid Market rates	Unit Price	\$0.99 to \$1.04	Significant changes in the estimated unit price would result in significant changes in fair value measurement.
I,PP&E					
Plant & Equipment	8,034	Valued at Cost but Disclosed at Fair Value	1. Gross Replacement Cost 2. Remaining Useful Life 3. Residual Value	1. Varies between assets 2. 5 to 15 Years 3. As determined at purchase	Significant changes in the estimated Gross Replacement Value, pattern of consumption effecting remaining useful life or residual value would result in significant changes to fair value measurement.
Office Equipment	846	Valued at Cost but Disclosed at Fair Value	1. Gross Replacement Cost 2. Remaining Useful Life	1. Varies between assets 2. 3 to 10 Years	Significant changes in the estimated Gross Replacement Value, pattern of consumption effecting remaining useful life would result in significant changes to fair value measurement.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value (continued).

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E (continued)					
Furniture & Fittings	535	Valued at Cost but Disclosed at Fair Value	1. Gross Replacement Cost 2. Remaining Useful Life	1. Varies between assets 2. 5 to 10 Years	Significant changes in the estimated Gross Replacement Value, pattern of consumption effecting remaining useful life would result in significant changes to fair value measurement.
Operational Land	8,432	Valued Externally at Market Value (Highest & best Use)	1. Market Value	1. Varies between assets	Significant changes in the Market would result in significant changes in fair value measurement
Community Land	5,797	Valued Externally at Market Value (Highest & best Use)	1. Market Value	1. Varies between assets	Significant changes in the Market would result in significant changes in fair value measurement

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value (continued).

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Buildings - Non Specialised	12,615	Valued externally at Market Value	1. Market Value	1. Varies between assets	Significant changes in the Market would result in significant changes in fair value measurement.
Buildings - Specialised	19,886	Valued externally at Depreciated Replacement Cost	1. Gross Replacement Cost 2. Remaining Useful Life 3. Asset Condition	1. Varies between assets 2. 7 to 100 Years 3. 99% rated 1 to 3	Significant changes in the Gross Replacement Cost, pattern of consumption effecting remaining useful life or asset condition value would result in significant changes to fair value measurement.
Other Structures	3,529	Valued externally at Depreciated Replacement Cost	1. Gross Replacement Cost 2. Remaining Useful Life 3. Asset Condition	1. Varies between assets 2. 7 to 100 Years 3. 99% rated 1 to 3	Significant changes in the Gross Replacement Cost, pattern of consumption effecting remaining useful life or asset condition value would result in significant changes to fair value measurement.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value (continued).

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Roads	139,106	Valued internally at Depreciated Replacement Cost	1. Gross Replacement Cost 2. Remaining Useful Life 3. Asset Condition	1. Varies between assets 2. 1 to 60 Years 3. Rated Good to Average	Significant changes in the Gross Replacement Cost, pattern of consumption effecting remaining useful life or asset condition value would result in significant changes to fair value measurement.
Bridges	6,728	Valued internally at Depreciated Replacement Cost	1. Gross Replacement Cost 2. Remaining Useful Life 3. Asset Condition	1. Varies between assets 2. 0 to 100 Years 3. Rated Good to Poor	Significant changes in the Gross Replacement Cost, pattern of consumption effecting remaining useful life or asset condition value would result in significant changes to fair value measurement.
Footpaths	3,487	Valued internally at Depreciated Replacement Cost	1. Gross Replacement Cost 2. Remaining Useful Life 3. Asset Condition	1. Varies between assets 2. 16 to 79 Years 3. Rated Excellent to Good	Significant changes in the Gross Replacement Cost, pattern of consumption effecting remaining useful life or asset condition value would result in significant changes to fair value measurement.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value (continued).

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Stormwater	16,736	Valued internally at Depreciated Replacement Cost	1. Gross Replacement Cost 2. Remaining Useful Life 3. Asset Condition	1. Varies between assets 2. 3 to 95 Years 3. Rated Excellent to Average	Significant changes in the Gross Replacement Cost, pattern of consumption effecting remaining useful life or asset condition value would result in significant changes to fair value measurement.
Water Supplies	39,403	Valued externally at Depreciated Replacement Cost	1. Gross Replacement Cost 2. Remaining Useful Life 3. Asset Condition	1. Varies between assets 2. 0 to 110 Years 3. Rated Excellent to Poor	Significant changes in the Gross Replacement Cost, pattern of consumption effecting remaining useful life or asset condition value would result in significant changes to fair value measurement.
Sewerage Networks	29,135	Valued externally at Depreciated Replacement Cost	1. Gross Replacement Cost 2. Remaining Useful Life 3. Asset Condition	1. Varies between assets 2. 7 to 78 Years 3. Rated Excellent to Poor	Significant changes in the Gross Replacement Cost, pattern of consumption effecting remaining useful life or asset condition value would result in significant changes to fair value measurement.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value (continued).

