

# Gwydir Shire Council

GENERAL PURPOSE FINANCIAL REPORTS  
for the year ended 30 June 2014

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*"To be the recognised leader in Local Government  
through continuous learning and sustainability"*



# Gwydir Shire Council

## General Purpose Financial Report for the year ended 30 June 2014

### Contents

	Page
<b>General purpose financial report</b>	
Statement by Councillors and Management	1
Income statement	2
Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7
Auditors' reports	65

This financial report is a general purpose financial report of Gwydir Shire Council and its controlled entities and is presented in Australian currency.

Gwydir Shire Council is constituted under the Local Government Act (1993) and has its principal place of business at:

Gwydir Shire Council

Bingara Office	Warialda Office
33 Maitland St,	52 Hope St,
BINGARA NSW 2404.	Warialda NSW 2402.

The financial report was authorised for issue by the Council on 30 October 2014. Council has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our reporting is timely, complete, and available at minimum cost. All press releases, financial reports and other information are available on our website:  
[www.gwydir.nsw.gov.au](http://www.gwydir.nsw.gov.au).

## Gwydir Shire Council

### General Purpose Financial Report for the 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 Report has been prepared in accordance with:

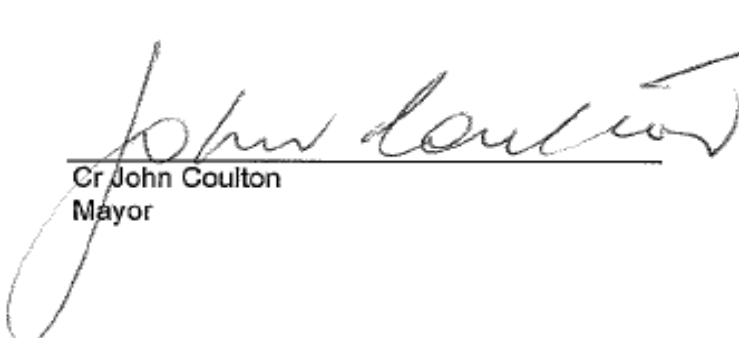
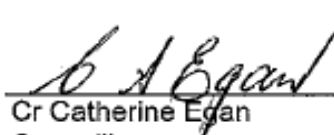
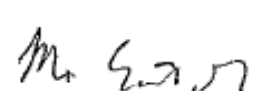

- \* The Local Government Act 1993 (as amended) and the Regulations made thereunder.
- \* The Australian Accounting Standards and professional pronouncements.
- \* The Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 30 October 2014

  
\_\_\_\_\_  
Cr John Coulton  
Mayor  
\_\_\_\_\_  
Cr Catherine Egan  
Councillor  
\_\_\_\_\_  
Max Eastcott  
General Manager  
\_\_\_\_\_  
Ron Wood  
Responsible Accounting Officer

# Gwydir Shire Council

## Income Statement for the year ended 30 June 2014

Original Budget (1) 2014 \$'000		Notes	Actual 2014 \$'000	Actual 2013 \$'000
	<b>Income from continuing operations</b>			
	<b>Revenue:</b>			
7,630	Rates and annual charges	3a	7,861	7,593
4,822	User charges and fees	3b	4,728	6,090
424	Interest and investment revenues	3c	599	519
2,327	Other revenues	3d	2,311	1,279
7,922	Grants and contributions provided for operating purposes	3e,f	6,077	7,161
1,422	Grants and contributions provided for capital purposes	3e,f	1,772	4,193
	<b>Other Income:</b>			
284	Net gain from the disposal of assets	5	-	38
24,831	<b>Total income from continuing operations</b>		23,348	26,873
	<b>Expenses from continuing operations</b>			
10,939	Employee benefits and on-costs	4a	11,192	10,635
719	Borrowing costs	4b	930	912
5,580	Materials and contracts	4c	5,102	5,264
11,010	Depreciation & amortisation	4d	11,007	11,238
2,807	Other expenses	4e	2,352	2,478
-	Net loss from disposal of assets	5	284	-
-	Impairment Expense	4d	-	1,686
31,055	<b>Total expenses from continuing operations</b>		30,867	32,213
(6,224)	<b>Operating result from continuing operations</b>		(7,519)	(5,340)
(6,224)	<b>Net operating result for the year</b>		(7,519)	(5,340)
	Attributable to:			
(6,224)	- Council		(7,519)	(5,340)
(6,224)			(7,519)	(5,340)
(7,646)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		(9,291)	(9,533)

Note:

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

The above income statement should be read in conjunction with the accompanying notes

## Gwydir Shire Council

### Statement of comprehensive Income for the year ended 30 June 2014

	Notes	Actual 2014 \$'000	Actual 2013 \$'000
<b>Net operating result for the year - from Income statement</b>		(7,519)	(5,340)
<b>Other Comprehensive Income</b>			
<b>Amounts which will not be classified subsequently to operating result</b>			
Gain (loss) on revaluation of infrastructure, property, plant & equipment	20b	622	3,124
Adjustments to correct prior period errors	20b	-	-
Impairment (loss) reversal relating to I,PP&E	20b	-	-
Prior Period Errors	20d	-	24,216
<b>Amounts which will be reclassified subsequently to operating result when specific conditions are met</b>			
De-recognition of land under roads	20f	-	-
<b>Total other comprehensive income for the year</b>		622	27,340
<b>Total comprehensive income for the year</b>		(6,897)	22,000
<b>Attributable to - Council</b>		(6,897)	22,000
<b>- Non-controlling interest</b>		-	-

The above Statement of comprehensive income should be read in conjunction with the accompanying notes

# Gwydir Shire Council

## Statement of financial position for the year ended 30 June 2014

### ASSETS

#### Current Assets

Cash and cash equivalents	6a
Investments	6b
Receivables	7
Inventories	8
Other	8
Non-current assets classified as held for sale	23

#### Total current assets

#### Non Current Assets

Receivables	7
Inventories	8
Infrastructure, property, plant and equipment	9

#### Total non-current assets

#### Total assets

### LIABILITIES

#### Current liabilities

Payables	10
Borrowings	10
Provisions	10

#### Total current liabilities

#### Non-current liabilities

Payables	10
Borrowings	10
Provisions	10

#### Total non-current liabilities

#### Total liabilities

#### Net assets

### EQUITY

Revaluation Reserve	20
Retained earnings	20
Council equity interest	-
Non-controlling equity interest	-

#### Total equity

Notes	Actual 2014 \$'000	Actual 2013 \$'000
	3,562	4,718
	3,000	4,500
	2,529	2,248
	444	338
	16	16
	-	-
	9,551	11,820
	500	282
	-	-
	218,793	220,807
	219,293	221,089
	228,844	232,909
	2,250	1,894
	890	677
	3,061	2,909
	6,201	5,480
	-	-
	11,593	9,677
	3,612	3,417
	15,205	13,094
	21,406	18,574
	207,438	214,335
	68,771	68,149
	138,667	146,186
	-	-
	-	-
	207,438	214,335

The above Balance sheet should be read in conjunction with the accompanying notes.

## Gwydir Shire Council

### Statement of changes in equity for the year ended 30 June 2014

	Notes Ref.	Actual 2014 \$'000					Actual 2013 \$'000				
		Retained earnings	Asset revaluation reserve	Other Reserves	Council equity interest	Total equity	Retained earnings	Asset revaluation reserve	Other Reserves	Council equity interest	Total equity
Opening balance		146,186	68,149	-	214,335	214,335	127,310	65,025	-	192,335	192,335
Transfers to/from Asset revaluation reserve		-	-	-	-	-	-	-	-	-	-
Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-
Restated Opening Balance	20	146,186	68,149	-	214,335	214,335	127,310	65,025	-	192,335	192,335
Net operating result for the year	20	(7,519)			(7,519)	(7,519)	(5,340)			(5,340)	(5,340)
Other Comprehensive Income	20	-	622		622	622	24,216	3,124		27,340	27,340
Total comprehensive income		(7,519)	622	-	(6,897)	(6,897)	18,876	3,124	-	22,000	22,000
Closing balance		138,667	68,771	-	207,438	207,438	146,186	68,149	-	214,335	214,335

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

# Gwydir Shire Council

## Cashflow Statement for the year ended 30 June 2014

Budget 2014 \$'000		Notes	Actual 2014 \$'000	Actual 2013 \$'000
	<b>Cash flows from operating activities</b>			
	<b>Receipts:</b>			
7,584	Rates and annual charges		7,814	7,607
5,083	User charges and fees		4,984	6,459
258	Investment revenue and interest		365	715
8,247	Grants and contributions		8,190	12,704
	Deposits and retentions received		-	63
3,345	Other		2,566	2,759
	<b>Payments:</b>			
(10,785)	Employee benefits and on-costs		(11,034)	(10,699)
(6,785)	Materials and contracts		(6,204)	(6,326)
(687)	Borrowing Costs		(888)	(893)
-	Deposits and retentions refunded		(98)	-
(2,503)	Other		(2,097)	(3,200)
3,757	<b>Net cash provided (or used in) operating activities</b>	11 (b)	3,598	9,189
	<b>Cash flows from investing activities</b>			
	<b>Receipts:</b>			
	Sale of Investments	6	1,500	1,250
	Sale of investment property			
	Sale of real estate assets	5	-	-
	Sale of infrastructure, property, plant and equipment	5	519	609
	Other		-	-
	<b>Payments:</b>			
	Purchase of investments	6	-	-
	Purchase of investment properties		-	-
	Purchase of infrastructure, property, plant and equipment	9	(9,174)	(12,527)
	Purchase of real estate	8	-	-
-			(7,155)	(10,668)
	<b>Cash flows from financing activities</b>			
	<b>Receipts:</b>			
	Borrowings and advances		3,649	542
	<b>Payments:</b>			
	Borrowings and advances		(1,248)	(677)
-	<b>Net cash provided by (or used in) financing activities</b>		2,401	(135)
3,757	<b>Net increase/(decrease) in cash and cash equivalents</b>		(1,156)	(1,614)
	Cash bonds introduced*		-	-
	Cash and cash equivalents at beginning of reporting period	11(a)	4,718	6,332
3,757	<b>Cash and cash equivalents at end of reporting period</b>	11(a)	3,562	4,718

The above Cash flow statement should be read in conjunction with the accompanying notes.

\* Adjustment required to bring to account bond cash reserves not previously recorded.



## **Gwydir Shire Council**

### **Notes to the financial statements for the year ended 30 June 2014**

#### **Contents of the notes to the financial statements**

	Page
Note 1 Summary of significant accounting policies	8
Note 2(a) Functions	19
Note 2(b) Components of functions	20
Note 3 Income from continuing operations	21
Note 4 Expenses from continuing operations	26
Note 5 Gain or loss from disposal of assets	29
Note 6(a) Cash and cash equivalents	30
Note 6(b) Investments	31
Note 6(c) Restricted cash, cash equivalents and investments	32
Note 7 Receivables	33
Note 8 Inventories and other assets	34
Note 9(a) Infrastructure, property, plant and equipment	35
Note 9(b) Restricted infrastructure, property, plant and equipment	36
Note 10(a) Payables, borrowings and provisions	37
Note 10(b) Description of and movements in provisions	38
Note 11 Reconciliation of cash flow movements	39
Note 12 Commitments for expenditure	41
Note 13 Statement of performance measures	43
Note 14 Investment properties	45
Note 15 Financial instruments	46
Note 16 Budget variations	50
Note 17 Statement of contribution plans	51
Note 18 Contingencies	52
Note 19 Interests in joint ventures	53
Note 20 Revaluation reserves and retained earnings	54
Note 21 Results by Fund	56
Note 22 Not required - Non-current assets classified as held for sale	-
Note 23 Not required - Events occurring after reporting date	-
Note 24 Not required - Discontinued operation	-
Note 25 Not required - Intangible assets	-
Note 26 Re-instatement, rehabilitation and restoration liabilities	58
Note 27 Fair Value Measurement	59

## Gwydir Shire Council

### Note 1 Summary of significant accounting policies for the year ended 30 June 2014

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

These general purpose financial statements 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) and Regulation, and the Local Government Code of Accounting Practice and Financial Reporting. Gwydir Shire Council is not a for-profit entity for the purpose of preparing the financial statements.

##### *(i) 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 has changed the basis for determining the income or expense relating to defined benefit plans and introduces revised definitions for short-term employee benefits. 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.

##### *(ii) Early adoption of standards*

Gwydir Shire Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

##### *(iii) Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of property, plant and equipment and investment property.

##### *(iv) Critical accounting estimates and judgements*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. 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 the entity and that are believed to be reasonable under the circumstances.

##### *\* Critical accounting estimates and assumptions*

Gwydir Shire 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 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 tip remediation provisions
- (iv) Estimated useful life and residual values of property, plant and equipment
- (v) Impairment of receivables.

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

##### *(vi) 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 its 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:

##### *(i) 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. 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.

## **Note 1      Summary of significant accounting policies - (continued)**

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

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 is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and 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). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

### *(ii) User charges and fees*

User charges and fees (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.

### *(iii) Sale of plant, property, infrastructure and equipment*

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

### *(iv) Interest*

Interest is recognised using the effective interest rate at the date that interest is earned.

### *(v) Rents*

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

### *(vi) 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**

### *(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 purpose operations
- \* Water supply
- \* Sewerage service
- \* Waste management service
- \* Naroo Aged Care

Council controls a number of S355 Committees. The majority of the Committees financial figures were consolidated into Councils financial statements at year end, the results of the remainder were not known at balance date, however this is not considered material.

The committees controlled by Council are the following:

- \* Bingara District Historical Society
- \* Gravesend Historical Society
- \* Warialda Historical Society
- \* Coolatai Sports' Ground Committee
- \* Croppa Creek Public Hall Management
- \* Crooble Public Hall Management
- \* Coolatai Public Hall Management
- \* Gravesend Public Hall Management
- \* Warialda Community Culture Centre (Carinda House)
- \* Bingara Hatchery
- \* North Star Public Hall
- \* Warialda Sports Council

**Note 1 Summary of significant accounting policies - (continued)**

The total revenue and expenditure from continuing operations and the net assets held by these Committees is as follows:

Total Income from continuing operations	\$5,000
Total Expenditure from continuing operations	\$5,000
Total net assets (Equity) held	\$12,000

Note: Where actual figures are not known, best estimates have been applied.

**(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 Register is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge

**(d) Leases**

Council has no financial or operational leases

**(e) Acquisition of assets**

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured at the fair value of the assets given, plus costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. 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.

**(f) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 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 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(g) Cash and cash equivalents**

For statement of cashflow 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 statement of financial position.

## **Note 1      Summary of significant accounting policies - (continued)**

### **(h) Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are due for settlement within 30 days.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of impairment loss is 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**

#### *(i) Raw materials and stores, work in progress and finished goods.*

Raw materials and stores, work in progress and finished goods are 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. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw material. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

#### *(ii) 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 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) Non-current assets held for sale**

Council does not have any assets classified as non-current held for sale.

## **Note 1 Summary of significant accounting policies (continued)**

### **(k) Investments and other financial assets**

#### **Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### *(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 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. Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the balance sheet.

#### *(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. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

#### **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. In addition, Council may 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.

#### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

#### **Subsequent measurement**

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established.

## **Note 1    Summary of significant accounting policies (continued)**

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security (note Council's obligations under Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005). The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial instruments is determined are disclosed in note 1(l)

### ***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. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### ***(i) Available-for-sale financial assets***

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

### ***Investment Policy***

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG (General) Regulations 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies 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 Investment Order arising from the Cole Inquiry recommendations.

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

### **(m) Infrastructure, property, plant and equipment (IPPE)**

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Division of Local Government. At balance date the following classes of IPPE were stated at their fair value:

- \* Operational Land (External Valuation).
- \* Buildings - Specialised/Non Specialised (External Valuation).
- \* Water/Sewerage Networks (Internal Valuation).
- \* Plant and equipment (as approximated by depreciated historical cost).
- \* Road assets - roads, bridges and footpaths (Internal Valuation).
- \* Drainage assets (Internal Valuation).
- \* Bulk earthworks (Internal Valuation).
- \* Community land (Internal Valuation).

## Note 1 Summary of significant accounting policies (continued)

- \* Other Structures (as approximated by depreciated historical cost).
- \* Other assets (as approximated by depreciated historical cost).

Water, sewerage and stormwater 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.

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

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.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Office equipment	3 to 20 years
Office furniture	3 to 30 years
Vehicles and road making equipment	3 to 30 years
Other plant and equipment	3 to 30 years
Buildings	50 - 150 years
Other Structures	10 to 100 years
Playground equipment	15 to 25 years
Benches, seats etc.	10 to 20 years
Dams and reservoirs	80 to 100 years
Reticulation pipes	100 years
Pump Stations	50 - 75 years
Treatment Works	50 -70 years
Drains	80 to 100 years
Culverts	50 to 80 years
Flood control structures	80 to 100 years
Sealed roads - Surface	15 to 60 years
Sealed roads - Structure	50 to 100 years
Unsealed roads	10 to 20 years
Bridges	50 to 100 years
Bulk earthworks	infinite

The assets' 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Land, other than land under roads, is classified as either operational or community in accordance with Part 2 of Chapter 6 of the Local Government Act (1993). This classification is made in Note 9(a).

### (o) Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### Retirement Home Contributions

Revenue from Accommodation Bonds is recognised monthly, in accordance with the Aged Care Act 1997. The balance of the Accommodation Bond is refunded to the resident within 14 days of the vacancy of the bed and is shown as a payable within the Statement of Financial Position.



## **Note 1 Summary of significant accounting policies (continued)**

### **(p) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as a transaction cost of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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 reporting date.

### **(q) Borrowing costs**

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

### **(r) Provisions**

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### **(s) Employee benefits**

#### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### *(ii) Other long-term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at end of the reporting period on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

#### *(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.

## **Note 1 Summary of significant accounting policies (continued)**

### **Defined Benefit Plans**

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans i.e. as an expense when it becomes payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme - Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB119 Employee Benefits. Sufficient information under AASB119 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.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ended 30 June 2014 was \$299,725. However the position is monitored annually and the actuary has estimated that as at 30th June 2014 a deficit still exists. Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$118,769. Councils expected contributions to the plan for the next annual reporting period is \$299,725.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$475,076 as at 30 June 2014.

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

### **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.

### **(t) Rounding of amounts**

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

### **(u) Land under roads**

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

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

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

### **Provisions for close down and restoration and for environmental clean up cost - Waste Management Facilities and**

#### **(v) Quarries**

##### **(i) 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 waste management facility and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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

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.

## **Note 1 Summary of significant accounting policies (continued)**

### **(ii) 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 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 effect future financial results.

### **(w) Allocation between current and non-current assets and liabilities**

In the determination of whether an asset or liability is 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. In the case of liabilities where council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

### **(y) Rural Fire Service Assets**

Under section 119 of the Rural Fire Services 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". Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

### **(z) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### **(aa) New accounting standards and interpretations issued not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

- i) AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 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. 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.  
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 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.
- ii) AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for Council's 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.

## **Note 1 Summary of significant accounting policies (continued)**

- iii) 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 1 January 2014 for not-for-profit entities)

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. 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 its investments, 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. 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.

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

### **(ab) Intangible assets**

Council does not hold any intangible assets

### **(ac) 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 recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

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

### **(ad) Intangibles - Bed Licences**

Council, as a result of changes to Federal Legislation, has received for no cost, bed licenses. These entitlements can be sold should the Council decide to reduce or cease its activities.