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Swimming Pools	1,018	Valued externally at Depreciated Replacement Cost	1. Gross Replacement Cost 2. Remaining Useful Life 3. Asset Condition	1. Varies between assets 2. 10 to 33 Years 3. Rated Average	Significant changes in the Gross Replacement Cost, pattern of consumption effecting remaining useful life or asset condition value would result in significant changes to fair value measurement.
Open Space/ Recreational Assets	1,122	Valued externally at Depreciated Replacement Cost	1. Gross Replacement Cost 2. Remaining Useful Life 3. Asset Condition	1. Varies between assets 2. 8 to 90 Years 3. Rated Average	Significant changes in the Gross Replacement Cost, pattern of consumption effecting remaining useful life or asset condition value would result in significant changes to fair value measurement.
Library Assets	103	Valued at Cost but Disclosed at Fair Value	1. Gross Replacement Cost 2. Remaining Useful Life 3. Asset Condition	1. Varies between assets 2. 6 to 17 Years 3. Rated Average	Significant changes in the Gross Replacement Cost, pattern of consumption effecting remaining useful life or asset condition value would result in significant changes to fair value measurement.

Gunnedah Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value (continued).

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Other Assets	1,565	Valued at Cost but Disclosed at Fair Value	1. Gross Replacement Cost 2. Remaining Useful Life 3. Asset Condition	1. Varies between assets 2. 2 to 97 Years 3. Rated Average	Significant changes in the Gross Replacement Cost, pattern of consumption effecting remaining useful life or asset condition value would result in significant changes to fair value measurement.
Tip Assets	5,155	Valued at the Estimated Cost to Remediate (Internally)	1. Total Costs to Remediate (Cost Escalation Rate) 2. Remaining Useful Life	1. 3.35% 2. 2 to 16 Years	Significant changes in the Cost Escalation Rate and the Remaining Useful life of the facilities would result in significant changes to the fair value measurement.
Quarry Assets	869	Valued at the Estimated Cost to Remediate (Internally)	1. Total Costs to Remediate (Cost Escalation Rate) 2. Remaining Useful Life	1. 4.00% 2. 25 Years	Significant changes in the Cost Escalation Rate and the Remaining Useful life of the quarries would result in significant changes to the fair value measurement.

(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 2014

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.a

Email: council@infogunnedah.gov.au

Officers

GENERAL MANAGER

E J GROTH

RESPONSIBLE ACCOUNTING OFFICER

K P CHUA

PUBLIC OFFICER

L E ROWE

AUDITORS

UHY HAINES NORTON
LEVEL 11, 1 YORK STREET
SYDNEY. NSW 2000

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 Report
Independent Auditor's Report

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
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www.uhyhnsydney.com.au

We have audited the accompanying financial report of Gunnedah Shire Council (the Council), which comprises the Statement of Financial Position as at 30 June 2014, the income statement, the statement of comprehensive income, the statement of changes in equity and the 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.

Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that presents fairly the Council's financial position in accordance with Australian Accounting Standards and the *Local Government Act 1993* and for such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 report is free from material misstatement.

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

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 and note 17 forecast information 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 Council 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 Report

This auditor's report relates to the general purpose financial report of Gunnedah Shire Council for the year ended 30 June 2014 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 report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report 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 report to confirm the information contained in this website version of the financial report.

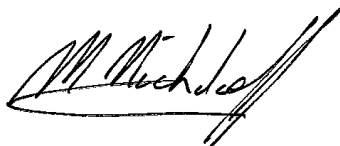
Independence

In conducting our audit, we have complied with the independence requirements of Australian professional accounting bodies.

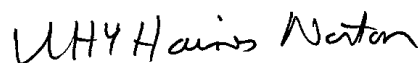
Auditor's Opinion

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; and
- (b) the financial report:
 - (i) has been presented in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position as at 30 June 2014 and the results of its operations for the year then ended; and
 - (iv) is in accordance with applicable 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 report that have come to light during the course of the audit.



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed in Sydney on 24th October 2014

24 October 2014

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The Mayor
Gunnedah Shire Council
63 Elgin Street
GUNNEDAH NSW 2380

Report on the Conduct of the Audit Year Ended 30 June 2014

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 2014, 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 \$4.021 million for the year ended 30 June 2014 compared to a surplus of \$2.518 million for the year ended 30 June 2013.

The Net Operating Result after Grants and Contributions for capital purposes has increased \$822,000 to a surplus of \$5.069 million (2013: surplus of \$4.247 million).

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

MOVEMENT IN REVENUE ITEMS 2013-2014

	2014	2013	Increase (Decrease)
	\$'000	\$'000	\$'000
Rates and Annual Charges	13,733	12,556	1,177
User Charges and Fees	9,995	8,245	1,750
Grants & Contributions Provided for Operating Purposes	8,486	10,371	(1,885)
Grants & Contributions Provided for Capital Purposes	1,048	1,729	(681)

RATES AND ANNUAL CHARGES

Rates and annual charges have increased by \$1.177 million (9%). 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 \$1.750 million (21%). 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 decreased by \$1.885 million (18%) to \$8.486 million. The decrease was largely due to Council not receiving Financial Assistance Grant funding in advance for 2014/2015 financial year.

GRANTS AND CONTRIBUTIONS PROVIDED FOR CAPITAL PURPOSES

Grants and contributions provided for capital purposes have decreased by \$681,000 (39%) to \$1.048 million. The main reason for the decrease in Capital Grant income is largely due to funding in relation to the Riverine Project.

MOVEMENT IN EXPENSE ITEMS 2013-2014

	2014	2013	Increase (Decrease)
	\$'000	\$'000	\$'000
Employee Benefits and On-costs	12,406	12,301	105
Materials and Contracts	7,058	7,463	(405)
Depreciation and Amortisation	8,589	8,245	344
Other Expenses	2,599	2,622	(23)

EMPLOYEE BENEFITS & ON-COSTS

Employee benefits & on-costs expense has increased by \$105,000 (less than 1%) to \$12.406 million. The increase is broadly consistent with the increases in superannuation and fringe benefits tax.

MATERIALS AND CONTRACTS

Materials & contracts expense has decreased by \$405,000 (5%) to \$7.058 million. The decrease can mainly be attributed to a decrease in raw material and consumables costs.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation expense has increased by \$344,000 (4%) to \$8.589 million. The increase was largely in line with depreciation charged on Council's infrastructure additions.

OTHER EXPENSES

Other expenses have decreased by \$23,000 (less than 1%) to \$2.599 million. There were no major variances.

STATEMENT OF FINANCIAL POSITION

During the year, the Council's net assets increased by \$6.897 million to \$333.078 million. The major movements within the balance sheet were:

- Increase of \$9.125 million in the value of infrastructure, property, plant, and equipment.
- Increase of \$7.083 million in investment securities.
- Increase of \$4.614 million in borrowings.
- Increase of \$4.746 million in provisions.

INFRASTRUCTURE, PROPERTY, PLANT, AND EQUIPMENT

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

- Roads (\$6.078 million)
- Tip Assets (\$4.728 million)
- Plant and Equipment (\$2.005 million)

INVESTMENTS SECURITIES

The increase in the investments is a result of net investment additions of \$6.973 million. This is accompanied by an \$110,000 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.

PROVISIONS

The increase in provisions can be largely attributed to a revision in Council’s tip remediation costs of \$4.728 million.

STATEMENT OF CASH FLOWS

	2014	2013	Increase (Decrease)
	\$'000	\$'000	\$'000
Net Cash Flows from Operations	13,163	12,473	690
Net Cash Flows from Investing	(17,754)	(12,986)	(4,768)
Net Cash Flows from Financing	4,614	(399)	5,013

NET CASH FLOWS FROM OPERATIONS

Net cash provided from operating activities amounted to \$13.163 million in 2014 compared to \$12.473 million in the prior year. The increase can mainly be explained by a cash increase in rates and annual charges of \$978,000 and cash increase in user charges and fees of \$1.789 million. These have been offset by an increase in other cash payments of \$1.799 million and cash payments in relation to employee benefits and on-costs of \$530,000.

NET CASH FLOWS FROM INVESTING

Net cash used in investing activities amounted to \$17.754 million for the year ended 30 June 2014 compared to \$12.986 million for the prior year. This is largely due to the purchase of investment securities of \$67.473 million and the acquisition of property, plant and equipment of \$11.449 million, partially offset through the sale of investment securities of \$60.500 million.

NET CASH FLOWS FROM FINANCING

Net cash provided from financing activities amount to \$4.614 million for the year ended 30 June 2014. This can be attributed to new borrowings obtained of \$5.000 million and offset by \$386,000 in borrowing repayments.

TOTAL INVESTMENTS AND CASH BALANCES

	2014	2013	Increase (Decrease)
	\$'000	\$'000	\$'000
Externally Restricted Cash	25,842	22,376	3,466
Internally Restricted Cash	12,281	10,799	1,482
Unrestricted Cash	3,572	1,414	2,158
Total Cash, Cash Equivalents and Investments	41,695	34,589	7,106

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 water supplies of \$1.059 million and sewerage services of \$1.230 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 an increase of \$2.432 million in future works reserves and a decrease of \$1.983 million in road reserves.

UNRESTRICTED CASH

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

WORKING CAPITAL (NET CURRENT ASSETS)

	2014	2013	Increase (Decrease)
	\$'000	\$'000	\$'000
Current Assets	46,622	37,655	8,967
Current Liabilities	(7,053)	(6,668)	(385)
Net Current Assets	39,569	30,987	8,582
Add: Current Liabilities not anticipated to be settled within the next 12 months	3,041	3,336	(295)
Adjusted Net Current Assets	42,610	34,323	8,287
Add: Current Liabilities expected to be settled within the next 12 months			
- Borrowings	516	386	130
- Provisions	711	530	181
Less: Externally Restricted Assets	(26,786)	(21,683)	(5,013)
Less: Internally Restricted Assets	(12,281)	(10,799)	(1,482)
Working Capital as at 30 June	4,770	2,757	2,013

Council's balance of working capital has increased \$2.013 million to \$4.770 million for the 2014 financial year. This increase is as a result of Council's increase in investment securities as at 30 June 2014. This is partially offset by Council's increases in both externally and internally restricted assets.

PERFORMANCE INDICATORS AND TRENDS

Our comments in regard to Council's performance for the 2014 year are based on those performance indicators that are considered meaningful.

The indicators we have reviewed are as follows:

	2014	2013
Unrestricted Current Ratio	4.95 : 1	4.81 : 1
Debt Service Cover Ratio	22.49 : 1	18.76 : 1
Operating Performance Ratio	10.31%	7.28%
Own Source Operating Revenue Ratio	73.08%	65.39%
Rates and Annual Charges Outstanding Percentage	7.96%	7.30%
Cash Expense Cover Ratio	20.00	16.36

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 4.95 has increased from the prior year's ratio of 4.81 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 investment securities as at 30 June 2014.

DEBT SERVICE COVER RATIO

At 30 June 2014 Council had outstanding borrowings of \$5.996 million compared with \$1.382 million as at 30 June 2013. The debt service cover ratio measures the availability of operating cash to service debt repayments. For the 2014 financial year the ratio indicated that operating results before capital, interest, depreciation and amortisation covered payments required to service debt by 22.49 to 1. The ratio has increased as a result of Council's improved operating result.