# Gwydir Shire Council

## Note 2(a) Functions for the year ended 30 June 2014

Revenues, expenses and assets have been directly attributed to the following functions/activities. Details of those focus areas are provided.													
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Functions/Activities</b>													
Governance (a)	-	-	-	296	311	85	(296)	(311)	(85)	-	-	-	-
Governance (b)	-	18	42	360	720	831	(360)	(702)	(789)	503	-	-	-
Technical Services	6,658	5,672	11,967	16,587	14,683	21,100	(9,929)	(9,011)	(9,133)	3,111	5,643	122,363	182,962
Town Services	1,147	1,508		1,913	2,972		(766)	(1,464)	-	198		46,672	
Building & Environmental Services	1,026	1,026	2,291	3,462	4,292	3,362	(2,436)	(3,266)	(1,071)	421	280	38,171	27,734
Organisational & Community Development	3,932	5,393	2,915	7,093	6,739	4,876	(3,161)	(1,346)	(1,961)	2,036	1,230	14,049	10,191
Corporate Services	1,147	485	439	1,344	1,150	1,959	(197)	(665)	(1,520)	71	667	7,589	12,022
<b>Total functions &amp; activities</b>	13,910	14,102	17,654	31,055	30,867	32,213	(17,145)	(16,765)	(14,559)	6,340	7,820	228,844	232,909
General Purpose Income <sup>(1)</sup>	10,921	9,246	9,219	-	-	-	10,921	9,246	9,219	1,509	3,534	-	-
<b>Totals</b>	24,831	23,348	26,873	31,055	30,867	32,213	(6,224)	(7,519)	(5,340)	7,849	11,354	228,844	232,909

Note (1) Includes :

- Rates and annual charges
- Non-capital general purpose grants
- Interest and investment revenue

## **Gwydir Shire Council**

### **Note 2(b) Components of functions for the year ended 30 June 2014**

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

#### **Governance (a)**

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

#### **Governance (b)**

Other costs otherwise attributed to executive functions.

#### **Engineering Services**

Provision of infrastructure services such as aerodromes, roads, bridges & footpaths, emergency services and plant.

#### **Building & Environmental Services**

Building, regulatory and environmental services.

#### **Town Services**

Includes the provision of water and sewerage services as well as parks, gardens and stormwater services.

#### **Organisational and Community Development**

Provision of community fitness, human resource, medical centres, aged care, economic development and tourism and promotion functions.

#### **Corporate & Social Services**

Provision of support services including accounts payable, accounts receivable, accounting services, information technology, graphical information systems as well as library, counter and social services.

## Gwydir Shire Council

### Note 3 Income from continuing operations for the year ended 30 June 2014

	Actual 2014 \$'000	Actual 2013 \$'000
<b>(a) Rates and annual charges</b>		
<b>Ordinary Rates</b>		
Residential	723	693
Farmland	4,710	4,590
Business	78	76
<b>Total ordinary rates</b>	<b>5,511</b>	<b>5,359</b>
 <b>Annual Charges</b> <i>(pursuant to s.496, 496A, 496B, 501 and 611)</i>		
Domestic waste management services	618	604
Water supply	654	576
Sewerage services	581	582
Stormwater management services	40	32
Waste management services (not domestic)	457	440
<b>Total annual charges</b>	<b>2,350</b>	<b>2,234</b>
 <b>Total rates and annual charges</b>	<b>7,861</b>	<b>7,593</b>

*Council has used 2012 valuations provided by the NSW Valuer General in calculating its rates.*

*Valuations are updated every three years.*

### Note 3 Income from continuing operations (continued)

#### (b) User charges and fees

##### User charges *(pursuant to s.502)*

Water supply services

Sewerage services

##### Total user charges

##### Fees

Private Works

RTA charges (State Roads not controlled by Council)

Building services - other

Planning & Building (regulatory)

s603 certificates

Registration Fees

Caravan parks

Cemeteries

Pre-school services

Home And Communtiy Care/Community Transport

Medical Centres

Quarry Charges

Roxy Theatre

WOW Fitness

Other fees

##### Total fees

##### Total user charges and fees

#### (c) Interest and Investment revenue (losses) <sup>(1)</sup>

Overdue rates and charges

Cash, cash equivalents and Investments

Premiums recognised on financial instrument transactions

- Reduced interest loan from Federal Government

##### Total interest and investment revenue (losses) <sup>(1)</sup>

	Actual 2014 \$'000	Actual 2013 \$'000
	666	441
	75	77
	741	518
	38	223
	2,202	3,976
	-	-
	60	84
	8	7
	16	11
	361	282
	39	30
	47	43
	102	91
	882	712
	-	17
	58	45
	19	-
	155	51
	3,987	5,572
	4,728	6,090
	39	39
	239	480
	321	-
	599	519

#### Note:

(1) Where interest and investment revenue nets to an overall loss, this is carried to the interest and investment losses line on the Income Statement.



### Note 3 Income from continuing operations (continued)

#### (d) Other revenues

Commissions & agency fees
Employee related
Emergency services reimbursements
Fines
Insurance claim recoveries
Medical Centres
Naroo
Land Care
Quarry
Rental income - other council properties
Roxy hire
Sales - general
Festivals
Tourism
Fuel Rebate
Other - Governance
Other
Waste management revenues
Water supplies
Sewer Operations
<b>Total other revenues</b>

<b>Actual 2014 \$'000</b>	<b>Actual 2013 \$'000</b>
70	76
35	106
2	-
2	3
910	73
68	70
33	26
-	-
-	-
646	557
-	-
46	42
2	-
31	37
-	-
-	-
430	273
34	10
1	5
1	1
<b>2,311</b>	<b>1,279</b>

### Note 3 Income from continuing operations (continued)

	Operating		Capital	
	Actual	Actual	Actual	Actual
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
<b>(e) Grants</b>				
<b>General purpose (Untied)</b>				
Financial assistance	2,012	3,489	-	-
Pensioners' rates subsidies:				
- General	41	40	-	-
<b>Special purpose</b>				
Pensioners' rate subsidies:				
- Water	24	24	-	-
- Sewer	21	21	-	-
- Domestic waste management	46	46	-	-
Aged Care	732	773	-	-
NSW Rural Fire Service	220	306	44	-
Gwydir Learning Region	-	-	-	-
Employment & training programs	100	11	-	-
Family first - DOCS	103	101	-	-
Home And Community Care	237	234	-	55
Medical Centres	-	-	-	-
Noxious weeds	70	68	-	-
Roxy Complex	8	-	-	-
Tharawonga operational	300	268	-	-
Transport (3x3, Flood works, Roads to Recovery)	-	-	1,413	3,941
Transport (Other roads & bridges funding)	-	-	-	-
Street Lighting	19	19	-	-
Sewerage Services	-	-	-	-
Water Supplies	-	-	-	-
Other	570	427	145	9
<b>Total grants</b>	<b>4,503</b>	<b>5,827</b>	<b>1,602</b>	<b>4,005</b>
<b>Comprising:</b>				
- Commonwealth funding	3,348	4,719	821	2,180
- State funding	802	816	691	1,819
- Other funding	353	292	90	6
	<b>4,503</b>	<b>5,827</b>	<b>1,602</b>	<b>4,005</b>
<b>(f) Contributions</b>				
Developer Contributions				
- Section 94	-	-	30	110
RTA contributions (Regional/Local, Block Grant)	1,324	1,063	-	-
Section 64:				
- Water	-	-	-	-
- Sewerage	-	-	-	-
Other	250	271	140	78
<b>Total contributions</b>	<b>1,574</b>	<b>1,334</b>	<b>170</b>	<b>188</b>
<b>Total grants and contributions</b>	<b>6,077</b>	<b>7,161</b>	<b>1,772</b>	<b>4,193</b>

### Note 3 Income from continuing operations (continued)

#### (g) Restrictions relating to grants and contributions

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

Grants and contributions recognised in the current period which have not been spent

Less:

Grants and contributions recognised in previous reporting periods which have been spent in the current reporting period

#### Net increase/(decrease) in restricted grants and contributions

Actual 2014 \$'000	Actual 2013 \$'000
20	433
230	114
(210)	319

## Gwydir Shire Council

### Note 4 Expenses from continuing operations for the year ended 30 June 2014

#### (a) Employee benefits and on costs

Salaries and wages

Travelling

Employee leave entitlements

Superannuation

Workers' compensation insurance

Fringe Benefits Tax

Training costs (excluding Salaries)

Other

Less: Capitalised costs

**Total employee costs expended**

Number of FTE employees

#### (b) Borrowing Costs

Interest on Overdrafts

Interest on Loans

Amortisation of discounts and premiums:

- Unwinding discount on reduced interest loan

- Remediation (Tip & Quarry)

Less: Capitalised costs

**Total borrowing costs expended**

#### (c) Materials and contracts

Raw materials and consumables

Contractor and consultancy costs

- Domestic waste management contract

- Health Services

- Pools

- Valuations

- Other

- Consultants

Remuneration of Auditors<sup>(1)</sup>

Legal fees:

- Other

Operating Leases:

- Other

**Total materials and contracts**

	Actual 2014 \$'000	Actual 2013 \$'000
	7,969	8,382
	137	180
	1,957	1,683
	1,030	1,029
	669	381
	29	29
	247	309
	195	382
	(1,041)	(1,740)
	11,192	10,635
	165	172
	-	-
	731	715
	49	23
	188	188
	(38)	(14)
	930	912
	2,604	1,773
	65	-
	741	565
	140	112
	28	27
	1,335	2,621
	132	72
	48	68
	-	17
	9	9
	5,102	5,264

**Note 4 Expenses from continuing operations (continued)**

<sup>(1)</sup> During the year the following fees were paid or payable for services provided by the Council's auditor - Forsyths Chartered Accountants

(i) Audit and other assurance services

Audit and review of financial statements

Other assurance services:

- Audit of regulatory returns

- Due diligence services

Total remuneration for audit and other assurance services

34	47
-	-
14	14
48	61

(ii) Taxation services

Tax compliance services

Total remuneration for taxation services

-	-
-	-

(iii) Other services

Remuneration advice

Benchmarking services

Total Remuneration for other services

-	7
-	-
-	7

**Total remuneration of Forsyths Chartered Accountants**

48	68
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**Note 4 Expenses from continuing operations (continued)**

	Depn Actual 2014 \$'000	Depn Actual 2013 \$'000	Impairment Actual 2014 \$'000	Impairment Actual 2013 \$'000
<b>(d) Depreciation, amortisation and impairment</b>				
Plant and equipment	1,101	1,076	-	-
Office equipment	86	98	-	-
Furniture & fittings	40	41	-	-
Buildings - Non Specialised	624	582	-	-
- Specialised	510	366	-	-
Other Structures	74	77	-	-
Infrastructure:		-		
- roads, bridges and footpaths	8,081	8,268	-	-
- storm water drainage	46	46	-	-
- water supply network	97	211	-	-
- sewerage network	76	201	-	1,686
- library books	-	-	-	-
Swimming Pools	13	13	-	-
Quarry Remediation Asset	36	36	-	-
Tip asset	223	223	-	-
Less: Capitalised costs/impairment reversals/ impairments offset against asset revaluation reserves <sup>(1)</sup>				
<b>Total depreciation</b>	<b>11,007</b>	<b>11,238</b>	<b>-</b>	<b>1,686</b>
<b>(e) Other expenses</b>				
Other expenses for the year including the following:				
Revaluation decrements - IPPE	-	-		
Mayoral fee	27	23		
Councillors' fees	98	100		
Councillors' (incl Mayor) expenses	20	22		
Advertising	56	59		
Bad & doubtful debts	2	20		
Bushfire & SES equipment	405	336		
Contributions and donations	128	149		
Electricity and heating	655	645		
Insurance	484	604		
Street lighting	91	94		
Subscriptions & publications	77	45		
Telephone	309	381		
Other	-	-		
<b>Total Other Expenses</b>	<b>2,352</b>	<b>2,478</b>		

Note:

*(1) Impairment losses for revalued assets are to be firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.*

## Gwydir Shire Council

### Note 5 Gain or loss from disposal of assets for the year ended 30 June 2014

#### Gain (or loss) on disposal of Property

Proceeds from disposal

Less: Carrying amount of assets sold

#### Gain (or loss) on disposal

#### Gain (or loss) on disposal of Plant and Equipment

Proceeds from disposal

Less: Carrying amount of assets sold

#### Gain (or loss) on disposal

#### Gain (or loss) on disposal of Infrastructure Assets

Proceeds from disposal

Less: Carrying amount of infrastructure assets

#### Gain (or loss) on disposal

#### Net gain (or loss) from disposal of assets

Actual 2014 \$'000	Actual 2013 \$'000
24	-
211	32
(187)	(32)
495	609
592	444
(97)	165
-	-
-	95
-	(95)
(284)	38

## Gwydir Shire Council

### Note 6(a) Cash and Cash equivalents for the year ended 30 June 2014

Cash at bank and on hand  
Cash Equivalents

Actual 2014 \$'000	Actual 2013 \$'000
2,345	1,261
1,217	3,457
<b>3,562</b>	<b>4,718</b>



**Note 6(b) Investments  
for the year ended 30 June 2014**

The following financial assets are held as investments

	Actual 2014		Actual 2013	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Financial assets at fair value through Profit and Loss	-	-	-	-
Held to maturity investments	3,000	-	4,500	-
Held to Maturity financial assets	-	-	-	-
<b>Total</b>	<b>3,000</b>	<b>-</b>	<b>4,500</b>	<b>-</b>
<b>Financial assets at fair value through Profit and Loss</b>				
At beginning of year	-	-	-	-
Adjustment on adoption of AASB132 & 139	-	-	-	-
Revaluation to Income statement	-	-	-	-
Additions	-	-	-	-
Disposals (Sale/Redemption)	-	-	-	-
At end of year	-	-	-	-
Held for trading:				
- Managed funds				
- CDOs				
- FRNs				
Designated:				
- Listed equity securities				
	-	-	-	-
<b>Held to maturity investments</b>				
At beginning of year	4,500	-	5,750	-
Adjustment on adoption of AASB132 & 139	-	-	-	-
Revaluation to Income statement	-	-	-	-
Additions	-	-	3,000	-
Disposals (Sale/Redemption)	(1,500)	-	(4,250)	-
At end of year	<b>3,000</b>	<b>-</b>	<b>4,500</b>	<b>-</b>
<b>Comprising of:</b>				
- Government Bonds				
- Term Deposits	3,000	-	4,500	-
- Bank Bills	-	-	-	-
- Equity linked notes	-	-	-	-
	<b>3,000</b>	<b>-</b>	<b>4,500</b>	<b>-</b>
<b>Available for sale financial assets</b>				
At beginning of year	-	-	-	-
Adjustment on adoption of AASB132 & 139	-	-	-	-
Additions	-	-	-	-
Disposals (Sale/Redemption)	-	-	-	-
Revaluation adjustment to equity	-	-	-	-
At end of year	-	-	-	-

**Note 6(c) Restricted cash, cash equivalents and investments  
for the year ended 30 June 2014**

**Total cash, cash equivalents and investments**

External restrictions  
Internal restrictions  
Unrestricted

Actual 2014		Actual 2013	
Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
6,562	-	9,218	-
5,722		6,047	
840		2,993	
-		178	
6,562	-	9,218	-

**External Restrictions**

**Included in liabilities**

Aged Care Bonds (A)

**Other**

Specific purpose unexpended grants (C)  
Water (D)  
Sewerage (E)  
Domestic Waste Management (F)  
Developer contributions (G)

**Total external restrictions**

Notes

Opening Balance \$'000	Transfers to restrictions \$'000	Transfers from restrictions \$'000	Closing balance \$'000
-	-	-	-
677	-	537	140
677	-	537	140
270	-	210	60
1,665	-	8	1,657
2,279	361	-	2,640
1,046	97	-	1,143
110	30	58	82
6,047	488	813	5,722

(A) Bonds which must be held for the purpose raised

(B) Advances by the Roads & Traffic Authority for works on the State's classified roads (see Note 3g)

(C) Grants which are not yet expended for the purposes for which the grants were obtained (See note 1 & Note 3g)

(D-F) Water, Sewerage and Domestic Waste Management (DWM) funds are externally restricted assets which must be applied for the purposes for which they were raised.

(G) Development contributions which are not yet expended for the provision of services and amenities in accordance with contribution plans.

**Internal Restrictions**

Employee Leave Entitlements  
Asset Renewal  
Building Reserves  
Plant Replacement  
Other Waste  
Unexpended Loans  
Deposits, bonds etc.  
Carry Over Works

**Total Internal Restrictions**

**Total Restrictions**

Opening Balance \$'000	Transfers to restrictions \$'000	Transfers from restrictions \$'000	Closing balance \$'000
873	-	873	-
250	-	250	-
82	-	82	-
272	-	272	-
698	64	-	762
619	-	619	-
199	-	121	78
-	-	-	-
2,993	64	2,217	840
9,040	552	3,030	6,562

**Note 7    Receivables**  
**for the year ended 30 June 2014**

Page 33

**Note 8 Inventories and other assets  
for the year ended 30 June 2014**

	Actual 2014		Actual 2013	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
<b>Inventories</b>				
Real estate (refer below)	-	-	-	-
Stores and materials	444	-	338	-
<b>Total</b>	444	-	338	-
<b>Other assets</b>				
Prepayments	16	-	16	-
<b>Total</b>	16	-	16	-
<b>Real Estate Development</b>				
Residential	-	-	-	-
Industrial/Commercial	-	-	-	-
Other properties	-	-	-	-
<b>Total real estate for resale</b>	-	-	-	-
<i>(Valued at the lower of cost and net realisable value)</i>				
<b>Represented by:</b>				
Acquisition costs	-	-	-	-
Development costs	-	-	-	-
Borrowing costs	-	-	-	-
<b>Total real estate for resale</b>	-	-	-	-

**Inventories not expected to be realised within the next 12 months**

89

-

**Externally restricted inventories and other assets**

	Actual 2014		Actual 2013	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
<b>Water</b>				
Stores and materials	20	-	19	-
<b>Total Water</b>	20	-	19	-
<b>Sewerage</b>				
Stores and materials	2	-	2	-
<b>Total Sewerage</b>	2	-	2	-
<b>Waste</b>				
Stores and materials	-	-	-	-
<b>Total Sewerage</b>	-	-	-	-
<b>Total externally restricted inventories and other assets</b>	22	-	21	-
<b>Unrestricted inventories and other assets</b>	438	-	333	-
<b>Total inventories and other assets</b>	460	-	354	-

**Note 9(a) Infrastructure, property, plant and equipment  
for the year ended 30 June 2014**

By Asset Type	At 30 June 2013				Movements during year							At 30 June 2014			
	Cost \$'000	Fair Value \$'000	Accum depn and impairment \$'000	Written Down Value \$'000	Additions - Renewals \$'000	Additions - New Assets \$'000	WDV of Disposals \$'000	Depn and impairment \$'000	Transfers \$'000	Retained Earnings Adjustments (1) \$'000	Revaluation increments/ (decrements) (2) \$'000	Cost \$'000	Fair Value \$'000	Accum depn and impairment \$'000	Written Down Value \$'000
Capital WIP	6,443	-	-	6,443	(1,861)	-	-	-	-	-	-	4,582	-	-	4,582
Plant and equipment	-	17,336	6,395	10,941	1,290	110	590	1,101	-	-	-	-	18,146	7,496	10,650
Office equipment	-	843	548	295	108	-	-	86	-	-	-	-	951	634	317
Furniture and fittings	-	923	244	679	92	-	2	40	-	-	-	-	1,013	284	729
Leased plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Operational Land	-	4,739	-	4,739	-	7	-	-	-	-	-	-	4,746	-	4,746
- Community Land	-	8,120	-	8,120	-	278	-	-	-	-	-	-	8,398	-	8,398
- Non depreciable land improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings - Non Specialised	-	30,344	5,614	24,730	2,460	812	211	624	-	-	-	-	33,405	6,238	27,167
- Specialised	-	22,810	3,049	19,761	455	877	-	510	-	-	-	-	24,142	3,559	20,583
Other Structures	-	2,543	803	1,730	136	184	-	74	(13)	-	-	-	2,850	877	1,963
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Roads	-	288,158	166,899	121,259	4,051	-	-	7,451	(12,428)	-	-	-	279,781	174,350	105,431
- Bridges	-	-	-	-	-	-	-	622	12,300	-	-	-	12,300	622	11,678
- Footpaths	-	-	-	-	-	-	-	8	128	-	-	-	128	8	120
- Stormwater Drainage	-	3,534	2,148	1,386	-	-	-	46	-	-	37	-	3,571	2,194	1,377
- Water Supply Network <sup>(3)</sup>	-	15,067	4,626	10,441	134	15	-	97	-	-	303	-	15,519	4,723	10,796
- Sewerage Network <sup>(3)</sup>	-	11,611	2,858	8,753	-	26	-	76	-	-	243	-	11,880	2,934	8,946
-Swimming pools	-	65	39	36	-	-	-	13	13	-	39	-	117	52	75
- Other open space / recreational assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Quarry Asset	-	371	210	161	-	-	-	36	-	-	-	-	371	246	125
- Tip Asset	-	2,549	1,216	1,333	-	-	-	223	-	-	-	-	2,549	1,439	1,110
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>6,443</b>	<b>409,013</b>	<b>194,649</b>	<b>220,807</b>	<b>6,865</b>	<b>2,309</b>	<b>803</b>	<b>11,007</b>	<b>-</b>	<b>-</b>	<b>622</b>	<b>4,582</b>	<b>419,867</b>	<b>205,656</b>	<b>218,793</b>

Notes:

(1) Refer to Note 20(b) for explanation of Adjustment

(2) Refer to Note 20(a) for explanation of Adjustment

(3) The 'Water Supply Network' and 'Sewerage Network' asset classes do not include those fixed assets belonging to the water and sewer funds which form part of the other asset classes, e.g. land, buildings etc.. See Note 9b for all the classes of fixed assets belonging to the water and sewer funds.

**Note 9(b) Restricted infrastructure, property, plant and equipment  
for the year ended 30 June 2014**

By Asset Type	At 30 June 2014				At 30 June 2013			
	At Cost \$'000	Fair Value \$'000	Accum depn and impairment \$'000	Written Down Value \$'000	At Cost \$'000	Fair Value \$'000	Accum depn and impairment \$'000	Written Down Value \$'000
<b>Water Supply</b>								
WIP	68	-	-	68	-	57	-	57
Plant and equipment	-	539	66	473	-	525	45	480
Land								-
- Operational Land	-	64	-	64	-	63	-	63
Buildings	-	3,429	232	3,197	-	3,393	201	3,192
Other Structures	-	127	28	99	-	119	24	95
Water Supply Infrastructure	-	15,634	4,838	10,796	-	15,067	4,626	10,441
<b>Total water supply</b>	<b>68</b>	<b>19,793</b>	<b>5,164</b>	<b>14,697</b>	<b>-</b>	<b>19,224</b>	<b>4,896</b>	<b>14,328</b>
<b>Sewerage Services</b>								-
WIP	79	-	-	79	-	63	-	63
Plant and equipment	-	93	45	48	-	93	39	54
Land								
- Operational Land	-	284	-	284	-	284	-	284
Buildings	-	114	26	88	-	114	24	90
Other Structures	-	20	5	15	-	20	4	16
Sewerage Infrastructure	-	11,962	3,016	8,946	-	11,611	2,858	8,753
<b>Total sewerage services</b>	<b>79</b>	<b>12,473</b>	<b>3,092</b>	<b>9,460</b>	<b>-</b>	<b>12,185</b>	<b>2,925</b>	<b>9,260</b>
<b>Domestic Waste Management</b>								
WIP	200	-	-	200		24	-	24
Plant and equipment		19	3	16		19	3	16
- Operational Land		192	-	192		192	-	192
Other Structures		68	18	50		68	14	54
Other		-	-	-		-	-	-
Tip Asset		2,548	1,439	1,109		2,549	1,216	1,333
<b>Total Domestic Waste</b>	<b>-</b>	<b>2,827</b>	<b>1,460</b>	<b>1,567</b>	<b>-</b>	<b>2,852</b>	<b>1,233</b>	<b>1,619</b>
<b>Total Restrictions</b>	<b>147</b>	<b>35,093</b>	<b>9,716</b>	<b>25,724</b>	<b>-</b>	<b>34,261</b>	<b>9,054</b>	<b>25,207</b>

# Gwydir Shire Council

## Note 10(a) Payables, borrowings and provisions for the year ended 30 June 2014

	Actual 2014		Actual 2013	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
<b>Payables</b>				
Goods and services	440	-	792	-
Payments received in advance	76	-	67	-
Accrued expenses	1,115	-	66	-
Accrued Interest	104	-	111	-
Deposits and retentions	82	-	180	-
Aged Care Bonds	431	-	677	-
Other	2	-	1	-
<b>Total payables</b>	<b>2,250</b>	<b>-</b>	<b>1,894</b>	<b>-</b>

**Current Payables not expected to be settled within the next 12 months**

388

609

<b>Borrowings</b>				
Bank overdraft	-	-	-	-
Loans - Secured <sup>(1)</sup>	890	11,593	677	9,677
<b>Total borrowings</b>	<b>890</b>	<b>11,593</b>	<b>677</b>	<b>9,677</b>
<b>Provisions <sup>(2)</sup></b>				
Annual leave	1,102	-	1,011	-
Long service leave	1,959	172	1,898	165
Quarry remediation (Note 26)	-	437	-	413
Tip remediation (Note 26)	-	3,003	-	2,839
<b>Total provisions</b>	<b>3,061</b>	<b>3,612</b>	<b>2,909</b>	<b>3,417</b>

**Current Provisions not expected to be settled within the next 12 months**

2,755

1,491

<b>Liabilities relating to restricted assets</b>				
Waste management	79	3,090	17	2,934
Water	342	2,595	303	2,763
Sewer	111	12	145	15
<b>Total</b>	<b>532</b>	<b>5,697</b>	<b>465</b>	<b>5,712</b>

Notes:

(1) Loans are secured over the rating income of Council

(2) Vested ELE is all carried as a current provision

**Note 10(b) Payables, borrowings and provisions (continued)**

<b>Class of provision</b>	<b>Opening balance \$'000</b>	<b>Increases in provisions \$'000</b>	<b>Payments \$'000</b>	<b>Re- measurement \$'000</b>	<b>Closing balance \$'000</b>
Quarry Remediation	413	24	-	-	437
Tip remediation	2,839	164	-	-	3,003
<b>Total</b>	<b>5,996</b>	<b>188</b>	<b>-</b>	<b>-</b>	<b>6,184</b>



# **Note 11 Reconciliation of cash flow movements for the year ended 30 June 2014**

	Notes	Actual 2014 \$'000	Actual 2013 \$'000
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalents	6a	3,562	4,718
Less: Bank overdraft	10	-	-
<b>Balances as per cash flow statement</b>		<b>3,562</b>	<b>4,718</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
Net operating result from Income statement		(7,519)	(5,340)
<b>Add:</b>			
Depreciation and impairment		11,007	12,924
Increase in provision for leave entitlements		158	-
Increase in other provisions		188	187
Decrease in receivables		-	1,594
Decrease in inventories		-	-
Decrease in other current assets		-	-
Increase in payables		1,049	40
Increase in accrued interest payable		-	-
Amortisation of interest expense on interest free loan		49	-
Loss on sale of assets		284	-
Write offs relating to fair valuation of I,PP&E		-	-
		<b>5,216</b>	<b>9,405</b>
<b>Less:</b>			
Gain on sale of assets		-	38
Decrease in provision for doubtful debts		-	-
Decrease in employee leave entitlements		-	64
Decrease in other provisions		-	-
Decrease in accrued expenses payable		-	-
Decrease in accrued interest payable		7	-
Decrease in payables		352	-
Increase in inventories		106	114
Increase in other current assets		-	-
Increase in receivables		499	-
Decrease in other current liabilities		333	-
Non cash capital grants and contributions		-	-
Reduction of revaluation reserves		-	-
Revaluation Decrement		-	-
Reversal of previous revaluation decrements		-	-
Initial Fair Valuation of Favourable Financial Liabilities		321	-
Other		-	-
Non-cash asset additions		-	-

**Net cash provided from (or used in) operating activities from  
Cash flow statement**

3,598	9,189
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**Note 11 Reconciliation of cash flow movements (continued)**  
for the year ended 30 June 2014

Notes	Actual 2014 \$'000	Actual 2013 \$'000
<b>(c) Non-cash financing and investing activities</b>		
Quarry Remediation asset	-	-
Tip Remediation asset	-	-
	-	-
<b>(d) Financing arrangements</b>		
Unrestricted access was available at balance date to the following:		
Bank overdraft facility <sup>(1)</sup>	100	100
Corporate Credit Cards	32	32
	132	132

Notes:

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

**(a) Capital commitments (exclusive of GST)**

- Buildings<sup>(1)</sup>
- Infrastructure
- Land
- Plant and equipment

1) Building commitments relate to Naroó aged care facility extensions

- Not later than one year
- Later than one year and not later than 5 years
- Later than 5 years

Minimum lease payments  
Less: Future finance charges

- Current
- Non-current

[illegible]

## Note 12 Commitments for Expenditure (continued)

### (c) Non-cancellable operating Lease commitments

Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows

- Not later than one year
- Later than one year and not later than 5 years
- Later than 5 years

#### Total

### (d) Repairs and maintenance: investment property

Contractual obligations for future repairs and maintenance

#### Total

Actual 2014 \$'000	Actual 2013 \$'000
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

**Note 13 Statement of performance measures - Consolidated results  
for the year ended 30 June 2014**

	Amounts	Current year indicators	2013	2012	2011
<b>1. Operating Performance Factors</b>					
Total continuing operating revenue <sup>1</sup> excluding capital grants and contributions - operating expenses	-9,007	-42%	-42%	-30%	-26%
Total continuing operating revenue <sup>1</sup> excluding capital grants and contributions Current benchmark > 0	21,576				
<b>2. Own source operating revenue Factors</b>					
Total continuing operating revenue <sup>1</sup> less all grants and contributions	15,499	66.38%	50.92%	46.45%	49.42%
Total operating revenue <sup>1</sup> inclusive of capital grants and contributions Current benchmark > 60%	23,348				
<b>3. Unrestricted current ratio</b>					
Current assets less external restrictions	3,307	0.58 :1	1.79:1	2.5:1	3.49:1
Current liabilities less specific purpose liabilities Current benchmark > 1.5	5,669				
<b>4. Debt Service Cover Ratio Factors</b>					
Operating results <sup>1</sup> before capital excluding interest and depreciation/impairment/amortisation (EBITDA)	2,930	1.35 :1	1.65	3.19	4.13
Principal repayments (from the statement of cash flows) + borrowing interest costs (from the income statement) Current benchmark > 2	2,178				
<b>5. Rates and annual charges outstanding percentage Factors</b>					
Rates and annual charges outstanding	572	7.24%	6.82%	7.71%	10.34%
Rates and annual charges collectible	7,900				
<b>6. Cash expense cover ratio (x12)</b>					
Current year's cash and cash equivalents including term deposits	3,562	1.98 :1	5.08	6.97	5.00
Payments from cash flow of operating and financing activities Current benchmark > 3	21,569				

Notes:

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets.

**Note 13 Statement of performance measures - Fund results**  
**for the year ended 30 June 2014**

	Current year indicators			
	General	Water	Sewer	Waste
<b>1. Operating Performance Factors</b> Total continuing operating revenue <sup>1</sup> excluding capital grants and contributions - operating expenses Current benchmark > 0	-56%	11%	44%	-7%
<b>2. Own source operating revenue Factors</b> Total continuing operating revenue <sup>1</sup> less all grants and contributions Current benchmark > 60%	60.46%	98.46%	97.25%	96.65%
<b>3. Unrestricted current ratio</b> Current assets less external restrictions	-0.31	5.75	24.66	11.24
Current liabilities less specific purpose liabilities Current benchmark > 1.5 <b>4. Debt Service Cover Ratio Factors</b> Operating results <sup>1</sup> before capital excluding interest and depreciation/impairment/amortisation (EBITDA) Principal repayments (from the statement of cash flows) + borrowing interest costs (from the income statement) Current benchmark > 2	1.21	1.47	62.29	11.08
<b>5. Rates and annual charges outstanding percentage Factors</b> Rates and annual charges outstanding Rates and annual charges collectible	6.73%	31.18%	13.27%	1842.06%
<b>6. Cash expense cover ratio (x12)</b> Current year's cash and cash equivalents including term deposits Payments from cash flow of operating and financing activities Current benchmark > 3	0.26	1.88	37.79	18.42

Notes:

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets.

**Note 14   Investment properties  
for the year ended 30 June 2014**

No investment properties were held by Gwydir Sire Council in the financial year ended 30 June 2013



## Note 15 Financial risk management for the year ended 30 June 2014

### Risk management

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and 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 the Finance Section under policies approved by the Council.

Council held the following financial instruments at balance date:

	Carrying Value		Fair value	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	3,562	4,718	3,562	4,718
Receivables	3,029	2,530	3,029	2,530
Financial assets at fair value through profit or loss				
Held-to-maturity investments	3,000	4,500	3,000	4,500
<b>Total</b>	<b>9,591</b>	<b>11,748</b>	<b>9,591</b>	<b>11,748</b>
<b>Financial Liabilities</b>				
Payables	2,250	1,894	2,250	1,894
Borrowings	12,483	10,354	12,483	10,354
<b>Total</b>	<b>14,733</b>	<b>12,248</b>	<b>14,733</b>	<b>12,248</b>

Fair value is determined as follows:

\* Cash and Cash Equivalents, Receivables, Payables - estimated to be the carrying value which approximates net market value.

\* Borrowings, Held-to-Maturity Investments - estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

\* Financial Assets at Fair Value through profit and loss, Available for Sale Financial Assets - based on quoted market prices at the reporting date or independent valuation.

**Note 15a Financial risk management (continued)**  
**for the year ended 30 June 2014**

**(a) Cash and cash equivalents**

**Financial assets at fair value through profit and loss**

**Available-for-sale financial assets**

**Held-to-maturity investments**

Council's objective is to obtain a return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The Finance Section manages the cash and investment portfolio. Council has an investment policy which complies with the Local Government Act and Minister's Order. An Investment Report provided to Council monthly setting out the make-up and performance of the portfolio.

As a result of the adoption of the Cole Report recommendations, the Department of Local Government placed further restrictions on the type of new investments councils could purchase, with the aim of ensuring both capital and income are protected. This is reflected in the Ministers Investment Order dated 31 July 2008. As mentioned in the preceding paragraph, Council fully complies with this order.

The majority of Council's investments are Term Deposits. There is a low credit risk associated with this type of investment.

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

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council will in the future seek advice from its independent advisors before placing any cash and investments.

**Sensitivity Analysis**

	30/6/2014	30/6/2013
	\$'000	'\$'000
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash and investments		
- Equity	66	92
- Income statement	66	92

*Notes:*

- (1) Sensitivity percentages based on management's expectation of future possible market movements. Recent market volatility has seen larger market movements for certain types of investments.

Sensitivity analysis for price risk has not been completed as price risk is considered low for Council.

**Note 15 Financial risk management (continued)**  
**for the year ended 30 June 2014**

**(b) Receivables**

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk - the risk that the debts may not be repaid. Council manages this risk by monitoring outstanding debt and employing adopted debt recovery policies.

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

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

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

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

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

The profile of the Council's credit risk at balance date was:

	30/06/14	30/06/13
Percentage of Rates and Annual charges:		
- Current	20%	20%
- Overdue	80%	80%
Percentage of Other Receivables		
- Current	20%	62%
- Overdue	80%	38%

**Note 15 Financial risk management (continued)**  
**for the year ended 30 June 2014**

**(c) Payables**  
**Borrowings**

Payables and borrowings are both subject to liquidity risk - that is 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 be extended and overdraft facilities drawn upon in extenuating circumstances.

The contractual undiscounted cash flows of Council's Payable and Borrowings are set out in the Liquidity Sensitivity Table below:

2014 \$'000	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total Contractual Cash flows	Carrying values
Payables	2,250			2,250	2,250
Borrowings	890	5,145	6,448	12,483	12,483
	3,140	5,145	6,448	14,733	14,733

2013 \$'000	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total Contractual Cash flows	Carrying values
Payables	1,894			1,894	1,894
Borrowings	677	3,579	6,098	10,354	10,354
	2,571	3,579	6,098	12,248	12,248

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. Council may manage this risk by borrowing long term and fixing the interest rate over the life of the loan. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

	30 June 2014		30 June 2013	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Overdraft		-		-
Bank Loans - Fixed	6.49	12,483	7.23	10,489
- Variable (1)		-		-
		12,483		10,489

Note:

(1) The interest rate risk applicable to Variable Rate Bank Loans is not considered significant.

**Note 16 Budget Variations  
for the year ended 30 June 2014**

Council's original budget was incorporated as part of the Corporate Plan adopted by the Council on 30 June 2013. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity, the weather, and by decisions made by Council. Material variations of more than 10% are explained below.

**Revenues****1. Interest and investment revenues**

Interest and investment revenues exceeded budget by \$175k (f). Major contributors were lower than expected investment balances resulting in lower interest received \$199 (U) and discounts on premiums for low interest loans for Naroo aged car facility were not budgeted \$321k (F).

**2. Grants and contributions provided for operating purposes**

Operating grants and contributions were under budget by \$1,845k (U). The major contributor to this result was Financial Assistance Grants paid early (in June) the prior year - \$1,674 (U).

**3. Grants and contributions provided for capital purposes**

Capital grants and contributions exceeded budget by \$350k (F). Major variations in amounts received is detailed below:

Additional capital grants obtained during the year in the following areas - Parks & Gardens, \$144k (f) and Emergency Services, \$135k (F).

**4. Borrowing costs**

Borrowing costs were over budget by \$211k (U). Major variations in amounts received is detailed below:

Errors in estimation of Naroo borrowings loan interest \$24k (U),  
No budget allocated for unwinding remediation provisions \$188 (U)

**5. Other expenses**

Other expenses were under budget by \$455k (F). Major variations in amounts received is detailed below:

Improvements in insurance premiums \$197k (F),  
Revised communications contracts \$181 (F) and  
Overestimation of electricity charges \$65k (F)

**Note 17 Statement of contribution plans  
for the year ended 30 June 2014**

**(a) Summary of contributions**

	Opening Balance \$'000	Contributions received during year <sup>(1)</sup>		Interest & investment income earned during \$'000	Expended during year \$'000	Internal borrowings (to)/from <sup>(3)</sup> \$'000	Held as restricted asset <sup>(2)</sup> \$'000	Projected future contributions \$'000	Projected cost of works still outstanding \$'000	Projected over/under funding \$'000
		Cash \$'000	Non cash \$'000							
Roads	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Administration Levy	-	-	-	-	-	-	-	-	-	-
S94 under plans	-	-	-	-	-	-	-	-	-	-
S94 not under plans	-	110	-	30	58	-	82	-	-	-
S94A levies	-	-	-	-	-	-	-	-	-	-
Planning agreements	-	-	-	-	-	-	-	-	-	-
Section 64	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	-	110	-	30	58	-	82	-	-	-

Notes:

(1) Reconcilable with Note 3

(2) Reconcilable with Note 6 (Restricted assets excludes 'amounts expended in advance')

(3) Cumulative balance of borrowing within and between plans - Note: General Fund Expenditure in Advance of Contributions is not to be shown here.

**(b) Contributions under plans**

	Opening Balance \$'000	Contributions received during year <sup>(1)</sup>		Interest & investment income earned during \$'000	Expended during year \$'000	Internal borrowings (to)/from <sup>(4)</sup> \$'000	Held as restricted asset <sup>(2)</sup> \$'000	Projected future contributions \$'000	Projected cost of works still outstanding \$'000	Projected over/under funding \$'000
		Cash \$'000	Non cash \$'000							
Roads	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Administration Levy	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	-	-	-	-	-	-	-	-	-	-

**(c) Contributions not under plans**

	Opening Balance \$'000	Contributions received during year <sup>(1)</sup>		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from <sup>(4)</sup> \$'000	Held as restricted asset <sup>(2)</sup> \$'000	Projected future contributions \$'000	Projected cost of works still outstanding \$'000	Projected over/under funding \$'000
		Cash \$'000	Non cash \$'000							
Roads	-	110	-	-	-	-	110	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	-	110	-	-	-	-	110	-	-	-

**Note 18 Contingencies  
for the year ended 30 June 2014**

**Contingent liabilities**

**1. New England Credit Union.**

Council provides bank guarantees to the value of \$216,699 to provide additional assistance to borrowers for home loans relating to properties within the local government area. The guarantees are provided to the New England Credit Union.

**2. Statewide Limited**

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government. Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation of claims incurred but not reported to 30 June 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.

**3. 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 of APRA.

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

**4. Local Government Superannuation Scheme - Pool B**

The Local Government Superannuation Scheme - Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ended 30 June 2014 was \$299,725. However the position is monitored annually and the actuary has estimated that as at 30th June 2014 a deficit still exists. Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$118,769. The additional contributions remitted during the year is included in the total employer contributions set out in the beginning of this paragraph. The share of this deficit that can be broadly attributed to the employer was estimated to be in the order of \$475,076 as at 30 June 2014.