OPERATING PERFORMANCE RATIO

This ratio essentially measures Council's ability to contain operating expenditure within its operating revenue, excluding capital grants and contributions. For the 2014 financial year, this indicator was 10.31%, which exceeded the benchmark of -4%.

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 2014 financial year, this indicator was 73.08% 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 increased from 7.30% to 7.96% in the current year. This indicates that debtors are being collected at a slower rate than in the prior year.

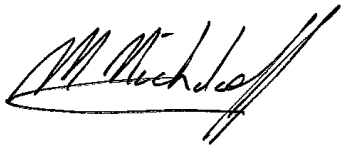
CASH EXPENSE COVER RATIO

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 2014, this ratio stood at 20.00 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, Chief Financial Officer, 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 early completion of the financial reports.



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed at Sydney on 24th October 2014



Gunnedah Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

“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 2014

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Income Statement - 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 2014

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 15 October 2014.




O HASLER
MAYOR



R G SWAIN
COUNCILLOR



E J GROTH
GENERAL MANAGER



K P CHUA
RESPONSIBLE ACCOUNTING OFFICER

Gunnedah Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	810	775
User charges	2,824	2,387
Fees	-	-
Interest	303	345
Grants and contributions provided for non capital purposes	104	130
Profit from the sale of assets	-	-
Other income	2	4
Total income from continuing operations	4,043	3,641
Expenses from continuing operations		
Employee benefits and on-costs	637	806
Borrowing costs	-	-
Materials and contracts	512	415
Depreciation and impairment	890	871
Water purchase charges	-	-
Loss on sale of assets	7	69
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	767	706
Total expenses from continuing operations	2,813	2,867
Surplus (deficit) from Continuing Operations before capital amounts	1,230	774
Grants and contributions provided for capital purposes	516	144
Surplus (deficit) from Continuing Operations after capital amounts	1,746	918
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,746	918
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(369)	(232)
SURPLUS (DEFICIT) AFTER TAX	1,377	686
plus Opening Retained Profits	25,299	24,381
plus/less: Prior Period Adjustments	1,438	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	369	232
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	28,483	25,299
Return on Capital %	3.1%	2.1%
Subsidy from Council	198	634
Calculation of dividend payable:		
Surplus (deficit) after tax	1,377	686
less: Capital grants and contributions (excluding developer contributions)	(315)	(38)
Surplus for dividend calculation purposes	1,062	648
Potential Dividend calculated from surplus	531	324

Gunnedah Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	1,608	1,446
User charges	631	565
Liquid Trade Waste charges	-	-
Fees	-	-
Interest	257	249
Grants and contributions provided for non capital purposes	38	38
Profit from the sale of assets	-	-
Other income	5	6
Total income from continuing operations	2,539	2,304
Expenses from continuing operations		
Employee benefits and on-costs	318	431
Borrowing costs	-	-
Materials and contracts	260	191
Depreciation and impairment	687	670
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	345	144
Total expenses from continuing operations	1,610	1,436
Surplus (deficit) from Continuing Operations before capital amounts	929	868
Grants and contributions provided for capital purposes	134	74
Surplus (deficit) from Continuing Operations after capital amounts	1,063	942
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,063	942
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(279)	(260)
SURPLUS (DEFICIT) AFTER TAX	784	682
plus Opening Retained Profits	11,028	10,086
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	279	260
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	12,091	11,028
Return on Capital %	3.1%	2.9%
Subsidy from Council	146	249
Calculation of dividend payable:		
Surplus (deficit) after tax	784	682
less: Capital grants and contributions (excluding developer contributions)	16	1
Surplus for dividend calculation purposes	800	683
Potential Dividend calculated from surplus	400	341

Gunnedah Shire Council

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

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	356	489
Investments	9,958	8,500
Receivables	589	435
Inventories	121	124
Other	-	1
Non-current assets classified as held for sale	-	-
Total Current Assets	11,024	9,549
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	40,108	37,357
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	40,108	37,357
TOTAL ASSETS	51,132	46,906
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	5	4
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	5	4
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	5	4
NET ASSETS	51,127	46,902
EQUITY		
Retained earnings	28,483	25,299
Revaluation reserves	22,644	21,603
Council equity interest	51,127	46,902
Non-controlling equity interest	-	-
TOTAL EQUITY	51,127	46,902

Gunnedah Shire Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	244	285
Investments	8,436	7,153
Receivables	239	202
Inventories	-	1
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	8,919	7,641
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	30,196	29,626
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	30,196	29,626
TOTAL ASSETS	39,115	37,267
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	39,114	37,266
EQUITY		
Retained earnings	12,091	11,028
Revaluation reserves	27,023	26,238
Council equity interest	39,114	37,266
Non-controlling equity interest	-	-
TOTAL EQUITY	39,114	37,266

Gunnedah Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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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 2014

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 2014

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 **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, 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 2014

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 3.56% at 30/6/14.