**5. 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.

**Note 19    Interests in joint ventures  
for the year ended 30 June 2014**

No material interests in joint ventures were held by Gwydir Sire Council in the financial year ended



**Note 20 Revaluation reserves and retained earnings  
for the year ended 30 June 2014**

**(a) Retained earnings**

Movements in retained earnings were as follows:

At beginning of year	
Movement in revaluation reserves	
Adjustment to correct prior period errors (Note 20d)	
Adjustment due opening equity	
Transfer adjustment for assets disposed of	
Net operating result for the year	
At end of year	

Notes

Actual 2014 \$'000	Actual 2013 \$'000
146,186	127,310
-	24,216
-	-
-	-
(7,519)	(5,340)
138,667	146,186

**(b) Revaluation reserves**

Plant and equipment revaluation reserve	
Office Equipment	
Furniture & Fittings revaluation reserve	
Operational Land revaluation reserve	
Buildings revaluation reserve	
Specialised Buildings revaluation reserve	
Other Structures revaluation reserve	
Roads revaluation reserve	
Stormwater revaluation reserve	
Water Supply assets revaluation reserve	
Sewer assets revaluation reserve	

1,212	1,212
3	3
202	202
2,218	2,218
3,513	3,513
10,696	10,696
101	62
49,752	49,752
258	221
573	270
243	-
68,771	68,149

**Movements**

**Infrastructure, property, plant and equipment revaluation reserve**

At beginning of year	
Revaluations (Note 9)	
Impairment	
Transfer adjustment for assets disposed of	
At end of year	

68,149	65,025
622	3,124
-	-
-	-
68,771	68,149

**Available-for-sale investments revaluation reserve**

At beginning of year	
Revaluation - gross	
Depreciation transfer - gross	
At end of year	

-	-
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**Note 20    Revaluations Reserves and Retained Earnings (continued)**

**(c)    Nature and purpose of reserves**

**(i)    *Revaluation reserve***

Revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

**(d)    Correction of errors in previous years**

1. Adjustment due to error for prior year

Council reassessed the useful life of its asset classes and as a result, was found to have significantly overstated or understated depreciation.

-

**Note 21 Results by Fund**  
**for the year ended 30 June 2014**

	Actual 2014 \$'000 General <sup>(1)</sup>	Actual 2014 \$'000 Water	Actual 2014 \$'000 Sewer	Actual 2014 \$'000 Waste
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
Rates and annual charges	5,478	624	619	1,140
User charges and fees	3,728	846	75	79
Interest and investment revenues	380	62	82	75
Other revenues	2,275	1	1	34
Grants and contributions provided for operating purposes	5,986	24	21	46
Grants and contributions provided for capital purposes	1,772	-	1	-
<b>Other Income:</b>				
Net gain from the disposal of assets	-	-	-	-
<b>Total income from continuing operations</b>	<b>19,619</b>	<b>1,557</b>	<b>799</b>	<b>1,374</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	9,982	490	219	501
Borrowing costs	692	229	1	8
Materials and contracts	3,971	296	104	731
Depreciation & amortisation	10,543	153	84	227
Impairment	-	-	-	-
Other expenses	2,088	216	39	9
Net loss from disposal of assets	284	-	-	-
<b>Total expenses from continuing operations</b>	<b>27,560</b>	<b>1,384</b>	<b>447</b>	<b>1,476</b>
<b>Operating result from continuing operations</b>	<b>(7,941)</b>	<b>173</b>	<b>352</b>	<b>(102)</b>
<b>Net operating result for the year</b>	<b>(7,941)</b>	<b>173</b>	<b>352</b>	<b>(102)</b>
Attributable to:				
- Council	(7,941)	173	352	(102)
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(9,713)</b>	<b>173</b>	<b>351</b>	<b>(102)</b>

Note:

1) Includes Naroo Aged Care Facilities & other External Restrictions

2) Note 21 is mandatory for 2011/12.

3) The relevant operating result used for Water and Sewer is the 'Operating Result less Grants for Acquisition of Assets' as reported in Special Schedule 3

**Note 21 Results by Fund**  
**for the year ended 30 June 2014**

	Actual 2014 \$'000	Actual 2014 \$'000	Actual 2014 \$'000	Actual 2014 \$'000
	General	Water	Sewer	Waste
<b>Balance Sheet by Fund <sup>(2)</sup></b>				
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash & cash equivalents	360	157	1,140	1,905
Investments	-	1,500	1,500	-
Receivables	2,029	290	95	115
Inventories	422	20	2	-
Other	16	-	-	-
Non-current assts classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>2,827</b>	<b>1,967</b>	<b>2,737</b>	<b>2,020</b>
<b>Non-current Assets</b>				
Receivables	500	-	-	-
Infrastructure, property, plant and equipment	193,069	14,697	9,460	1,567
Intangible assets	-	-	-	-
Other	-	-	-	-
<b>Total Non-current Assets</b>	<b>193,569</b>	<b>14,697</b>	<b>9,460</b>	<b>1,567</b>
<b>Total Assets</b>	<b>196,396</b>	<b>16,664</b>	<b>12,197</b>	<b>3,587</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	2,210	39	-	1
Borrowings	703	177	5	5
Provisions	2,757	126	106	72
<b>Total Current Liabilities</b>	<b>5,670</b>	<b>342</b>	<b>111</b>	<b>78</b>
<b>Non-current Liabilities</b>				
Borrowings	8,913	2,589	6	85
Provisions	595	6	6	3,005
Other	-	-	-	-
<b>Total Non Current Liabilities</b>	<b>9,508</b>	<b>2,595</b>	<b>12</b>	<b>3,090</b>
<b>Total Liabilities</b>	<b>15,178</b>	<b>2,937</b>	<b>123</b>	<b>3,168</b>
<b>Net Assets</b>	<b>181,218</b>	<b>13,727</b>	<b>12,074</b>	<b>419</b>
Retained Earnings	114,035	12,923	11,811	(102)
Revaluation Reserves	67,183	804	263	521
Council equity interest	-	-	-	-
Minority equity interest	-	-	-	-
<b>Total Equity</b>	<b>181,218</b>	<b>13,727</b>	<b>12,074</b>	<b>419</b>

Note:

1) Includes Naroo Aged Care Facilities & other External Restrictions

2) Note is mandatory for 2011/12

3) General Fund refers to all Council activities except Water, Sewer & Waste.

**Note 26 Reinstatement, rehabilitation and restoration liabilities  
for the year ended 30 June 2014**

**Tip Remediation**

Council is required by law to restore the present tip sites at Bingara, Coolatai, Croppa Creek, Gravesend, Upper Horton, Warialda and Warialda Rail at the end of their useful lives, which vary from 2013 to 2026. The figures are based on Council engineering estimates, which have been discounted to present values.

**At Beginning of year**

Amounts capitalised to Tip asset

- Initial recognition
- New disturbance
- Revised costs
- Revised life
- Revised discount rate

Amortisation of discount - expensed to borrowing costs

**At end of year**

Actual 2014 \$'000	Actual 2013 \$'000
2,839	2,676
-	-
-	-
164	163
3,003	2,839

**Quarry Remediation**

Council is required to restore various gravel quarries at the end of their useful life. There are 44 quarries located across the shire, with projected cost of restoration ranging from \$2,000 to \$27,000. The quarries will require remediation within the years 2011 to 2029. The figures are based on Council engineering estimates which have been discounted to present values.

**At Beginning of year**

Amounts capitalised to Quarry asset

- Initial recognition
- New disturbance
- Revised costs
- Revised life
- Revised discount rate

Amortisation of discount - expensed to borrowing costs

**At end of year**

Actual 2014 \$'000	Actual 2013 \$'000
413	389
-	-
-	-
-	-
24	24
437	413

## Note 27 Fair Value Measurement for the year ended 30 June 2014

The Council measures the following assets and liabilities at fair value on a recurring basis:

- Infrastructure - including roads, water, sewer and stormwater
- Property and buildings

### Valuation processes

The council engages external, independent and qualified valuers to determine the fair value of the entities land and buildings on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim evaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between the Director of Corporate Services, Asset & Risk Manager, valuation team, Council and Audit Committee. As part of this process the team presents a report that explains the reasons for the fair value movements.

As at 30 June 2013 a comprehensive revaluation was undertaken for all asset classes subject to revaluation by APV Valuers and Asset Management.

The main level 3 inputs used are derived and evaluated as follows –

o Cost for land restricted in use (non-saleable) – estimate cost to replace the existing land if council had to acquire it on the open market in competition with other market participants. Due to the restricted nature and unique characteristics of this land there was insufficient market evidence of directly comparable sales. Reference was made to sales of land with a limited level of comparability at distant locations and adjusted by the valuer using professional judgement to take account of the differing characteristics. These were evaluated for reasonableness against the price per area for other restricted in use land held by the council that had been valued as level 2.

o Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this the valuer determines an asset consumption rating scale for each asset type based on the interrelationship between a range of factors. These factors and their relationship to the fair value require professional judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value, useful life and pattern of consumption of the future economic benefit.

o The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against council's own understanding of the assets and the level of remaining service potential.

### Fair value hierarchy

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

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either
Level 3	Unobservable inputs for the asset or liability.

2014	Note	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	Total (\$'000)
<b>Recurring fair value measurements</b>					
<b>Infrastructure, Property, Plant &amp; Equipment</b>					
Plant & equipment	9a			10,650	10,650
Office equipment	9a			317	317
Furniture & fittings	9a			729	729
Land:					
- Operational land	9a			4,746	4,746
- Community land	9a			8,398	8,398

Buildings					
-Specialised	9a			20,583	20,583
-Non specialised	9a			27,167	27,167
Other structures	9a			1,963	1,963
Infrastructure:					
- Roads	9a			105,431	105,431
- Bridges	9a			11,678	11,678
- Footpaths	9a			120	120
- Stormwater drainage	9a			1,377	1,377
- Water supply network	9a			10,796	10,796
- Sewerage network	9a			8,946	8,946
- Swimming pools	9a			75	75
- Other open space/recreational asset	9a			-	-
Tip asset	9a			1,110	1,110
Quarry asset	9a			125	125

### Land & Buildings

Highest and best use

There were no assets valued where it was assumed that the highest and best use was other than its current use.

Valuation techniques and inputs.

Asset	Level of valuation input	Valuation technique	Gross (RC or MV) (\$,000)	Accumulated Depreciation (\$,000)	Fair Value (\$,000)
<b>Land</b>					
Saleable land	3	Market	4,739	-	4,739
Non saleable land	3	Cost	8,120	-	8,120
Total			12,859	-	12,859
<b>Buildings (cost approach)</b>					
Specialised buildings	3	Cost	24,142	3,559	20,583
Total			24,142	3,559	20,583
<b>Buildings (market/income approach)</b>					
Residential buildings	3	Market	33,405	6,238	27,167
Total			33,405	6,238	27,167

### Valuation techniques

#### Plant & Equipment, Office equipment, Furniture & Fittings and Other Structures

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 assets. Examples of assets within these classes are as follows:

\*Plant & Equipment Trucks, tractors, ride-on-mowers, earthmoving equipment and motor vehicles.

\*Office Equipment Electronic whiteboards and computer equipment

\*Furniture & Fittings Chairs, desks and filing cabinets.

\*Other structures Fences, small sheds, water tanks and street bins

The key unobservable inputs to the valuations are the remaining useful life and residual value. Council reviews the value of these

### Community land

All valuations of Community land are based upon the land valuations issued by the Valuer-General on a regular basis.

## **Valuation techniques used to derive fair values - land and buildings**

The council engages external, independent and qualified valuers to determine the fair value of the entities land and buildings on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim evaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between the Director of Corporate Services, Asset & Risk Manager, valuation team, Council and Audit Committee. As part of this process the team presents a report that explains the reasons for the fair value movements.

As at 30 June 2013 a comprehensive revaluation was undertaken for all asset classes subject to revaluation by APV Valuers and Asset Management.

The main level 3 inputs used are derived and evaluated as follows –

- o Cost for land restricted in use (non-saleable) – estimate cost to replace the existing land if council had to acquire it on the open
  - o Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the
  - o The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then
- (i) Recurring fair value measurements

The following methods are used to determine the fair value measurements.

### Land

Level 2 valuation inputs were used to value land held in freehold title (investment and noninvestment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

There were also some parks and reserves for which there was no observable market evidence of sales prices for comparable sites in close proximity. These were subsequently valued at the level 3 valuation input hierarchy by using the professional judgment of a Registered Valuer who adjusted the price per square metre of sales from sites not in close proximity which provided only a low level of comparability.

### Buildings and investment properties

Level 2 valuation inputs

These were used to determine the fair value of a range of properties. This included the bulk of residential properties. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Level 3 valuation inputs

Specialised buildings were valued using the cost approach using professionally qualified Registered Valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

(ii) Non-recurring fair value measurements

Land and buildings classified as held for sale during the reporting period was measured at the lower of the carrying amount and the greater of the value in use and fair values less cost to sell. The fair value of these assets was also determined using the sales comparison approach.

## **Infrastructure assets**

Highest and best use

There were no assets valued where it was assumed that the highest and best use was other than its current use.

## **Valuation techniques used to derive fair values - land and buildings**

Recurring fair value measurements

The following methods are used to determine the fair value measurements.

### Infrastructure assets

Level 3 valuation inputs

Infrastructure assets were valued using the cost approach using professionally qualified internal staff. The approach estimated the 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 unit rates were based on inputs such as estimates of residual value, useful life, pattern of consumption and asset condition and required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.



## **Swimming Pools**

This is a new class of asset and the fair value amount has been derived from assets originally classed in Other Structures. Swimming pools were valued as part of Other Structures on 30 June 2011 by APV Valuers. The valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at level 3. This has been no change to the valuation process during the reporting period.

## **Open Space and Recreation**

This asset class comprises of lighting, benches, bbq's, seating and any other asset relating to open spaces and recreation that where in the Other Structures class of asset. These assets were valued as part of the Other Structures valuation. The market value approach was utilised on a number of assets where there was sufficient market evidence. For some assets the valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken on 30 June 2011 by APV Valuers. There has been no change to the valuation process during the reporting period.

## **Water System Assets**

This class of assets includes water mains & reticulation, reservoirs, pumping stations and treatment works. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2013. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

## **Sewer System Assets**

This class of assets includes sewer mains & reticulation, pumping stations, treatment works and ancillary. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2013. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

## **Roads, Bridges, Bulk Earthworks and other Infrastructure Assets**

This class of asset includes roads, culverts, bridges, footpaths, kerb & gutter, bulk earthworks and causeways. The valuation of the infrastructure assets has been undertaken internally by Council's Engineering Department by experienced Engineers. This valuation relies on key unobservable inputs such as unit rates, gross replacement cost, condition ratings, pattern of consumption, useful life and residual value. The valuation process also relied on the skill and experience of the Engineers. The key unobservable inputs and no active market places this asset category at Level 3. The last valuation was undertaken internally by Council's Engineers on 30 June 2012. There has been no change to the valuation process during the reporting year.

## **Stormwater Drainage**

This class of assets includes culverts, mains, open drains, trash screens, GPT. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2013. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

## **Remediation Assets**

This class of asset includes the various landfill sites within the local government areas. Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation assets. In particular the closing of a landfill site will include preparation, final cell capping, site re-vegetation and leachate management. The key unobservable inputs are discount rate, estimated costs, legislative requirements, timing of remediation and indexation of labour costs. There has been no change to the valuation process during the reporting period.

Also included in this group are the various gravel pits (quarries) operated by Council. The remediation cost include final site management and works to comply with environmental requirements. The key unobservable inputs are discount rate, estimated costs, legislative requirements, timing of remediation and indexation of labour costs. There has been no change to the valuation process during the reporting period.

Asset Class	Valuation technique	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to Fair Value	Fair Value (\$,000)
Plant & equipment	Cost	Gross Replacement Cost, useful life, residual value	3 to 30 years	Significant changes in the estimated unit price would result in significant changes to the fair value measure.	10,650
Office equipment	Cost	Gross Replacement Cost, useful life, residual value	3 to 20 years	Significant changes in the estimated unit price would result in significant changes to the fair value measure.	317
Furniture & Fittings	Cost	Gross Replacement Cost, useful life, residual value	3 to 30 years	Significant changes in the estimated unit price would result in significant changes to the fair value measure.	729
Operational Land	Operational Land values have been determined based upon relevant sales of land in the locality.	Land Value	\$20,000 to \$350,0000	Significant changes in the sales evidence would result in significant changes to the fair value measure	4,746
Community Land	Community Land values have been determined based upon the land values issued by the Valuer General.	Land Value	\$5,000 to \$200,000	Significant changes in the land values issued by the Valuer-General would result in significant changes to the fair value measure.	8,398
Buildings	Depreciated Replacement Cost	Replacement Cost, useful life, residual value, asset condition	50 to 150 years	Significant changes in the replacement cost, asset condition and remaining useful life would result in significant changes to fair value measures	27,167
Specialised Buildings	Depreciated Replacement Cost	Replacement Cost, useful life, residual value, asset condition	10 to 100 years	Significant changes in the replacement cost, asset condition and remaining useful life would result in significant changes to fair value measures	20,583
Other Structures	Depreciated Replacement Cost	Replacement Cost, useful life, residual value, asset condition	10 to 100 years	Significant changes in the replacement cost, asset condition and remaining useful life would result in significant changes to fair value measures	1,963
Roads infrastructure	The valuation technique used was unit rates and condition assessment	Replacement value, useful life, residual value, asset condition	15 to 100 years	Significant changes to unit rates, condition assets and road class would result in significant changes to fair value measure	105,431

Bridges	The valuation technique used was unit rates and condition assessment	Replacement value, useful life, residual value, asset condition	50 to 100 years	Significant changes to unit rates, condition assets and road class would result in significant changes to fair value measure	11,678
Footpaths	The valuation technique used was unit rates and condition assessment	Replacement value, useful life, residual value, asset condition	50 to 100 years	Significant changes to unit rates, condition assets and road class would result in significant changes to fair value measure	120
Stormwater drainaige	The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs.	Replacement value, useful life, residual value, asset condition	50 to 100 years	Significant changes in the replacement cost, asset condition and remaining useful life would result in significant changes to fair value measures	1,377
Water supply network	The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs.	Replacement value, useful life, residual value, asset condition	50 to 100 years	Significant changes in the replacement cost, asset condition and remaining useful life would result in significant changes to fair value measures	10,796
Sewerage network	The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs.	Replacement value, useful life, residual value, asset condition	50 to 100 years	Significant changes in the replacement cost, asset condition and remaining useful life would result in significant changes to fair value measures	8,946
Swimming Pools	Depreciated Replacement Cost	Gross Replacement Cost, useful life, residual value, asset condition	25 to 50 years	Significant changes in the replacement cost, asset condition and remaining useful life would result in significant changes to fair value measures	75
Other Open Space	Depreciated Replacement Cost	Gross Replacement Cost, useful life, residual value, asset condition	15 to 50 years	Significant changes in the replacement cost, asset condition and remaining useful life would result in significant changes to fair value measures	-
Quarry Remediation	The valuation technique used was unit rates and condition assessment	Replacement value, useful life, residual value, asset condition	10 to 80 years	Significant changes in the replacement cost, asset condition and remaining useful life would result in significant changes to fair value measures	125
Tip Remediation	The valuation technique used was unit rates and condition assessment	Replacement value, useful life, residual value, asset condition	10 to 80 years	Significant changes in the replacement cost, asset condition and remaining useful life would result in significant changes to fair value measures	1,110
<b>Total</b>					<b>214,211</b>



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Forsyths Business Services Pty Ltd  
ABN 66 182 781 401

**INDEPENDENT AUDIT REPORT**  
**Report on the general purpose financial statements**

**To Gwydir Shire Council**

**SCOPE**

The financial statements comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Gwydir Shire Council (the Council), for the year ended 30<sup>th</sup> June 2014.

***Councils' responsibility for the financial statements***

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1993* and regulations and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's responsibility***

Our responsibility is to express an opinion on the financial statements to the Council based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 and accordingly, we express no opinion on them.