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 2014 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 2014Note 2. Water Supply Business
Best Practice Management disclosure requirements

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

2014

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	14,280
(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]	531,000
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	142,800
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	2,635,900

2014 Surplus	1,062,000	2013 Surplus	647,800	2012 Surplus	926,100
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	142,800
(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 2014Note 2. Water Supply Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

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	4,256
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)]	%	75.45%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	39,403
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,912
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,118
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)]	%	3.63%
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 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements

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

2014

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	10,689
(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]	400,150
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	106,890
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	2,084,500

2014 Surplus	800,300	2013 Surplus	682,600	2012 Surplus	601,600
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	106,890
(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 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

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	2,416
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	29,135
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	923
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	260
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	2.67%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	6,672
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.17%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	1,378
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)]	%	3.21%
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 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

2014

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)]	%	-21.05%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		> 100
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	2,809
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	78

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

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

We have audited the accompanying financial report, being a special purpose financial report, of Gunnedah Shire Council (the Council), which comprises the statement of financial position as at 30 June 2014, the income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Councillors and Management.

Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report and has determined that the basis of preparation described in Note 1 to the financial report is appropriate to satisfy the requirements of the *Local Government Act 1993* and meet the needs of the NSW Office of Local Government. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 report is free from material misstatement.

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

Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3 to the financial report, 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 Council 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 Report

This auditor's report relates to the special purpose financial report of Gunnedah Shire Council for the year ended 30 June 2014 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 report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report 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 report to confirm the information contained in this website version of the financial report.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

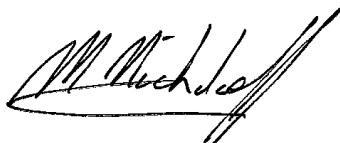
Auditor's Opinion

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

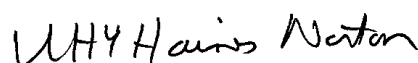
- a) has been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
 - i) is consistent with the Council's accounting records;
 - ii) presents fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2014 and the results of their operations for the year then ended;
- b) all information relevant to the conduct of the audit has been obtained; and
- c) there are no material deficiencies in the accounting records or financial report that we have become aware of in the course of the audit.

Basis of Accounting

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



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed in Sydney on 24th October 2014



Gunnedah Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2014

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



Gunnedah Shire Council

Special Schedules

for the financial year ended 30 June 2014

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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 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	839	1	-	(838)
Administration	5,271	339	35	(4,897)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	390	196	-	(194)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	12	12	-	-
Animal Control	116	40	-	(76)
Other	-	-	-	-
Total Public Order & Safety	518	248	-	(270)
Health	23	35	-	12
Environment				
Noxious Plants and Insect/Vermin Control	330	339	-	9
Other Environmental Protection	34	375	48	389
Solid Waste Management	1,810	2,420	-	610
Street Cleaning	261	-	-	(261)
Drainage	-	-	-	-
Stormwater Management	244	93	70	(81)
Total Environment	2,679	3,227	118	666
Community Services and Education				
Administration & Education	143	-	-	(143)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	3,052	3,723	-	671
Children's Services	125	77	-	(48)
Total Community Services & Education	3,320	3,800	-	480
Housing and Community Amenities				
Public Cemeteries	120	125	-	5
Public Conveniences	-	-	-	-
Street Lighting	208	12	-	(196)
Town Planning	460	310	225	75
Other Community Amenities	23	32	-	9
Total Housing and Community Amenities	811	479	225	(107)
Water Supplies	2,325	3,681	516	1,872
Sewerage Services	1,247	2,530	134	1,417

Gunnedah Shire Council

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	299	52	-	(247)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	244	-	-	(244)
Performing Arts Venues	605	247	-	(358)
Other Performing Arts	-	-	-	-
Other Cultural Services	117	5	-	(112)
Sporting Grounds and Venues	575	31	-	(544)
Swimming Pools	625	298	-	(327)
Parks & Gardens (Lakes)	580	52	-	(528)
Other Sport and Recreation	-	5	-	5
Total Recreation and Culture	3,045	690	-	(2,355)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	272	4	-	(268)
Other Mining, Manufacturing & Construction	569	3	-	(566)
Total Mining, Manufacturing and Const.	841	7	-	(834)
Transport and Communication				
Urban Roads (UR) - Local	1,424	33	-	(1,391)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	1,996	348	-	(1,648)
Sealed Rural Roads (SRR) - Regional	84	583	-	499
Unsealed Rural Roads (URR) - Local	1,728	432	-	(1,296)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	110	-	-	(110)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	-	-	-	-
Footpaths	82	-	-	(82)
Aerodromes	218	14	-	(204)
Other Transport & Communication	2,869	4,836	-	1,967
Total Transport and Communication	8,511	6,246	-	(2,265)
Economic Affairs				
Camping Areas & Caravan Parks	39	41	-	2
Other Economic Affairs	1,356	1,130	20	(206)
Total Economic Affairs	1,395	1,171	20	(204)
Totals – Functions	30,825	22,454	1,048	(7,323)
General Purpose Revenues ⁽²⁾		12,392		12,392
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	30,825	34,846	1,048	5,069

(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 2014

\$'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	365	962	1,327	5,000	365	-	-	86	500	5,462	5,962
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	365	962	1,327	5,000	365	-	-	86	500	5,462	5,962
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	21	34	55	-	21	-	-	4	16	18	34
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	21	34	55	-	21	-	-	4	16	18	34
Total Debt	386	996	1,382	5,000	386	-	-	90	516	5,480	5,996

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 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	393	290
b. Engineering and Supervision	328	432
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	561	604
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	54	8
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	387	421
i. Maintenance expenses	169	134
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	6	2
l. Maintenance expenses	4	7
- Other		
m. Operation expenses	10	22
n. Maintenance expenses	-	-
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	839	820
b. Plant and equipment	51	49
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	11	77
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	1
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	2,813	2,867