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

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

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

## **INDEPENDENCE**

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

## **BASIS OF QUALIFIED AUDITOR'S OPINION**

The audited financial statements will be submitted late to the Office of Local Government and not within the prescribed time provided for in Section 416 of Division 2 of the *Local Government Act 1993*. The delays in finalising the financial statements have been a result of the time required to complete the compilation of the financial statements.

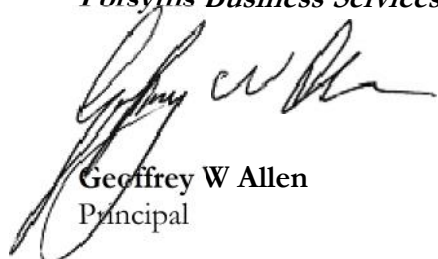
## **QUALIFIED AUDIT OPINION**

In our opinion, except for the effects on the financial statements of the matters referred to in the section titled Basis for Qualified Auditor's Opinion above:

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
- (b) the general purpose financial statements:
  - (i) have been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
  - (ii) are consistent with the Council's accounting records; and
  - (iii) presents fairly, in all material respects, the Council's financial position as at 30<sup>th</sup> June 2014 and the results of its operations for the year then ended;
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

*Forsyths*

**Forsyths Business Services Pty Ltd**



**Geoffrey W Allen**  
Principal

8<sup>th</sup> December 2014  
92 Rusden Street Armidale

8 December 2014

The Mayor  
Gwydir Shire Council  
Locked Bag 5  
BINGARA NSW 2404

Dear Mr Mayor

**Armidale**

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**AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30<sup>th</sup> JUNE 2014**

We are pleased to report that we have completed the audit of Council's financial statements and records for the year ended 30 June 2014 and have reported on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

Under Section 417(3) of the *Local Government Act 1993* we are also required to report on the conduct of the audit.

***Council's responsibilities***

Council is responsible for preparing financial statements that give a true and fair view of the financial position and performance of the Council, and which comply with Accounting Standards in Australia, in accordance with the *Local Government Act 1993*. This 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 statements.

***Audit Objectives***

We conducted an independent audit of the financial statements in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 to the financial statements and accordingly, we express no opinion on them.

The nature of an audit is influenced by factors such as the use of 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 performed procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the *Local Government Act 1993*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of

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the Council's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

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 performed procedures to assess whether the substance of business transactions was accurately reflected in the financial statements. These and other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Council.

We have issued our audit opinion on the basis of the foregoing comments.

#### **Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This auditor's report relates to the financial statements of Gwydir Shire Council for the year ended 30 June 2014 included on Gwydir Shire Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

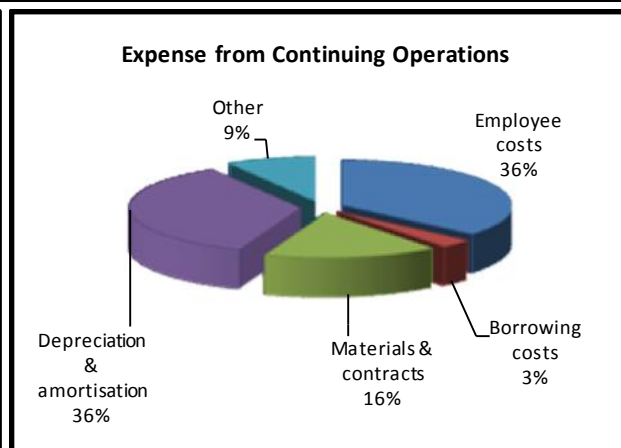
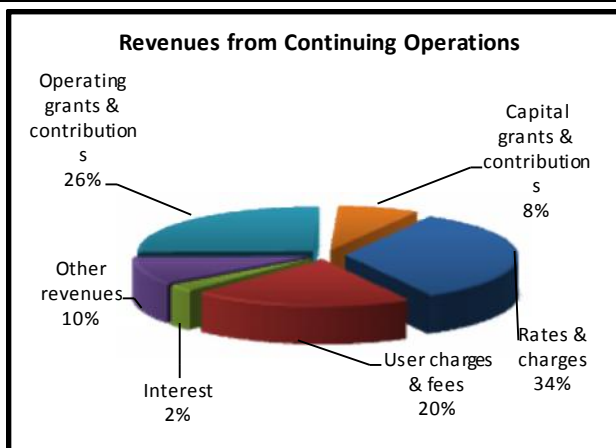


### Additional Reporting Requirements

In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

The Income Statement for the year ended 30 June 2014 discloses the following result:

INCOME STATEMENT	Budget 2014 \$'000	Actual 2014 \$'000	Actual 2013 \$'000	Variance Actual %	Budget %
<b>INCOME FROM CONTINUING OPERATIONS</b>					
Rates & annual charges	7,630	7,861	7,593	3.5%	3.0%
User charges & fees	4,822	4,728	6,090	-22.4%	-1.9%
Interest	424	599	519	15.4%	41.3%
Other revenues from ordinary activities	2,327	2,311	1,279	80.7%	-0.7%
Grants & contributions for operating purposes	7,922	6,077	7,161	-15.1%	-23.3%
Grants & contributions for capital purposes	1,422	1,772	4,193	-57.7%	24.6%
Gain from sale of assets	284	0	38	-100.0%	-100.0%
Total income from continuing operations	24,831	23,348	26,873	-13.1%	-6.0%
<b>EXPENSES FROM CONTINUING OPERATIONS</b>					
Employee benefits & oncosts	10,939	11,192	10,635	5.2%	2.3%
Borrowing costs	719	930	912	2.0%	29.3%
Materials and contracts	5,580	5,102	5,264	-3.1%	-8.6%
Depreciation & amortisation	11,010	11,007	11,238	-2.1%	0.0%
Other expenses from ordinary activities	2,807	2,352	2,478	-5.1%	-16.2%
Loss from disposal of assets	0	284	0	-100.0%	-100.0%
Impairment expense	0	0	1,686	-100.0%	0.0%
Total Expenses from continuing operations	31,055	30,867	32,213	-4.2%	-0.6%
<b>NET OPERATING RESULT FOR YEAR</b>	(6,224)	(7,519)	(5,340)	40.8%	20.8%
<b>NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	(7,646)	(9,291)	(9,533)	-2.5%	21.5%



Council reported a deficit of \$7.5m for 2014 compared with a deficit of \$5.3m in 2013. This result includes grants and contributions for capital purposes of \$1.8m. The expenditure of these grants is not recorded in the Income Statement but in the Statement of Financial Position. When excluded, for comparative purposes, the deficit was \$9.3m (2013: deficit \$9.5m).

Revenue decreased by 13.1% mainly due to decrease in user charges & fees, operating and capital grants & contributions which were partially offset by increases in rates & annual charges and other revenue. The decrease in user charges & fees was mainly due to a reduction in RMS charges in relation to State road work. Operational grants and contributions were lower as the Government ceased prepaying financial assistance grants instalments this year. Capital grants and contributions

were lower because of the receipt roads funding in relation to flood events during the prior year. The increase in rates & annual charges was a result of rate pegging increases and annual charges for water, sewer and waste. The increase in other revenue was mainly due to an increase in insurance claim recoveries during the year.

Expenses decreased by 4.2% from 2013 mainly due to a decrease in materials & contracts, depreciation, impairment expense and other expenses partially offset by increases in employee benefits & on-costs and borrowing costs. The decrease in materials & contracts is a result of decreased level of maintenance work compared to the prior year. The decrease in depreciation is a result of the revaluation of water, sewer and stormwater in the prior year. The decrease in impairment costs is due to the write down of flood impaired infrastructure assets in the 2013 year. The decrease in other expenses is mainly a result of a decrease in insurance and phone costs. The increase in employee costs is mainly a result of termination costs during the year. Borrowing costs increased due to the increased borrowing for bridges, plant, roads and renovations at Naroo Aged Care.

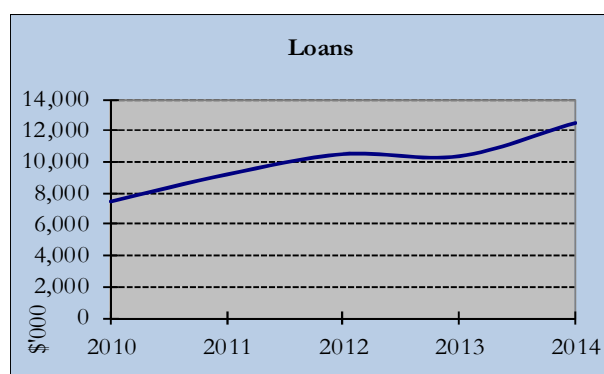
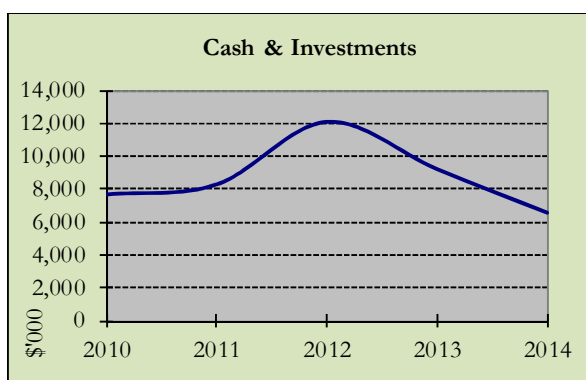
The continuing deficits, excluding capital grants for 2014, 2013 and 2012 (as well as the budgeted deficit), highlight Council's difficulty in funding depreciation and therefore Council's ability to manage its infrastructure in the longer term.

The budget amounts included above are those adopted in the original budget and exclude re-votes from the previous year and variations to the budget during the year. The actual operating deficit for the year of \$7.5m compares with the original budget deficit of \$6.2m. The major variances to budget included:

Large Budget Variations >10% or \$200,000		Comment
Interest & Investment revenues	175,000	Favourable variance due to discounts on premiums for low interest loans for Naroo Aged Care not being budgeted which were offset by lower interest income as a result of lower investment balances.
Operating Grants	(1,845,000)	Unfavourable variance to budget as the Government ceased prepaying financial assistance grant instalments.
Capital Grants	350,000	Capital grants were favourable to budget mainly due to additional grants for parks & gardens and emergency services during the year.
Borrowing Costs	(211,000)	Unfavourable to budget mainly due to the unwinding of remediation provisions not being budgeted.
Materials & Contracts	478,000	Favourable to budget mainly due to an increase in the capital works projects and a decrease in maintenance work.
Other expenses from ordinary activities	455,000	Favourable to budget due to lower than expected in insurance premiums, revised communication contracts and lower than expected electricity charges.

The following schedule of assets and liabilities has been extracted from the Statement of Financial Position as at 30<sup>th</sup> June 2014. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2014	2013	Variance
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3,562	4,718	-24.5%
Investments	3,000	4,500	-33.3%
Receivables	2,529	2,248	12.5%
Inventories	444	338	31.4%
Other	16	16	0.0%
<b>TOTAL CURRENT ASSETS</b>	<b>9,551</b>	<b>11,820</b>	<b>-19.2%</b>
<b>CURRENT LIABILITIES</b>			
Payables	2,250	1,894	18.8%
Borrowings	890	677	31.5%
Provisions	3,061	2,909	5.2%
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,201</b>	<b>5,480</b>	<b>13.2%</b>
<b>NET CURRENT ASSETS</b>	<b>3,350</b>	<b>6,340</b>	<b>-47.2%</b>
<b>NON-CURRENT ASSETS</b>			
Receivables	500	282	77.3%
Infrastructure, Property Plant & Equipment	218,793	220,807	-0.9%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>219,293</b>	<b>221,089</b>	<b>-0.8%</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	3,612	3,417	5.7%
Borrowings	11,593	9,677	19.8%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>15,205</b>	<b>13,094</b>	<b>16.1%</b>
<b>NET ASSETS</b>	<b>207,438</b>	<b>214,335</b>	<b>-3.2%</b>



Net current assets decreased by \$3.0 million due primarily to a decrease in cash & investments of \$2.7 million (due to the expenditure on asset additions and renewals during the year) and an increase in payables (timing of payments to creditors), borrowings (increase borrowings for renovations at Naroo, roads bridges and plant) and provisions (increase in staff eligible for long service leave) of \$0.6m.

The decrease in infrastructure, property, plant and equipment of \$2.0m is due to asset purchases & renewals of \$9.2m and the indexation of water and sewer assets of \$0.6m offset by depreciation and impairment of \$11.0m and asset disposals of \$0.8m.

The increase in borrowings of \$2.1m was due to borrowings for renovations at Naroo, road renewal, bridge replacement and plant replacement.

## NET CURRENT ASSETS

The Net Current Asset position at year end is an important financial indicator as it discloses the working capital available to Council to fund day to day operations and finance infrastructure and new community projects. However, included in Current Assets are assets which are “Restricted” by regulation or other externally imposed requirements and therefore are not available for other than their restricted purpose. The table below shows the net current asset position adjusted for restricted assets.

	Water \$'000	Sewerage \$'000	Waste \$'000	General \$'000	Total \$'000
Current Assets	1,967	2,737	2,020	2,827	9,551
Current Liabilities	342	111	79	5,669	6,201
<b>Net Current Assets</b>	<b>1,625</b>	<b>2,626</b>	<b>1,941</b>	<b>(2,842)</b>	<b>3,350</b>
<b>Plus: Employee Entitlements Payable &gt;12mths</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,143</b>	<b>3,143</b>
<b>Total Funds before Restrictions</b>	<b>1,625</b>	<b>2,626</b>	<b>1,941</b>	<b>301</b>	<b>6,493</b>
<b>LESS: Restricted Cash &amp; Investments</b> (Included in Revenue)					
Developer Contributions (unexpended)	-	-	-	82	82
Unexpended Grants	-	-	-	60	60
Aged care bonds	-	-	-	140	140
	-	-	-	282	282
<b>NET FUNDS AVAILABLE</b>	<b>1,625</b>	<b>2,626</b>	<b>1,941</b>	<b>19</b>	<b>6,211</b>
<b>LESS Internal Restrictions</b>	<b>-</b>	<b>-</b>	<b>762</b>	<b>78</b>	<b>840</b>
<b>Net Funds After All Restrictions</b>	<b>1,625</b>	<b>2,626</b>	<b>1,179</b>	<b>(59)</b>	<b>5,371</b>

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Plant Replacement	272	-	272	-
Asset Renewal	250	-	250	-
Other Waste	698	64	-	762
Building Reserves	82	-	82	-
Unexpended Loans	619	-	619	-
Deposits, bonds, etc	199	-	121	78
Employee leave entitlements	873	-	873	-
	2,993	64	2,217	840

The above table shows that after excluding water, sewerage and domestic waste functions, the general function had a working capital of \$19,000 before internal restrictions at 30 June 2014. Council has internally restricted \$0.8m. After funding these restrictions, Council’s general function has a deficit of \$59,000 in working capital and means that council has been using waste function funds to fund councils working capital requirements. Council will need to carefully examine their budgets and manage cash flow during the coming year to ensure that the general function has sufficient unrestricted funds for working capital requirements.

Council no longer has a restriction for employee leave entitlements (28% of the leave entitlement liability in 2013). The level of employee leave funding is considered inadequate when compared to Councils of similar size and the age profile of employees. The risk is that councils cash flow may be adversely impacted should employees take their leave entitlements.

## LOCAL GOVERNMENT INDUSTRY PERFORMANCE INDICATORS

The Code of Accounting Practice requires the mandatory disclosure of certain performance indicators. These financial indicators are useful in assessing performance, financial position and the likely financial burden to be placed on ratepayers.

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2014	2013	2012	Benchmarks
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	-42.0%	-42.0%	-30.0%	Tcorp >-4% Grp 10 Ave -6.8 State Ave -5%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	66.4%	50.9%	46.5%	TCorp >60% Grp 10 Ave 49% State Ave 58.6%
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	0.58	1.79	2.50	Tcorp >1.5 Grp 10 Ave 5.1 State Ave 4
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	1.35	1.65	3.19	Tcorp >2.0 Grp 10 Ave 26.8 State Ave 29.2
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	7.2%	6.8%	7.7%	Tcorp <10% Grp 10 Ave 9.2% State Ave 7%
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	1.98	5.08	6.97	Tcorp >3 Grp 10 Ave 6.3% State Ave 5.4%

### *Operating performance*

An operating performance deficit of 42% compares to a deficit in 2013 of 42% and means that Councils operating revenue, excluding capital grants and contributions are insufficient to cover operating expenditure. This compares to the Group 10 Councils average deficit of 6.8% and a state average deficit of 5.0% for 2013. The TCorps benchmark for this ratio is to have a deficit of less than 4.0% each year. The “fit for the future” benchmark is that councils should have a breakeven or better operating performance ratio over a three year period.

### *Owned source operating revenue*

A ratio of 66% (2013: 50.9%) for the 2014 year highlights Council’s dependence on grants and contributions and compares to a Group 10 average of 49.0% for 2013 and a State average of 58.6% for 2013. The TCorp benchmark for sustainability is to have a ratio of greater than 60%. The “fit for the future” benchmark is that councils should an own source operating revenue of greater than 60% over a three year period.

*Unrestricted Ratio*

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants and contributions and adjusting for employee entitlements not expected to be settled within 12 months. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 0.58 as at 30 June 2014 indicates that there is \$0.58 of unrestricted current assets for every \$1.00 of current liabilities. Councils ratio of 0.58 compares to the average of 4.8 for the Group 10 Councils and is lower than the State average of 4.0 for 2013 and lower than the TCorp benchmark of greater than 1.5.

*Debt service cover ratio*

The debt service cover ratio of 1.35 times indicates that council has \$1.35 before interest and deprecation to pay interest and principal repayments on current borrowings. This compares to the Group 10 average of 26.8 and the state average of 29.2 for 2013. The TCorp benchmark for sustainability is to have a ratio of greater than 2.0.

*Outstanding rate ratio*

The outstanding rate ratio of 7.2% compares favourably to the average of 9.2% for Group 10 Councils and the State average of 7.0% for 2013. This ratio is an indicator of Councils activity to collect outstanding rate revenues.

*Cash expense ratio*

The ratio indicates that Council can pay 1.98 months of its expenses without additional cash inflows. This compares to the Group 10 average of 6.3 and the state average of 5.4 for 2013. The TCorp benchmark is to have reserves to meet at least 3 months of operating expenditure.

The key financial indicators by fund disclosed in the Financial Statements are:

RATIO	PURPOSE	Water	Sewer	General	
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	11.0%	44.0%	-56.0%	■ 2014
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	98.5%	97.3%	60.5%	■ 2014
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	5.75	24.66	-0.31	■ 2014
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	1.5%	62.3%	1.2%	■ 2014
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	31.2%	13.3%	6.7%	■ 2014
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	1.88	37.79	0.26	■ 2014

#### *Operating performance*

An operating performance ratio by fund shows that general fund has insufficient operating revenue, excluding capital grants and contributions to cover operating expenditure. As a result insufficient profit is being generated to fund the depreciation on assets.

#### *Owned source operating revenue*

The ratios show the Councils reliance on grant and contribution funding in the general function. The water supply network and the sewer network have very little reliance on grant income.

#### *Unrestricted Ratio*

The unrestricted ratios show that the sewer and water function have sufficient working capital, however there is a need for the general fund to build up reserves.

#### *Debt service cover ratio*

The debt service cover ratio by fund shows that Council has little potential to increase borrowings to fund infrastructure backlogs in the general and water function.

#### *Outstanding rate ratio*

The outstanding rate ratio by fund shows that the outstanding rates are higher in the water and sewer funds than the general function

#### *Cash expense ratio*

This ratio shows that the general fund has low cash reserves and there is a need to build up reserves.



### Infrastructure Asset Performance Indicators

With the emphasis on “Fit for the Future” we have included comments on unaudited infrastructure asset performance measures disclosed in the Special Schedule 7 are as follows:

RATIO	PURPOSE	2014	2013	2012	Benchmarks
BUILDING AND INFRASTRUCTURE RENEWALS RATIO	To assess the proportion spent on infrastructure renewals vs infrastructure deterioration.	74.00%	42.00%	35.00%	Tcorp >100% Grp 10 Ave 79% State Ave 81%
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	22.0%	29.0%	32.0%	Tcorp <20% Grp 10 Ave 16.6% State Ave 10%
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	104.0%	95.0%	68.0%	Tcorp >100% Grp 10 Ave 90% State Ave 70%
CAPITAL EXPENDITURE RATIO	To assess the extent to which council is forecasting to expand its asset base with capital expenditure.	0.74	1.06	0.72	Tcorp >1.1

#### Building and Infrastructure renewals ratio

The building and infrastructure renewals ratio outlines Council’s performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2014 Council spent \$0.74 for every \$1 in estimated asset deterioration. The Group 10 average for the asset renewal ratio was \$0.79 and the state average of \$0.81 for 2013. The “fit for the future” benchmark is that councils should have a Building and infrastructure renewals ratio of greater than one over a three year period.

The current trend in the ratio highlights that Council expended less on asset renewals compared to the estimated reduction in asset condition over the past five years and therefore, based on this ratio, Council’s overall infrastructure has deteriorated over that period.

Council should aim to ensure infrastructure spending keeps pace with “wear and tear” and Council should seek to improve asset condition.

#### Infrastructure backlog ratio

An infrastructure backlog ratio 22% indicates that the infrastructure backlog represents 22% of the value of Councils infrastructure and compares to a Group 10 average of 16.6% and State average of 10.0% for 2013. The TCorp benchmark is a ratio less than 20% and the fit for the future benchmark is less than 2%.

#### Asset maintenance ratio

The Asset Maintenance ratio of 104% indicates that Council has been undertaking sufficient maintenance to keep pace with required maintenance requirements as determine by council’s engineers and maintenance staff. This compares to a Group 10 average of 90% and State average of 70% for 2013. A ratio of greater than 100% is considered acceptable buy TCorp.



### Capital expenditure ratio

The capital expenditure ratio of 0.74 indicates that Council has expended \$0.74 on capital expenditure for every dollar of depreciation. The TCorp benchmark is for a Council to have a capital expenditure ratio of greater than 1.1.

The decreased in cash and investments reflected in the Statement of Financial Position is also evident in the following table extracted from the Statement of Cash Flows.

CASH MOVEMENTS	Actual 2014	Actual 2013	Variance
	\$'000	\$'000	%
<b>CASH INFLOWS</b>			
Operating Receipts	23,919	30,307	-21.1%
Proceeds from Assets Sales	519	609	-14.8%
Repayment from Deferred Debtors	0	0	0.0%
Proceeds form sale of investments	1,500	1,250	20.0%
Proceeds from Borrowings	3,649	542	573.2%
<b>TOTAL RECEIPTS</b>	<b>29,587</b>	<b>32,708</b>	<b>-9.5%</b>
<b>CASH OUTFLOWS</b>			
Operating Payments	20,321	21,118	-3.8%
Purchase of Assets	9,174	12,527	-26.8%
Purchase of investments	0	0	0.0%
Repayment of Loans	1,248	677	84.3%
Other Payments	0	0	0.0%
<b>TOTAL PAYMENTS</b>	<b>30,743</b>	<b>34,322</b>	<b>-10.4%</b>
<b>TOTAL CASH MOVEMENT</b>	<b>(1,156)</b>	<b>(1,614)</b>	<b>-28.4%</b>
Cash and cash equivalents	3,562	4,718	-24.5%
Investments	3,000	4,500	-33.3%
<b>Total Cash &amp; Investments on Hand</b>	<b>6,562</b>	<b>9,218</b>	<b>-28.8%</b>

Cash and investment decreased by \$2.7m during the year due to expenditure on assets of \$9.2 m and loan repayments of \$1.2m being funded by asset sales \$0.5m, borrowings of \$3.7m, cash from operations of \$3.6m and \$2.7m of cash reserves.

Cash outflows for Purchase of Assets included road and bridge construction totalling \$4.1m. This compares to the \$8m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No.7, which is an unaudited statement prepared in conjunction with the financial statements, discloses that the estimated cost to bring road and bridges to a satisfactorily standard is \$36.8m.

## SPECIAL PURPOSE REPORTS

Council is required to report the financial results of identified Business Units in accordance with National Competition Policy guidelines. The reports are known as Special Purpose Financial Statements and are subject to audit. Council has identified Water, Sewerage, Waste and Naroo Aged Care Facility as Category 2 Business Units.

### WATER SUPPLY FUNCTION

The Special Purpose Financial Statements disclose that the Water Supply function recorded an operating surplus of \$156,000 after allowing for depreciation of \$153,000. The Net Current Asset position records a positive balance of \$1,625,000 compared to \$1,686,000 for that of the previous

year. The net current asset position is considered sufficient to cover medium term working capital needs given the size of the function.

#### SEWERAGE SERVICES

The Special Purpose Financial Statements disclose that the sewerage function recorded an operating surplus of \$352,000 after allowing for depreciation of \$104,000. The Net Current Assets position show a surplus of \$2,626,000 compared with \$2,232,000 for the prior year. The net current asset position is considered sufficient to cover medium term working capital needs especially given the low levels of debt within the function.

#### NAROO AGED CARE SERVICES

The Special Purpose Financial Statements disclose that Naroo Aged Care recorded an operating surplus of \$88,000 after allowing for depreciation of \$32,000. The Net Current Assets position shows a deficit of \$378,000 compared with a deficit of \$405,000 for the prior year. However, Naroo Aged Care is dependent on funding from Council for its continued operation.

#### WASTE SERVICES

The Special Purpose Financial Statements disclose that Waste Services recorded an operating deficit of \$102,000 after allowing for depreciation of \$227,000. The Net Current Assets position show a surplus of \$1,942,000.

### FINANCIAL SUSTAINABILITY

Over the recent past there have been a number of reviews into local government financial sustainability and management (such as local government review panel report, local government Acts taskforce report, NSW Treasury Corporation ("TCorp") report and the Infrastructure management audit) the outcomes from these reviews provide insight into the NSW Government expectations of councils and how they are assessing the viability and structure of local government in the future.

During the 2013 year all councils have had an external assessment by TCorp of their financial sustainability. TCorp has defined financial sustainability as follows:

*"A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community"*

Based on TCorps assessment of Council's financial results from 2009 to 2012, the unaudited Special Schedule 7, ten year financial forecasts and other factors (e.g. Population growth, workforce demographics and skills, environmental and natural disaster factors) it has assessed Councils financial sustainability as Very Weak and its outlook as Neutral.

It should be noted that the audit of the financial statements is an audit of Council at a point in time whereas the TCorp report evaluation is for the future sustainability of Council and:

- Did not take into account the financial results from 2013 and 2014;
- It includes unaudited data from Special Schedule 7 as well as the ten year financial forecast; and
- Is based upon future data, which includes assumptions and judgements regarding the future operations of Council, including what revenue and expenses will be incurred in the future, as well as significant judgement with regard to other non-financial information.

Based on our review of the TCorp report, for Council to maintain its financial sustainability position it will need to consider the following:

- Monitor rating and user charge revenue increases in order to match or exceed future increases in operational expenditure;
- Continue to improve its asset management plans and processes in order to understand future infrastructure replacement and maintenance needs;
- Prudent use of borrowings to support long term infrastructure improvements;
- Continue to review its long term financial forecast modelling and assumptions in order to provide an accurate picture of long term financial issues; and
- Continued community consultation to identify acceptable service levels including acceptable condition of its infrastructure assets.

During 2013 an audit of Local Government infrastructure across all councils in NSW was conducted using a survey of councils' infrastructure management processes and practices, historical financial information and through a number of visits to councils. As a result of the audit councils asset management practices were graded as either Very Strong, Strong, Moderate, Weak, Very Weak or Distressed. Gwydir Shire Council was graded a "Distressed".

The audit identified the following focus areas for councils to achieve sustainable infrastructure service levels:

- Skilled People – develop asset management skills and capacity within councils;
- Appropriate Processes – implement appropriate asset management practices focusing on community service level negotiations, risk management and infrastructure vulnerability assessments, and identification of critical infrastructure;
- Reliable data – development of specific asset management measurement parameters, improved reporting of asset management and progress on achieving the delivery program; and
- Adequate resources – adequately fund asset management through the use of debt, local Government Renewal Scheme funding, special rate variations and grant funds.

Subsequent to the report from the local government review panel and local government Acts taskforce, the NSW Government response is outlined in its "fit for the future" blueprint. This will require councils to assess their current financial position and submit a fit for the future proposal by 30 June 2015. Presently there has been no guidelines issued on the form of the response but indicators are they will use the above reports (TCorp and OLG infrastructure management report) along with the local government review panel recommendations.

Should councils be deemed "unfit" then the NSW Government will strongly encourage councils to consider the following options:

- Seek voluntary merger with other councils in order to meet a sustainable "threshold";
- Develop regional joint organisations with separate governance structures to manage critical elements for a number of councils (e.g. finance and IT, economic development, engineering, etc.);
- Accepting the offer for cheaper finance to build and maintain facilities; and
- Utilising the innovation fund to help smaller councils explore new ways to working with other councils.

## GENERAL

### *Reporting obligations under the Local Government Act*

We note that, Council's core accounting systems and records are satisfactory, however, improvements are required in the compilation of financial statements including the special purpose financial statements.

As a result, the audited financial statements will be submitted late to the Office of Local Government and not within the prescribed time provided for in Division 2 of the *Local Government Act 1993*.

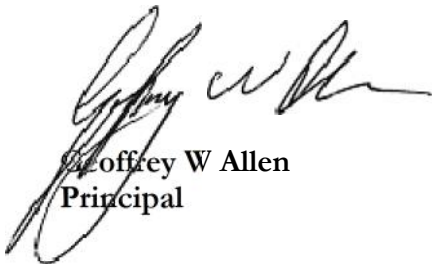
Matters of a technical nature have been documented in a management letter to the General Manager.

We take this opportunity of thanking the General Manager and his staff for their co-operation and assistance during the course of the audit.

Under section 419 of the *Local Government Act 1993*, Council is required to give public notice of a Council meeting for the purpose of presenting the audited financial statements and the auditor's report. A Principal of this firm is available to attend this meeting to address any questions in respect of the audit report or the conduct of the audit.

Yours faithfully

**FORSYTHS BUSINESS SERVICES PTY LTD**

  
Geoffrey W Allen  
Principal

# Gwydir Shire Council

SPECIAL PURPOSE FINANCIAL REPORTS  
for the year ended 30 June 2014

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*"To be the recognised leader in Local Government  
through continuous learning and sustainability"*



## **Gwydir Shire Council**

### **Special Purpose Financial Report for the year ended 30 June 2014**

#### **Contents**

	Page
<b>Statement by Councillors and Management</b>	<b>1</b>
Income statement of Water Supply business activity	2
Income statement of Sewerage business activity	3
Income statement of Waste business activity	4
Income statement of Naroo Aged Care business activity	5
Statement of Financial Position of Water Supply business activity	6
Statement of Financial Position of Sewerage business activity	7
Statement of Financial Position of Waste business activity	8
Statement of Financial Position of Naroo Aged Care business activity	9
Notes to the Special Purpose Financial Reports	10
Auditors' report	19

## Gwydir Shire Council

### Special Purpose Financial Report for the 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 Report has been prepared in accordance with:

- \* NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*.
- \* 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

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

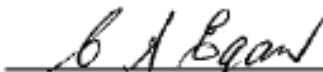
- \* presents fairly the operating result and financial position for each of Council's declared Business Activities for the year, and
- \* accords with Council's accounting and other records.

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

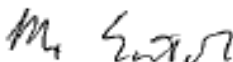
Signed in accordance with a resolution of Council made on 30 October 2014



Cr John Coulton  
Mayor



Cr Catherine Egan  
Councillor



Max Eastcott  
General Manager



Ron Wood  
Responsible Accounting Officer

**Gwydir Shire Council**

**Income Statement of Water Supply business activity  
for the year ended 30 June 2014**

	<b>Actual 2014 \$'000</b>	<b>Actual 2013 \$'000</b>
<b>Income from continuing operations</b>		
Access charges	624	621
User charges	839	629
Fees	7	6
Interest	62	93
Grants and contributions provided for non capital purposes	24	24
Profit from the sale of assets	-	-
Other revenues	1	5
<b>Total revenues from continuing operations</b>	<b>1,557</b>	<b>1,378</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	490	376
Borrowing costs	229	234
Materials and contracts	296	270
Depreciation & impairment	153	242
Water purchase charges	-	-
Loss on sale of assets	-	96
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	17	18
Other expenses	216	229
<b>Total expenses from continuing operations</b>	<b>1,401</b>	<b>1,465</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>156</b>	<b>(87)</b>
Grants and contributions provided for capital purposes	-	3
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>156</b>	<b>(84)</b>
Less Corporate Taxation Equivalent (30%) [based on result before capital]	47	-
<b>Surplus (deficit) after tax</b>	<b>109</b>	<b>(84)</b>
<b>Opening retained profits</b>	<b>12,750</b>	<b>11,509</b>
Adjustments for amounts unpaid	-	-
Taxation equivalent payments	-	-
Debt guarantee fees	17	18
Corporate taxation equivalent	47	-
Less: TER Dividend Paid	-	-
Less: Surplus Dividend Paid	-	-
Financial Instruments through equity	-	-
Adjustment for previous period error	-	1,307
Revaluation Reserve	-	-
<b>Closing retained profits</b>	<b>12,923</b>	<b>12,750</b>
Return on Capital %	2.62%	1.10%
Subsidy from Council	-	-
<b>Calculation of Dividend Payable</b>		
Surplus (deficit) after tax	109	(84)
Less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	109	(84)
Dividend calculated from surplus	55	-



# Gwydir Shire Council

## Income Statement of Sewerage business activity for the year ended 30 June 2014

	Actual 2014 \$'000	Actual 2013 \$'000
<b>Income from continuing operations</b>		
Access charges	619	621
User charges	75	77
Fees	-	1
Interest	82	105
Grants and contributions provided for non capital purposes	21	21
Profit from the sale of assets	-	-
Other revenues	1	1
<b>Total revenues from continuing operations</b>	<b>798</b>	<b>826</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	219	250
Borrowing costs	1	1
Materials and contracts	104	84
Depreciation & impairment <sup>1</sup>	84	1,895
Debt guarantee fee (if applicable)	-	-
Other expenses	39	35
<b>Total expenses from continuing operations</b>	<b>447</b>	<b>2,265</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>351</b>	<b>(1,439)</b>
Grants and contributions provided for capital purposes	1	3
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>352</b>	<b>(1,436)</b>
Less Corporate Taxation Equivalent (30%) [based on result before capital]	106	-
<b>Surplus (deficit) after tax</b>	<b>246</b>	<b>(1,436)</b>
<b>Opening retained profits</b>	<b>11,458</b>	<b>6,532</b>
Adjustments for amounts unpaid	-	-
Taxation equivalent payments	-	-
Debt guarantee fees	-	-
Corporate taxation equivalent	107	-
Less: TER Dividend Paid	-	-
Less: Surplus Dividend Paid	-	-
Adjustment for previous period error	-	4,675
Revaluation Reserve	-	-
<b>Closing retained profits</b>	<b>11,811</b>	<b>11,458</b>
Return on Capital %	3.72%	-15.53%
Subsidy from Council		
<b>Calculation of Dividend Payable</b>		
Surplus (deficit) after tax	246	(1,436)
Less: Capital grants and contributions (excluding developer contributions)		
Surplus for dividend calculation purposes	246	(1,436)
Dividend calculated from surplus	123	-

<sup>1</sup> Includes an adjustment of \$1,686k in relation to prior period revaluation

## Gwydir Shire Council

### Income Statement of Waste business activity for the year ended 30 June 2014

	Actual 2014 \$'000	Actual 2013 \$'000
<b>Income from continuing operations</b>		
Access charges	1,140	1,102
User charges	79	-
Fees	-	-
Interest	75	64
Grants and contributions provided for non capital purposes	46	46
Profit from the sale of assets		10
Other revenues	34	-
<b>Total revenues from continuing operations</b>	<b>1,374</b>	<b>1,222</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	501	329
Borrowing costs	8	173
Materials and contracts	731	414
Depreciation & impairment	227	227
Debt guarantee fee (if applicable)	-	-
Other expenses	9	5
<b>Total expenses from continuing operations</b>	<b>1,476</b>	<b>1,148</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(102)</b>	<b>74</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(102)</b>	<b>74</b>
Less Corporate Taxation Equivalent (30%) [based on result before capital]	-	22
<b>Surplus (deficit) after tax</b>	<b>(102)</b>	<b>52</b>
<b>Opening retained profits</b>	<b>-</b>	<b>274</b>
Taxation equivalent payments	-	-
Debt guarantee fees	-	-
Corporate taxation equivalent	-	22
Adjustment for previous period error	-	(348)
<b>Closing retained profits</b>	<b>(102)</b>	<b>-</b>
Return on Capital %	-6.00%	15.26%
Subsidy from Council		
<b>Calculation of Dividend Payable</b>		
Surplus (deficit) after tax	(102)	52
Less: Capital grants and contributions (excluding developer contributions)		
Surplus for dividend calculation purposes	-	52
Dividend calculated from surplus	-	26

# Gwydir Shire Council

## Income Statement of Naroo Aged Care business activity for the year ended 30 June 2014

	Actual 2014 \$'000	Actual 2013 \$'000
<b>Income from continuing operations</b>		
Rentals	378	361
User charges & Fees	16	4
Investment Revenues	18	26
Premiums on discounted loans	321	-
Other Revenues	33	26
Operating Grants	709	699
Donations	35	-
Operating Contributions	-	-
<b>Total revenues from continuing operations</b>	<b>1,510</b>	<b>1,116</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	958	881
Borrowing costs	113	105
Materials and contracts	247	449
Depreciation & impairment	32	85
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	3	10
Other expenses	69	75
<b>Total expenses from continuing operations</b>	<b>1,422</b>	<b>1,605</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>88</b>	<b>(489)</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>88</b>	<b>(489)</b>
Less Corporate Taxation Equivalent (30%) [based on result before capital]	26	-
<b>Surplus (deficit) after tax</b>	<b>62</b>	<b>(489)</b>
<b>Opening retained profits</b>	<b>1,213</b>	<b>2,382</b>
Taxation equivalent payments	-	-
Debt guarantee fees	3	10
Corporate taxation equivalent	26	-
Equity Adjustment	-	-
Adjustment for previous period error	-	(690)
<b>Closing retained profits</b>	<b>1,304</b>	<b>1,213</b>
Return on Capital %	4.59%	-16.09%
Subsidy from Council	-	-
<b>Calculation of Dividend Payable</b>		
Surplus (deficit) after tax	62	(489)
Less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	62	(489)
Dividend calculated from surplus	-	-

# Gwydir Shire Council

## Statement of Financial Position of Water Supply business activity for the year ended 30 June 2014

### ASSETS

#### Current Assets

Cash and cash equivalents and investments

Receivables

Inventories

#### Total current assets

#### Non Current Assets

Infrastructure, property, plant and equipment

#### Total non-current assets

#### Total assets

### LIABILITIES

#### Current liabilities

Payables

Interest bearing liabilities

Provisions

#### Total current liabilities

#### Non-current liabilities

Interest bearing liabilities

Provisions

#### Total non-current liabilities

#### Total liabilities

#### Net assets

### EQUITY

Retained earnings

Reserves

Council equity interest

#### Total equity

Actual 2014 \$'000	Actual 2013 \$'000
1,657	1,665
290	305
20	19
1,967	1,989
14,697	14,328
14,697	14,328
16,664	16,317
39	40
177	124
126	139
342	303
2,589	2,759
6	4
2,595	2,763
2,937	3,066
13,727	13,251
12,923	12,750
804	501
-	
13,727	13,251

## Gwydir Shire Council

### Statement of Financial Position of Sewerage business activity for the year ended 30 June 2014

#### ASSETS

##### Current Assets

Cash and cash equivalents and investments

Receivables

Inventories

##### Total current assets

##### Non Current Assets

Infrastructure, property, plant and equipment

##### Total non-current assets

##### Total assets

#### LIABILITIES

##### Current liabilities

Payables

Interest bearing liabilities

Provisions

##### Total current liabilities

##### Non-current liabilities

Interest bearing liabilities

Provisions

##### Total non-current liabilities

##### Total liabilities

##### Net assets

#### EQUITY

Retained earnings

Reserves

Council equity interest

##### Total equity

Actual 2014 \$'000	Actual 2013 \$'000
2,640	2,279
95	96
2	2
2,737	2,377
9,460	9,260
9,460	9,260
12,197	11,637
-	-
5	6
106	139
111	145
6	11
6	4
12	15
123	160
12,074	11,477
11,811	11,457
263	20
12,074	11,477