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges		
a. Access (including rates)	662	675
b. Usage charges	2,034	1,910
7. Non-residential charges		
a. Access (including rates)	147	100
b. Usage charges	790	477
8. Extra charges	-	-
9. Interest income	303	345
10. Other income	2	4
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	-	38
b. Grants for pensioner rebates	40	40
c. Other grants	-	-
12. Contributions		
a. Developer charges	201	106
b. Developer provided assets	315	-
c. Other contributions	65	90
13. Total income	4,559	3,785
14. Gain (or loss) on disposal of assets	-	-
15. Operating Result	1,746	918
15a. Operating Result (less grants for acquisition of assets)	1,746	880

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	36	-
c. Renewals	1,082	699
d. Plant and equipment	-	91
17. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	1,118	790
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)	4,005	4,101
b. Residential (unoccupied, ie. vacant lot)	150	44
c. Non-residential (occupied)	595	435
d. Non-residential (unoccupied, ie. vacant lot)	10	10
25. Number of ETs for which developer charges were received	26 ET	14 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 73,127	\$ 73,046

Gunnedah Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2014

\$'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 2012/13 (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 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	2,219	-	2,219
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	8,095	-	8,095
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	107	-	107
c. User Charges	482	-	482
d. Other	-	-	-
32. Inventories	121	-	121
33. Property, plant and equipment			
a. System assets	-	39,403	39,403
b. Plant and equipment	-	705	705
34. Other assets	-	-	-
35. Total assets	<u>11,024</u>	<u>40,108</u>	<u>51,132</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	5	-	5
38. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	<u>5</u>	<u>-</u>	<u>5</u>
41. NET ASSETS COMMITTED	<u>11,019</u>	<u>40,108</u>	<u>51,127</u>
EQUITY			
42. Accumulated surplus			27,862
43. Asset revaluation reserve			23,265
44. TOTAL EQUITY			<u>51,127</u>
Note to system assets:			
45. Current replacement cost of system assets			64,564
46. Accumulated current cost depreciation of system assets			(25,161)
47. Written down current cost of system assets			<u>39,403</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 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	273	64
b. Engineering and Supervision	148	237
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	-	-
b. Maintenance expenses	144	143
- Pumping Stations		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	72	78
e. Maintenance expenses	38	30
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	-	-
g. Chemical costs	-	8
h. Energy costs	-	-
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	192	161
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	56	44
3. Depreciation expenses		
a. System assets	669	649
b. Plant and equipment	18	21
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	1
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	1,610	1,436

Gunnedah Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges (including rates)	1,608	1,446
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	585	527
8. Trade Waste Charges		
a. Annual Fees	46	38
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	257	249
11. Other income	5	6
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	38	38
c. Other grants	-	-
13. Contributions		
a. Developer charges	134	74
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	<u>2,673</u>	<u>2,378</u>
15. Gain (or loss) on disposal of assets	-	-
16. Operating Result	<u>1,063</u>	<u>942</u>
16a. Operating Result (less grants for acquisition of assets)	1,063	942

Gunnedah Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	-	-
c. Renewals	260	433
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	260	433
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)	3,463	3,445
b. Residential (unoccupied, ie. vacant lot)	87	42
c. Non-residential (occupied)	13	382
d. Non-residential (unoccupied, ie. vacant lot)	-	-
26. Number of ETs for which developer charges were received	22 ET	12 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 67,517	\$ 68,861

Gunnedah Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2014

\$'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 2012/13 (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 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	838	-	838
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	7,841	-	7,841
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	183	-	183
c. User Charges	56	-	56
d. Other	1	-	1
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	29,135	29,135
b. Plant and equipment	-	1,061	1,061
35. Other assets	-	-	-
36. Total Assets	8,919	30,196	39,115
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	-	-	-
39. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	1	-	1
41. Total Liabilities	1	-	1
42. NET ASSETS COMMITTED	8,918	30,196	39,114
EQUITY			
42. Accumulated surplus			11,925
44. Asset revaluation reserve			27,189
45. TOTAL EQUITY			39,114
Note to system assets:			
46. Current replacement cost of system assets			50,236
47. Accumulated current cost depreciation of system assets			(21,101)
48. Written down current cost of system assets			29,135

Gunnedah Shire Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2014

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 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Council Offices / Council Chambers	-	58	58	2,105	20%	80%	0%	0%	0%
	Council Works Depot	-	52	35	1,478	10%	70%	20%	0%	0%
	Community Services	-	7	7	343	80%	20%	0%	0%	0%
	Saleyards	-	6	4	357	1%	0%	97%	2%	0%
	Waste Depot	-	10	17	900	0%	99%	0%	1%	0%
	Dog Pound	-	3	4	139	0%	100%	0%	0%	0%
	Council Housing	-	110	89	559	20%	60%	20%	0%	0%
	Community Housing	-	8	6	526	20%	80%	0%	0%	0%
	Emergency Services	-	9	9	1,093	10%	90%	0%	0%	0%
	Museum	-	1	79	1,223	0%	100%	0%	0%	0%
	Public Halls	-	133	92	6,575	0%	80%	20%	0%	0%
	Theatre/Cinema	-	13	13	2,738	20%	80%	0%	0%	0%
	Swimming Pools	85	64	64	1,364	0%	10%	90%	0%	0%
	Tourist Office	-	7	7	263	10%	90%	0%	0%	0%
	Aerodrome	-	115	-	560	1%	17%	80%	2%	0%
	Sporting Grounds	-	301	314	11,759	0%	90%	10%	0%	0%
	Library	-	3	3	473	10%	90%	0%	0%	0%
	Commercial Building	-	12	-	46	0%	0%	100%	0%	0%
sub total		85	912	801	32,501	5.5%	79.1%	15.3%	0.1%	0.0%
Other Structures	Other Structures	-	5	5	556	0%	100%	0%	0%	0%
	Saleyards	-	221	169	2,880	24%	46%	30%	0%	0%
	Weighbridge - DWM	-	2	2	93	0%	100%	0%	0%	0%
	sub total	-	228	176	3,529	19.6%	55.9%	24.5%	0.0%	0.0%

Gunnedah Shire Council

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

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Roads	Sealed Roads	769	725	672	39,358	10%	44%	43%	3%	0%
	Unsealed Roads	1,867	1,760	1,521	51,125	7%	32%	57%	4%	0%
	Urban Roads	369	359	353	26,501	5%	41%	44%	10%	0%
	Culverts Rural	10	6	-	7,828	10%	22%	60%	8%	0%
	Bridges	6	10	145	6,727	29%	36%	7%	29%	0%
	Footpaths	57	56	37	3,487	56%	30%	13%	1%	0%
	Kerb & Gutter	28	28	28	11,310	8%	83%	8%	1%	0%
	Car Parks	13	13	5	319	40%	50%	10%	0%	0%
	Bus Shelters	10	8	5	90	79%	21%	0%	0%	0%
	Aerodrome	129	115	227	1,042	7%	13%	53%	27%	0%
	Causeways	2	2	2	763	10%	36%	54%	0%	0%
	Traffic Island/Guard Rails & Signs	3	3	3	771	10%	31%	57%	2%	0%
	sub total	3,263	3,085	2,998	149,321	9.9%	40.1%	44.0%	5.9%	0.0%
Water Supply Network	Bores	600	106	106	1,384	18%	23%	18%	35%	6%
	Reservoirs	-	30	30	2,719	8%	15%	46%	23%	8%
	Pipeline	413	458	458	34,935	29%	28%	20%	23%	0%
	Pumpstation	-	-	-	365	18%	23%	18%	35%	6%
	sub total	1,013	594	594	39,403	26.7%	27.1%	21.4%	23.9%	0.8%
Sewerage Network	Pump Stations	-	31	31	875	0%	50%	50%	0%	0%
	Pipeline	276	164	164	23,962	24%	20%	15%	41%	0%
	Treatment Works	6,000	204	204	4,298	0%	50%	0%	50%	0%
	sub total	6,276	399	399	29,135	19.7%	25.3%	13.8%	41.1%	0.0%

Gunnedah Shire Council

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

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater Drainage	Stormwater Works	29	28	27	16,736	38%	32%	29%	0%	1%
	sub total	29	28	27	16,736	38.0%	32.0%	29.0%	0.0%	1.0%
Open Space/ Recreational Assets	Swimming Pools	1,000	64	64	2,140	0%	0%	100%	0%	0%
	Other									
	sub total	1,000	64	64	2,140	0.0%	0.0%	100.0%	0.0%	0.0%
	TOTAL - ALL ASSETS	11,666	5,310	5,059	272,765	14.7%	40.7%	33.4%	11.1%	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 2014

\$ '000	Amounts	Indicator	Prior Periods	
	2014	2014	2013	2012
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	<u>7,898</u>	123.54%	115.24%	135.36%
Depreciation, Amortisation & Impairment	<u>6,393</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>11,666</u>	0.04	0.06	0.00
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>272,765</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>5,059</u>	0.95	1.03	1.01
Required Asset Maintenance	<u>5,310</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>15,898</u>	1.85	1.20	1.11
Annual Depreciation	<u>8,589</u>			

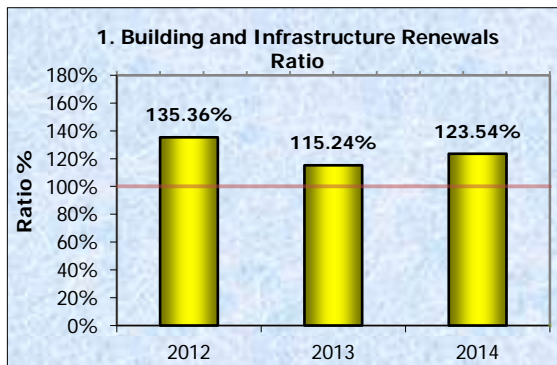
Notes

⁽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 and infrastructure 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 2014



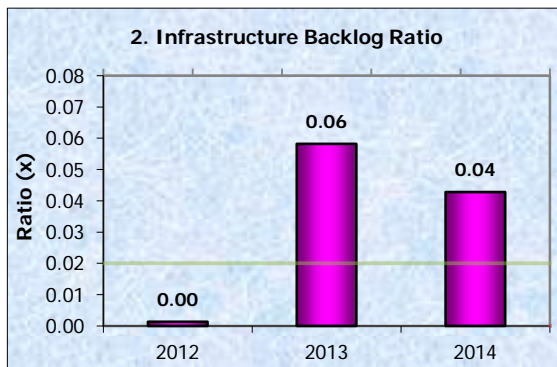
Purpose of Asset Renewals Ratio

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

2013/14 Ratio 123.54%

— Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)



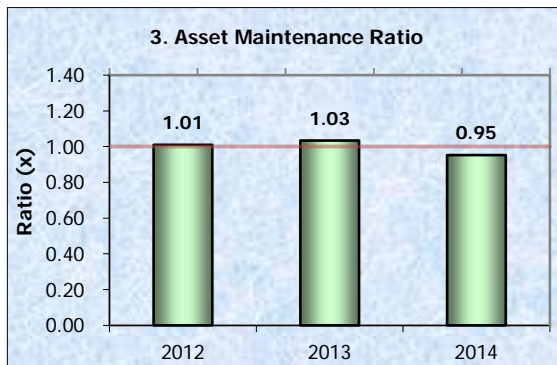
Purpose of Infrastructure Backlog Ratio

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

2013/14 Ratio 0.04 x

— Maximum .02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)



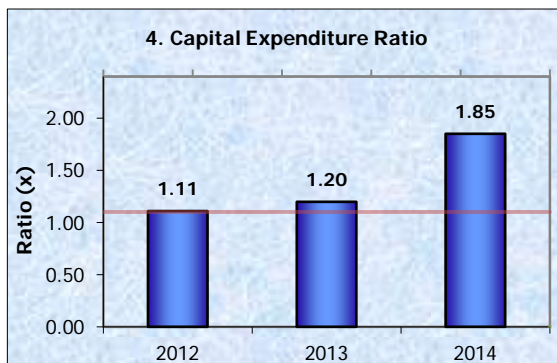
Purpose of Asset Maintenance Ratio

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

2013/14 Ratio 0.95 x

— Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)



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.

2013/14 Ratio 1.85 x

— Minimum 1.10

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Gunnedah Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General ⁽¹⁾ 2014
Infrastructure Asset Performance Indicators By Fund			
1. Building and Infrastructure Renewals Ratio			
<u>Asset Renewals (Building and Infrastructure)⁽¹⁾</u>	165.44%	38.86%	127.94%
Depreciation, Amortisation & Impairment			
prior period:	0.00%	0.00%	150.97%
2. Infrastructure Backlog Ratio			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>			
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	0.03	0.22	0.02
prior period:	0.00	0.00	0.08
3. Asset Maintenance Ratio			
<u>Actual Asset Maintenance</u>			
Required Asset Maintenance	1.00	1.00	0.94
prior period:	0.00	0.00	1.03
4. Capital Expenditure Ratio			
<u>Annual Capital Expenditure</u>			
Annual Depreciation	1.26	0.38	2.07
prior period:	0.91	0.65	1.41

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 and infrastructure assets only.

⁽³⁾ Written down value

Gunnedah Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	35,894	36,523	38,465	39,279	41,153	43,071	44,808	46,778	48,771	-	-
Expenses from continuing operations	30,825	35,067	37,452	39,147	40,793	42,568	44,243	46,190	47,900	-	-
Operating Result from Continuing Operations	5,069	1,456	1,013	132	360	503	565	588	871	-	-
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	10,372	1,018	3,751	137	138	712	377	12	13	-	-
Replacement/Refurbishment of Existing Assets	1,171	11,490	24,699	10,546	10,752	11,676	12,205	15,992	13,722	-	-
Total Capital Budget	11,543	12,508	28,450	10,683	10,890	12,388	12,582	16,004	13,735	-	-
Funded by:											
- Loans	5,000	4,000	15,000	1,000	2,000	-	-	2,000	500	-	-
- Asset sales	654	1,104	891	1,071	1,206	1,727	1,184	1,478	1,440	-	-
- Reserves	150	200	-	150	150	-	-	-	-	-	-
- Grants/Contributions	527	680	635	458	502	462	474	476	483	-	-
- Recurrent revenue	5,212	6,524	11,924	8,004	7,032	10,199	10,924	12,050	11,312	-	-
- Other	-	-	-	-	-	-	-	-	-	-	-
	11,543	12,508	28,450	10,683	10,890	12,388	12,582	16,004	13,735	-	-

Notes:

(1) From 13/14 Income Statement.

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

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

Gunnedah Shire Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	9,807	9,807
Plus or minus Adjustments ⁽²⁾	b	(834)	27
Notional General Income	c	8,973	9,834
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	9.40%	8.50%
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 = c x d	843	836
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)	9,816	10,670
plus (or minus) last year's Carry Forward Total	l	(17)	(8)
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	(17)	(8)
Total Permissible income	o = k + n	9,799	10,662
less Notional General Income Yield	p	9,807	10,660
Catch-up or (excess) result	q = o - p	(8)	2
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	(8)	2

Notes

- ¹ 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.
- ² 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.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ 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.
- ⁵ 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.

Gunnedah Shire Council

Report on Special Schedule No. 9

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Scope

We have audited the accompanying special purpose financial report comprising the reconciliation of total permissible general income (Special Schedule No.9) of Gunnedah Shire Council for 2014/15.

Responsibility of Council for Special Schedule No.9

The Council is 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.22. 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

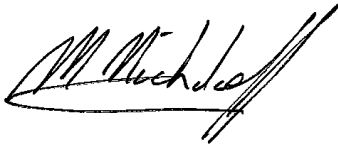
In conducting our audit, we followed applicable independence requirements of Australian Professional Ethical Pronouncements.

Audit Opinion

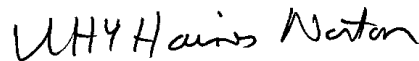
In our opinion, Special Schedule No.9 of Gunnedah Shire Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

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 Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed in Sydney on 24th October 2014