# Gwydir Shire Council

## Statement of Financial Position of Waste business activity for the year ended 30 June 2014

### ASSETS

#### Current Assets

Cash and cash equivalents and investments

Receivables

Inventories

#### Total current assets

#### Non Current Assets

Infrastructure, property, plant and equipment

#### Total non-current assets

#### Total assets

### LIABILITIES

#### Current liabilities

Payables

Interest bearing liabilities

Provisions

#### Total current liabilities

#### Non-current liabilities

Interest bearing liabilities

Provisions

#### Total non-current liabilities

#### Total liabilities

#### Net assets

### EQUITY

Retained earnings

Reserves

#### Total equity

Actual 2014 \$'000	Actual 2013 \$'000
1,905	1,744
115	109
-	-
2,020	1,853
1,567	1,619
1,567	1,619
3,587	3,472
1	-
5	5
72	12
78	17
85	90
3,005	2,844
3,090	2,934
3,168	2,951
419	521
(102)	-
521	521
419	521

## Gwydir Shire Council

### Balance Sheet of Naroo Aged Care business activity for the year ended 30 June 2014

#### ASSETS

##### Current Assets

Cash and cash equivalents and investments

Receivables

Aged Care Bonds

##### Total current assets

##### Non Current Assets

Investments

Receivables

Inventories

Infrastructure, property, plant and equipment

Investments accounted for using equity method

Investment property

Other

##### Total non-current assets

##### Total assets

#### LIABILITIES

##### Current liabilities

Interest bearing liabilities

Aged Care Bonds

##### Total current liabilities

##### Non-current liabilities

Payables

Interest bearing liabilities

Non interest bearing liabilities

##### Total non-current liabilities

##### Total liabilities

##### Net assets

#### EQUITY

Retained earnings

Reserves

Council equity interest

##### Total equity

Actual 2014 \$'000	Actual 2013 \$'000
-	415
60	22
140	677
200	1,114
380	147
4,380	2,386
4,760	2,533
4,960	3,647
147	32
431	677
578	709
	-
2,961	1,608
117	117
3,078	1,725
3,656	2,434
1,304	1,213
1,304	1,213
-	-
-	-
1,304	1,213

## **Gwydir Shire Council**

### **Notes to the Special Purpose Financial Reports for the year ended 30 June 2014**

Contents of the notes to the financial statements	Page
Note 1    Significant accounting policies	SP11
Note 2    Water Supply Business best practice management disclosure requirements	SP14
Note 3    Sewerage Business best practice management disclosure requirements	SP16



## **Gwydir Shire Council**

### **Note 1    Significant accounting policies for the year ended 30 June 2014**

A statement summarising the supplemental accounting policies adopted in the preparation of the SPFS for National Competition Policy reporting purposes follows.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition criteria of applicable Australian Accounting Standards, other authoritative pronouncements of the AASB and Australian Accounting Interpretation. 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. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

#### **National Competition Policy**

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 Government Policy statement on the '*Application of National Competition Policy to Local Government*'. The '*Pricing & Costing for Council Businesses A Guide of Competitive Neutrality*' issued by the Department of Local Government in July 1997 has also been adopted.

The pricing and 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:

## Note 1 Significant accounting policies - continued

### Category 1

NIL

### Category 2

Name	Brief description of Activity
Gwydir Water Supply	Comprising the whole of the operations and net assets of the water supply systems servicing the towns of Bingara, Warialda, Gravesend and North Star.
Gwydir Sewerage Services	Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems servicing the towns of Bingara and Warialda.
Naroo Aged Care Facility	Comprising the whole of the operations and assets of the aged care facility located at Warialda.
Gwydir Waste Management Services	Comprising the whole of the operations and assets of the waste management service carried out by the

### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest on thousand dollars, with the exception of Note 2 (Water Supply Best Practice Management Disclosures A513) and Note 3 (Sewerage Best Practice Management Disclosures A514). As required by the NSW Office of Water, Department of Environment, Climate Change and Water, the amounts shown in Notes 2 and Note 3 are shown in whole dollars.

### Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Statements) just like all other costs. However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council nominated business activities and are reflected in the SPFS. 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 Tax Rate	30%
Land Tax	\$100 plus 1.7cents for each \$ by which the taxable value exceeds \$352,000
Payroll Taxation	Does not apply

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.

## **Note 1 Significant accounting policies - continued**

### **Income Tax**

An income tax equivalent has been applied on the profits of the business. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional, that is, it is payable to the “Council” as the owner of business operations, it represents an internal payment and has no effect on the operations of the council.

Accordingly, there is no need for disclosure of internal charges in the GPFS. The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

### **Loan and debt guarantee fees**

The debt guarantee fee is designed to ensure that Council’s Business Units 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.

### **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 services obligations. The overall effect of subsidies is contained within the statement of financial performance by Business Activities.

### **Return on Investment (rate of return)**

The Policy statement states that Category 1 businesses “would be expected to generate a rate of return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field”. Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of council’s business activities on the Income Statement.

### **Dividends**

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus. The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed 50% of this surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2013 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management for Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, unqualified independent Financial Audit Report and Compliance Audit Report are submitted to the NSW Office of Water.

## Gwydir Shire Council

### Note 2 Water Supply Business best practice management disclosure requirements for the year ended 30 June 2014

#### Calculation and payment of tax-equivalents

(i)	Calculated tax-equivalents	47,000
(ii)	No of assessments multiplied by \$3/assessment	5,271
(iii)	Amounts payable for tax-equivalents (lessor of (i) and (ii))	5,271
(iv)	Amounts paid for tax-equivalents	-

#### Dividend from Surplus

(i)	50% of surplus before dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines)</i>	54,500
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	52,683
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2011	2,626,000
(iv)	Maximum dividend from surplus (least of (i), (ii) and (iii))	52,683
(v)	Dividend paid from surplus	-

#### Required outcomes for 6 Criteria

	Yes/No
(1) Completion of Strategic Business Plan (including Financial Plan)	Yes
(2) Full cost recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines)	Yes
Complying Charges (a) Residential (Item 2(b) in Table 1)	Yes
(b) Non-residential (Item 2(b) in Table 1)	Yes
DSP with Commercial Developer Charges (Item 2(e) in Table 1)	No
If Dual Water Supplies, Complying Charges (Item 2(g) in Table 1)	N/A
(3) Sound Water Conservation & Demand Management Implemented	Yes
(4) Sound Drought Management Implemented	Yes
(5) Complete Performance Reporting Form (by 15 September each year)	Yes

(6) Integrated Water Cycle Management Strategy (by June 2007)

Yes

# **National Water Initiative (NWI) Financial Performance Indicators**

NWI F4 Residential Revenue from Usage Charges (Water)

%

75.00

*= Revenue from Residential Usage Charges (w6b) x 100 divided by sum of [Residential Access Charges (w6a) + Residential Usage Charges (w6b) + Environmental Levies for Water Supply]*

NWI F1 Total Revenue (Water)

\$ ('000)

1,495

*= Total Revenue (w13) + Gain/loss on Disposal of Assets (w14) - Grants for Acquisition of Assets (w11a) - Interest Income (w9)*

NWI F20 Capital Works Grants (Water)

\$ ('000)

-

*= Grants for Acquisition of Assets (w11a)*

NWI F13 Economic Real of Return (Water)

%

6.22

*= [Total Revenue (w13) - Interest Income (w9) - Grants for Assets (w11a) - Total Cost(NWI F9)] x 100 divided by Written Down Replacement Cost of operational assets (w47)*

NWI F6 Operating Cost (OMA) (Water)

\$ ('000)

671

*= Management Expenses (w1) + Operation and Maintenance Expenses (w2)*

NWI F9 Total Cost (Water)

\$ ('000)

824

*= Operating Cost (NWI F6) + Current Cost Depreciation (w3a +w3b)*

## Notes

1. References to w (eg. W12) refer to item numbers in Special Schedules Nos. 3 and 4 of the Annual Statements.

2. The NWI performance indicators are based on the National Performance Framework handbook for Urban Performance Reporting Indicators and Definitions

The NWI indicators are to be calculated using the formulae shown above.

## Gwydir Shire Council

### Note 3 Sewerage Business best practice management disclosure requirements for the year ended 30 June 2014

#### Calculation and payment of tax-equivalents

(i)	Calculated tax-equivalents	106,000
(ii)	No of assessments multiplied by \$3/assessment	4,308
(iii)	Amounts payable for tax-equivalents (lessor of (i) and (ii))	4,308
(iv)	Amounts paid for tax-equivalents	-

#### Dividend from Surplus

(i)	50% of surplus before dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines)</i>	123,000
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	33,966
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2011	-
(iv)	Maximum dividend from surplus (least of (i), (ii) and (iii))	-
(v)	Dividend paid from surplus	-

#### Required outcomes for 4 Criteria

	Yes/No
(1) Completion of Strategic Business Plan (including Financial Plan)	Yes
(2) Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of the Best Practice Guidelines)	No
Complying Charges	
(a) Residential (Item 2(b) in Table 1)	Yes
(b) Non-residential (Item 2(b) in Table 1)	Yes
(c) Trade Waste (Item 2(d) in Table 1)	No
DSP with Commercial Developer Charges (Item 2(e) in Table 1)	No
Liquid Trade Waste Approvals and Policy	Yes
(3) Complete performance Reporting Form by 15 September each year	Yes
(6) Integrated Water Cycle Management Strategy (by June 2007)	Yes

## National Water Initiative (NWI) Financial Performance Indicators

NWI F2 Total Revenue (Sewerage)	\$ ('000)	716
<i>= Total Revenues (s14) + Gain/loss on Disposal of Assets (S15) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)</i>		
NWI F21 Capital Works Grants (Sewerage)	\$ ('000)	1
<i>= Grants for Acquisition of Assets (s12a)</i>		
NWI F11 Capital Expenditure (Water & Sewerage)	\$ ('000)	175
<i>= Acquisition of Fixed Assets (w16+s17)</i>		
NWI F14 Economic Real of Return (Sewerage)	%	5.722
<i>= [Total Revenue (s14) - Interest Income (s10) - Grants for Assets (s12a) - Total Cost(NWI F10)] x 100 divided by Written Down Replacement Cost of operational assets (s48)</i>		
NWI F12 Economic Real of Return (Water and Sewerage)	%	6.039
<i>= [Total Revenue (w13 + s14) - Interest Income (w9 + s10) - Grants for Assets (w11a + s12a) - Total Cost(NWI F9 + NWI F10)] x 100 divided by Written Down Replacement Cost of operational assets (w47 + s48)</i>		
NWI F16 Net Debt to Equity (Water and Sewerage)	%	-6.194
<i>= [Overdraft (w36 +s37) + Borrowings (w38 + s39) - Cash and Investments (w30 + s31)] x 100 divided by [Total Assets (w35 +s36) - Total Liabilities (w40 + s41)]</i>		
NWI F17 Interest Cover (Water and Sewerage)		511.628
<i>= [Earnings before Interest and Tax x 100 divided by Net Interest (Interest Expense - Interest Income)]</i>		
<i>= [Operating Result (w15a + s16a) - Interest (w9 -w4a + s10 -s4a) - Gain/loss on Sale of Assets (w14 +s15)] x 100 divided by [Interest Expense (w4a +s4a) - Interest Income (w9 + s10)]</i>		
NWI F18 Net Profit After Tax (Water and Sewerage)	\$ ('000)	355
<i>= [Surplus before Dividends less Tax Paid (see Notes 2 &amp; 3 above)</i>		
NWI F19 Community Service Obligations (Water and Sewerage)	\$ ('000)	45
<i>= Grants for Pensioner Rebates (w11b + s12b)</i>		
NWI F5 Revenue from Community Service Obligations (Water and Sewerage)	%	2.04
<i>= Community Service Obligations (NWI F19) x 100 divided by Total Revenue (NWI F1 + NWI F2)</i>		
NWI F7 Operating Cost (OMA) (Sewerage)	\$ ('000)	287

= *Management Expenses (s1) + Operation and Maintenance Expenses (s2)*

NWI F10 Total Cost (Sewerage)

\$ ('000)

372
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= *Operating Cost (NWI F7) + Current Cost Depreciation (s3a +s3b)*

#### Notes

1. References to s (eg. s12) refer to item numbers in Special Schedules Nos. 5 and 6 of the Annual Statements.
2. The NWI performance indicators are based on the National Performance Framework handbook for Urban Performance Reporting Indicators and Definitions

The NWI indicators are to be calculated using the formulae shown above.



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ABN 66 182 781 401

**INDEPENDENT AUDIT REPORT**  
**Report on the special purpose financial statements**

**To Gwydir Shire Council**

**SCOPE**

We have audited the special purpose financial statements of Gwydir Shire Council for the year ended 30<sup>th</sup> June 2014 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and Note 1 to the financial statements. The financial statements include the financial results of the business activities of Council and the entities it controlled at the year's end or from time to time during the year.

***Councils' responsibility for the financial statements***

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the requirements of the Office of Local Government and Council. The Councils' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements 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.

***Auditor's responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council or the Office of Local Government. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

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

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, the special purpose financial statements of the Gwydir Shire Council for the year ended 30<sup>th</sup> June 2014 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

## **BASIS OF ACCOUNTING**

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

*Forsyths*

**Forsyths Business Services Pty Ltd**

**Geoffrey W Allen**

Principal

8<sup>th</sup> December 2014

92 Rusden Street Armidale

# Gwydir Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2014

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*"To be the recognised leader in Local Government  
through continuous learning and sustainability"*



## Gwydir Shire Council

### Special Schedules for the year ended 30 June 2014

#### Contents

<b><i>Special Schedules (Not Audited)</i></b>		<b>Page</b>
Special Schedule No. 1	Net cost of services	1
Special Schedule No. 2(a)	Statement of long-term debt (all purpose)	4
Special Schedule No. 2(b)	Statement of internal loans (Section 410(3))	5
Special Schedule No. 3	Water supply income statement	6
Special Schedule No. 4	Water supply - balance sheet	9
Special Schedule No. 5	Sewerage service income statement	10
Special Schedule No. 6	Sewerage service - balance sheet	13
Notes to Special Schedules 3 and 5		14
Special Schedule No. 7	Condition of public works	15
Special Schedule No. 8	Financial Projections	18
Special Schedule No. 9	Permissible Income for General Rates	19

**Gwydir Shire Council**

**Special Schedule No. 1**

**Net cost of services**

**for the year ended 30 June 2014**

Function or Activity	Expenses from continuing operations	Income from continuing operations (non capital)	Income from continuing operations (capital)	Net cost of services
	\$'000	\$'000	\$'000	\$'000
<b>Governance</b>	172	-	-	172
<b>Administration</b>	4,071	1,599	-	2,472
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	733	313	44	376
Animal Control	84	8	-	76
Beach Control	-	-	-	-
Enforcement of Local Govt Regs	-	-	-	-
Other	130	-	-	130
<b>Total Public Order &amp; Safety</b>	<b>947</b>	<b>321</b>	<b>44</b>	<b>582</b>
<b>Health</b>	1,089	1,075	-	14
<b>Environment</b>				
Noxious Plants & Insects/Vermin Control	110	78	-	32
Other Environmental Protection	-	173	-	(173)
Solid Waste Management	1,440	1,375	-	65
Street Cleaning	210	-	-	210
Drainage	-	-	-	-
Stormwater Management	83	-	-	83
<b>Total Environment</b>	<b>1,843</b>	<b>1,626</b>	<b>-</b>	<b>217</b>
<b>Community Services &amp; Education</b>				
Administration & Education	604	515	-	89
Social protection (welfare)	81	102	-	(21)
Aged Persons & Disabled	1,334	1,881	-	(547)
Childrens Services	67	61	-	6
<b>Total Community Services &amp; Education</b>	<b>2,086</b>	<b>2,559</b>	<b>-</b>	<b>(473)</b>
<b>Housing &amp; Community Amenities</b>				
Public Cemeteries	58	78	-	(20)
Public Conveniences	118	-	-	118
Street Lighting	85	19	-	66
Town Planning	22	39	-	(17)
Other Community Activities	206	144	-	62
<b>Total Housing &amp; Community Amenities</b>	<b>489</b>	<b>280</b>	<b>-</b>	<b>209</b>

# Net cost of services (continued)

Function or Activity	Expenses from continuing operations	Income from continuing operations (non capital)	Income from continuing operations (capital)	Net cost of services
	\$'000	\$'000	\$'000	\$'000
<b>Water Supplies</b>	1,084	1,557	-	(473)
<b>Sewerage Services</b>	320	798	1	(479)
<b>Recreation and Culture</b>				
Public Libraries	182	58	-	124
Museums	33	-	-	33
Art Galleries	-	-	-	-
Community Centres & Halls	309	4	-	305
Performing Arts Venues	392	164	-	228
Other Performing Arts	-	-	-	-
Other Cultural Services	-	5	-	(5)
Sporting Grounds & Venues	317	-	-	317
Swimming Pools	223	3	-	220
Parks and Gardens (Lakes)	259	5	99	155
Other Sport and Recreation	11	30	45	(64)
<b>Total Recreation &amp; Culture</b>	<b>1,726</b>	<b>269</b>	<b>144</b>	<b>1,313</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Mining, Manufacturing &amp; Construction</b>				
Building Control	-	39	-	(39)
Other Mining, Manufacturing & Construction	589	9	-	580
<b>Total Mining, Manufacturing &amp; Construction</b>	<b>589</b>	<b>48</b>	<b>-</b>	<b>541</b>
<b>Transport and Communications</b>				
Urban Roads (UR): Local	390	-	-	390
Urban Roads: Regional	-	-	-	-
Sealed Rural Roads (SRR): Local	2,712	-	-	2,712
Sealed Rural Roads: Regional	1,905	1,324	646	(65)
Unsealed Rural Roads (URR): Local	4,370	-	817	3,553
Unsealed Rural Roads: Regional	-	-	-	-
Bridges on Urban Roads: Local	51	-	-	51
Bridges on Urban Roads: Regional	-	-	-	-
Bridges on Sealed Rural Roads: Local	217	-	-	217
Bridges on Sealed Rural Roads: Regional	274	-	-	274
Bridges on Unsealed Rural Roads: Local	104	-	-	104
Bridges on Unsealed Rural Roads: Regional	-	-	-	-
Parking Areas	2	-	-	2
Footpaths	27	-	-	27
Aerodromes	3	-	-	3
Other Transport & Communication	5,617	2,208	-	3,409
<b>Total Transport &amp; Communications</b>	<b>15,672</b>	<b>3,532</b>	<b>1,463</b>	<b>10,677</b>

# Net cost of services (continued)

Function or Activity	Expenses from continuing operations	Income from continuing operations (non capital)	Income from continuing operations (capital)	Net cost of services
	\$'000	\$'000	\$'000	\$'000
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	364	375	-	(11)
Other Economic Affairs	415	72	-	343
<b>Total Economic Affairs</b>	<b>779</b>	<b>447</b>	<b>-</b>	<b>332</b>
<b>Totals - Functions</b>	<b>30,867</b>	<b>14,111</b>	<b>1,652</b>	<b>15,104</b>
<b>General Purpose Revenues (1)</b>				<b>7,586</b>
<b>Net operating result for the year (2)</b>				<b>7,519</b>
<b>Net operating result for the year (2)</b>				<b>7,519</b>

## Notes:

(1) Includes:

- \* Rates and annual charges
- \* Non-Capital General Purpose Grants
- \* Interest on Investments

(2) As reported on the income statement

**Gwydir Shire Council**

**Special Schedule No. 2(a)**

**Statement of long-term debt (all purpose)**

**for the year ended 30 June 2014**

Classification of Debt	Principal outstanding at beginning of year			New loans raised during the year	Debt redemption during the year		Transfer to Sinking Funds	Interest applicable for year	Principal outstanding at end of year		
	Current	Non-current	Total		From revenue	Sinking Funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Financial Institutions	677	8,927	9,604	1,877	1,248	-	-	693	777	9,456	10,233
Commonwealth Government	-	750	750	1,500		-	-	38	113	2,137	2,250
<b>Total Loans</b>	677	9,677	10,354	3,377	1,248	-	-	731	890	11,593	12,483
<b>Total long term debt</b>	677	9,677	10,354	3,377	1,248	-	-	731	890	11,593	12,483



## Gwydir Shire Council

### Special Schedule No. 2(b)

### Statement of internal loans (Section 410(3) LGA 1993)

for the year ended 30 June 2014

#### Summary of internal loans

Borrower (by purpose)	Account originally raised	Total repaid during the year Principal and interest	Principal outstanding at end of year
General	-	-	-
<b>Totals</b>	-	-	-
<b>Total long term debt</b>	-	-	-

The summary of internal loans (see above) represents the total of Councils' internal loans categorised according to the purpose of the borrower.  
Details of individual loans are set out below.

#### Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's approval	Date raised	Term Years	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during the year Principal and interest	Principal outstanding at end of year
	-	-	-	-	-	-	-	-	-

**Gwydir Shire Council**

**Special Schedule No. 3**

**Water Supply Income Statement**

**(Gross including Internal Transactions)  
for the year ended 30 June 2014**

	<b>Actual 2014 \$'000</b>	<b>Actual 2013 \$'000</b>
<b>A Expenses and Income</b>		
<b>Expenses</b>		
1 Management Expenses		
a. Administration	-	47
b. Engineering and Supervision	-	-
2 Operation and Maintenance		
Dams and Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
Mains		
c. Operation expenses	61	62
d. Maintenance expenses	130	152
Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	13	15
Pumping Stations		
g. Operation expenses (excluding energy costs)	100	100
h. Energy Costs	209	206
I. Maintenance expenses	16	28
Treatment		
j. Operation expenses (excluding chemical costs)	13	11
k. Chemical Costs	56	47
I. Maintenance expenses	73	47
Other		
m. Operation expenses	-	-
n. Maintenance expenses	-	1
o. Purchase of Water	-	3
3 Depreciation		
a. System assets	133	220
b. Plant and equipment	20	22
4 Miscellaneous Expenses		
a. Interest expenses	229	234
b. Other expenses	331	252
c. Revaluation decrements	-	-
NCP Tax & Other Equivalents	64	18
5 Total expenses	<b>1,448</b>	<b>1,465</b>
<b>Income</b>		
6 Residential charges		
a. Access (including rates)	149	485
b. User charges	447	390
7 Non-residential charges		
a. Access (including rates)	475	136
b. User charges	392	245
8 Extra charges	7	7
9 Interest income	62	86
10 Other income	1	5
11 Grants		
a. Grants for the acquisition of assets	-	3
b. Grants for pensioner rebates	24	24
c. Other grants	-	-
12 Contributions		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	-	-
13 <b>Total Income</b>	<b>1,557</b>	<b>1,381</b>
14 Gain or (loss) on disposal of assets		
15 Operating result	<b>109</b>	<b>(84)</b>
15a <b>Operating result</b> (less grants for acquisition of assets)	<b>109</b>	<b>(87)</b>

**Gwydir Shire Council**

**Special Schedule No. 3 (continued)**  
**Water Supply Income Statement**  
**(Gross including Internal Transactions)**  
**for the year ended 30 June 2014**

	<b>Actual 2014 \$'000</b>	<b>Actual 2013 \$'000</b>
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
16 Acquisition of Fixed Assets		
a. Subsidised Scheme	-	-
b. Other new system assets	15	-
c. Renewals	134	163
d. Plant and equipment	-	-
17 Repayment of Debt		
a. Loans	154	143
18 Transfer to sinking fund	-	-
<b>19 Totals</b>	<b>303</b>	<b>306</b>
<b>Non-operating funds employed</b>		
20 Proceeds from the disposal of assets		
21 Borrowings utilised		
a. Loans	-	-
22 Transfer from sinking fund	-	-
<b>23 Totals</b>	<b>-</b>	<b>-</b>
<b>C Rates and charges</b>		
24 Number of assessments		
a. Residential (occupied)	1,350	1,232
b. Residential (unoccupied)	167	118
c. Non-residential (occupied)	240	230
d. Non-residential (unoccupied)	-	21
	<b>1,757</b>	<b>1,601</b>
25 Number of ET's for which developer charges were received	-	-
26 Total amount of pensioner rebates	45	45

# Gwydir Shire Council

## Special Schedule No. 3 (continued)

### Water Supply - Cross-subsidies

for the year ended 30 June 2014

	Yes/No	Amount
<b>D Best practice annual charges and developer charges</b>		
<b>27 Annual Charges</b>		
a. Does Council have best-practice water supply annual charges and usage charges?	Yes	
If yes go to 28a.		
If no, has Council removed land value from access charges (i.e. rates)		
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)		-
c. Cross-subsidy to non-residential customers using less than allowance (page 25 of Guidelines)		-
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)		-
<b>28 Developer charges</b>		
a. Has council completed a water supply Development Servicing Plan? ***	No	
b. Total cross-subsidy in water supply developer charges for 2007/08 (page 22 of Guidelines)		-
*** In accordance with page 9 of <i>Developer Charges Guidelines for Water Supply, Sewerage and Stormwater</i> , Department of Land and Water Conservation, December 2007		
<b>29 Disclosure of cross-subsidies</b>		
Total of cross-subsidies (27b+27c+27d+28b)		-

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 three years.

# Gwydir Shire Council

## Special Schedule No. 4

### Water Supply - Balance Sheet

(Gross including Internal Transactions)  
for the year ended 30 June 2014

	Current \$'000	Non current \$'000	Total \$'000
<b>ASSETS</b>			
30 Cash and investments			
a. Developer charges	-	-	-
b. Specific purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Other	1,657	-	1,657
31 Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	290	-	290
c. Other	-	-	-
32 Inventories	20	-	20
33 Property, plant and equipment			
a. System assets	-	14,224	14,224
b. Plant and equipment	-	473	473
			-
34 Other Assets	-	-	-
35 <b>Total assets</b>	1,967	14,697	16,664
<b>LIABILITIES</b>			
36 Bank overdraft	-	-	-
37 Creditors	38	-	38
38 Borrowings			
a. Loans	177	2,590	2,767
39 Provisions			
c. Other	126	6	132
40 <b>Total Liabilities</b>	341	2,596	2,937
41 <b>Net assets committed</b>	1,626	12,101	13,727
<b>EQUITY</b>			
42 Accumulated Surplus			12,923
Asset revaluation reserve			804
44 <b>Total equity</b>			13,727
<b>Note to system assets:</b>			
45 Current replacement cost of system assets			15,634
46 Accumulated current cost depreciation of system assets			4,838
47 Written down current cost of system assets			10,796

**Gwydir Shire Council**

**Special Schedule No. 5**

**Sewerage Income Statement**

**(Gross including Internal Transactions)**

**for the year ended 30 June 2014**

	<b>Actual 2014 \$'000</b>	<b>Actual 2013 \$'000</b>
<b>A Expenses and Income</b>		
<b>Expenses</b>		
1 Management Expenses		
a. Administration	24	25
b. Engineering and Supervision	-	-
2 Operation and Maintenance		
Mains		
a. Operation expenses	-	1
b. Maintenance expenses	13	15
Pumping Stations		
c. Operation expenses (excluding energy costs)	32	15
d. Energy Costs	7	7
e. Maintenance expenses	19	15
Treatment		
Operation expenses (excluding chemical , energy, effluent and biosolids management costs)	134	129
g. Chemical Costs	2	4
h. Energy Costs	31	26
i. Effluent management	-	-
j. Biosolids management	2	3
k. Maintenance expenses	23	29
Other		
l. Operation Expenses	-	-
m. Maintenance expenses	-	-
3 Depreciation		
a. System assets	79	1,889
b. Plant and equipment	6	6
4 Miscellaneous Expenses		
a. Interest expenses	1	1
b. Other expenses	74	100
NCP Tax & Other Equivalents	106	-
5 Total expenses	<b>553</b>	<b>2,265</b>
<b>Income</b>		
6 Residential charges (including rates)	324	499
7 Non-residential charges		
a. Access (including rates)	295	115
b. User charges	75	77
8 Trade Waste Charges	-	7
9 Extra charges	-	-
10 Interest income	82	105
11 Other income	1	2
12 Grants		
a. Grants for the acquisition of assets	1	3
b. Grants for pensioner rebates	21	21
c. Other grants	-	-
13 Contributions		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	-	-
14 <b>Total Income</b>	<b>799</b>	<b>829</b>
15 Gain or loss on disposal of assets		
16 Operating result	<b>246</b>	<b>(1,436)</b>
16a <b>Operating result</b> (less grants for acquisition of assets)	<b>245</b>	<b>(1,439)</b>

# Gwydir Shire Council

## Special Schedule No. 5 (continued) Sewerage Income Statement (Gross including Internal Transactions) for the year ended 30 June 2014

	Actual 2014 \$'000	Actual 2013 \$'000
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
17 Acquisition of Fixed Assets		
a. Subsidised Scheme	-	-
b. Other new system assets	26	211
c. Renewals	-	128
d. Plant and equipment		-
18 Repayment of Debt	-	-
a. Loans	6	4
19 Transfer to sinking fund	-	-
<b>20 Totals</b>	<b>32</b>	<b>343</b>
<b>Non-operating funds employed</b>		
21 Proceeds from the disposal of assets	-	-
22 Borrowings utilised		
a. Loans	-	-
23 Transfer from sinking fund	-	
<b>24 Totals</b>	<b>-</b>	<b>-</b>
<b>C Rates and Charges</b>		
25 Number of assessments		
a. Residential (occupied)	1,077	1,013
b. Residential (unoccupied)	162	84
c. Non-residential (occupied)	167	144
d. Non-residential (unoccupied)	30	17
	<b>1,436</b>	<b>1,258</b>
26 Number of ET's for which developer charges were received		
27 Total amount of pensioner rebates	<b>39</b>	<b>21</b>

# Gwydir Shire Council

## Special Schedule No. 5 (continued)

### Sewerage - Cross-subsidies for the year ended 30 June 2014

	Yes/No	Amount
<b>D Best practice annual charges and developer charges</b>		
<b>28 Annual Charges</b>		
a. Does Council have best-practice sewerage annual charges and usage charges and trade waste fees and charges*?	Yes	
If yes go to 29a.		
If no, has Council removed land value from access charges (i.e. rates)		
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)		-
c. Cross-subsidy to non-residential customers using less than allowance (page 25 of Guidelines)		-
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)		-
<b>29 Developer charges</b>		
a. Has council completed a sewerage Development Servicing Plan? ***	No	
b. Total cross-subsidy in water supply developer charges for 2007/08 (page 22 of Guidelines)		-
*** In accordance with page 9 of <i>Developer Charges Guidelines for Water Supply, Sewerage and Stormwater</i> , Department of Land and Water Conservation, December 2007		
<b>30 Disclosure of cross-subsidies</b>		
Total of cross-subsidies (28b+28c+28d+29b)		-

Councils which have not yet implemented best practice sewerage 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 sewerage and liquid trade waste pricing and is phasing in such pricing over a period of three years.



**Special Schedule No. 6**  
**Sewerage services - Balance Sheet**  
**(Gross including Internal Transactions)**  
**for the year ended 30 June 2014**

**ASSETS**

<b>31</b>	Cash and investments
a.	Developer charges
b.	Specific purpose grants
c.	Accrued leave
d.	Unexpended loans
e.	Sinking fund
f.	Other
<b>32</b>	Receivables
a.	Specific purpose grants
b.	Rates and charges
c.	Other
<b>33</b>	Inventories
<b>34</b>	Property, plant and equipment
a.	System assets
b.	Plant and equipment
<b>35</b>	Other Assets

**36 Total assets**

**LIABILITIES**

<b>38</b>	Creditors
<b>39</b>	Borrowings
a.	Loans
<b>40</b>	Provisions
c.	Other

**41 Total Liabilities**

**42 Net assets committed**

**EQUITY**

<b>43</b>	Accumulated Surplus
<b>44</b>	Asset revaluation reserve

**45 Total equity**

**Note to system assets:**

<b>46</b>	Current replacement cost of system assets
<b>47</b>	Accumulated current cost depreciation of system assets
<b>48</b>	Written down current cost of system assets

Current \$'000	Non current \$'000	Total \$'000
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
2,719	-	2,719
-	-	-
-	-	-
94	-	94
2	-	2
-	9,334	9,334
-	48	48
-	-	-
2,815	9,382	12,197
-	-	-
5	6	11
106	6	112
111	12	123
2,704	9,370	12,074
		11,811
		263
		12,074
		8,946
		2,934
		6,012

## Notes to Special Schedules 3 and 5

**Administration<sup>(1)</sup>** (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<sup>(1)</sup>** (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.

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

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

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

**Residential charges<sup>(2+A36)</sup>** (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b User Charges.

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

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges.

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

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

Gwydir Shire Council  
Special Schedule No. 7  
Report on Infrastructure Assets  
for the year ended 30 June 2014  
\$'000

Asset class	Asset category (as determined by Council)	Estimated cost to bring to a satisfactory standard	Required annual maintenance	2013/14 Actual Maintenance	WDV	Asset in Condition as a % of WDV				
		\$'000	\$'000	\$'000	\$'000	1	2	3	4	5
Public Buildings	Aged Care	-	86	175	2,439	50%	50%			
	Amenities	-	51	109	272	47%	53%			
	Council Offices	-	89	249	2,165	26%	74%			
	Council Depots	-	66	166	2,979	78%	22%			
	Halls	124	152	99	4,545	25%	65%	9%		
	Housing	-	102	127	4,744	61%	39%			
	Museum	10	7	9	478	12%	77%	11%		
	Other	-	396	428	30,128	100%				
	<b>Subtotal</b>	<b>134</b>	<b>949</b>	<b>1,362</b>	<b>47,750</b>					
Other Structures	Other	9	87	-	1,973	53%	39%	8%		
Public Roads	Sealed Roads		617	471	9,217	65%	26%	7%	1%	0%
	Sealed Roads	19,328	3,126	1,826	44,517	52%	33%	14%	1%	
	Unsealed Roads	17,074	3,020	4,708	51,516	19%	32%	34%	9%	7%
	Bridges	41	617	2	11,678	82%	16%	2%		
	Footpaths	-	8	42	120	99%	1%			
	Kerb &	358	31	54	181	63%	6%	14%	17%	
	<b>Subtotal</b>	<b>36,801</b>	<b>7,419</b>	<b>7,103</b>	<b>117,229</b>					
Water	Pipeline	255	123	257	3,920	10%	84%	5%	1%	
	Pump Station	11	4	29	742	82%			18%	
	Reservoir	-	11	61	1,844	100%				
	Works	110	55	62	3,518	82%			18%	
	Bores	89	11	12	578	82%			18%	
	Connections	-	7	2	194	100%				
	<b>Subtotal</b>	<b>465</b>	<b>211</b>	<b>423</b>	<b>10,796</b>	<b>%</b>				
Sewerage	Pipeline	2,426	138	151	5,944	9%	90%	1%		
	Pump Station	882	28	69	1,232				100%	
	Treatment Works	329	30	50	1,405	4%			96%	
	Manholes	-	5	3	365		100%			
	<b>Subtotal</b>	<b>3,637</b>	<b>201</b>	<b>273</b>	<b>8,946</b>					
Stormwater Drainage	Infrastructure	22	-	91	1377			100%		
Open Space/Recreational Assets	Swimming Pools	-	13	-	65	100%				
	Other open space/recreat ional assets									
<b>Total classes</b>	<b>Total – all assets</b>	<b>41,068</b>	<b>8,880</b>	<b>9,252</b>	<b>188,136</b>					

\* In accordance with Note 9

**Notes:**

Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned 'enhancement(s)' to the existing asset.

Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.

Current Annual Maintenance is what has been spent in the current year to maintain assets.

Infrastructure Asset Condition Assessment		
Level	Condition	Description
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

**Gwydir Shire Council**  
**Special Schedule No. 7**  
**Report on Infrastructure Assets continued**  
**for the year ended 30 June 2014**  
**\$'000**

	Amounts	Current year indicators	2013	2012
<b>Building and Infrastructure Renewals Ratio</b>				
Asset renewals (building and infrastructure)	7,040	0.74	0.42	0.35
Depreciation, amortisation and impairment (building and infrastructure)	9,508			
<b>Infrastructure Backlog</b>				
Estimated cost to bring assets to a satisfactory condition	41,068	0.22	0.29	0.32
Total value* of infrastructure, building, other structures and depreciable land improvement assets	188,136			
<b>Asset Maintenance Ratio</b>				
Actual asset maintenance	9,252	1.04	0.95	0.68
Required asset maintenance	8,880			
<b>Capital Expenditure Ratio</b>				
Annual capital expenditure	8,103	0.74	1.06	0.72
Annual depreciation	11,007			

**Infrastructure Asset Performance Indicators - General, Water & Sewer Funds**

Current Year \$'000	General	Water	Sewer	Waste
<b>Building and infrastructure renewals ratio</b>				
Asset renewals (building and infrastructure)	0.82	0.02	0.63	0.00
Depreciation, amortisation and impairment (building and infrastructure)				
<b>Infrastructure Backlog</b>				
Estimated cost to bring assets to a satisfactory condition	0.28	0.58	0.42	0.00
Total value* of infrastructure, building, other structures and depreciable land improvement assets				
<b>Asset Maintenance ratio</b>				
Actual asset maintenance	0.92	2.00	1.36	0.00
Required asset maintenance				
<b>Capital expenditure ratio</b>				
Annual capital expenditure	0.76	-0.59	1.52	0.00
Annual depreciation				

\*Written down value

## **Gwydir Shire Council**

### **Notes to Special Schedule 7**

#### **"SATISFACTORY" CONDITION OF PUBLIC ASSETS**

each asset, based on the original design standard. Changes in standards or proposed or potential enhancements to the existing asset design standard have been ignored (Code p A702). Assets within each Asset Category have been assessed on an overall basis, recognising that an average standard of "satisfactory" may be achieved even though certain assets may be above or below that standard on an individual basis.

Council recognises that the standard that it considers to be "satisfactory" may be different from that adopted by other Councils.

The information contained in this Schedule comprises accounting estimates formulated in accordance with the NSW Local Government Code of Accounting Practice and Financial Reporting. Nothing contained within this Schedule may be taken to be an admission of any liability to any person under any circumstance.

#### **ASSET CONDITION**

The following condition codes have been used in this Schedule.

1. Near perfect - ranges from new or good
2. Superficial deterioration - ranges from generally good to fair
3. Deterioration evident - ranges from fair to marginal
4. Requires major reconstruction - ranges from poor to critical
5. Asset unservicable - critical, beyond repair

## Gwydir Shire Council

### Special Schedule No. 8 Financial projections for the year ended 30 June 2014

#### Recurrent budget

Income from continuing operations

Expenses from continuing operations

Operating result from continuing operations

#### Capital budget

New capital works (2)

#### Funded by:

- Loans

- Asset sales

- Reserves

- Grants/Contributions

- Recurrent revenue

- Other

2014 (1) \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000
23,348	23,698	25,334	26,471	27,179	27,800
30,867	31,825	32,439	33,397	34,289	36,088
(7,519)	(8,127)	(7,105)	(6,926)	(7,110)	(8,288)
2,309	161	133	666	718	2
3,377	1	-	-	-	-
803	-	-	-	-	-
-	-	-	-	-	-
1,772	-	-	-	-	-
(3,643)	160	133	666	718	2
-	-	-	-	-	-
2,309	161	133	666	718	2

Notes:

(1) From income statement

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

## Gwydir Shire Council

### Special Schedule No. 9 Permissible Income for General Rates (Gross including Internal Transactions) for the year ended 30 June 2014

	Calculation 2014 \$'000	Calculation 2015 \$'000
<b>Notional General Income Calculation<sup>(1)</sup></b>		
Last year notional income yield	5,408	5,576
Plus/minus adjustments <sup>(2)</sup>	-	8
<b>Notional General Income</b>	-	5,584
<b>Permissible Income Calculation</b>		
Special variation <sup>(3)</sup>	0.00%	0.00%
OR Rate peg	3.40%	2.30%
OR Crown land adjustment incl rate peg	0.00%	0.00%
Less expiring special variations amount	-	-
Plus special variation amount	-	-
OP Plus rate peg amount	118	128
OR Plus crown land adjustment and rate peg amount	-	-
<b>Sub total</b>	118	128
Plus or minus last year's Carry Forward total	8	8
Less valuation objections claimed in previous year	-	-
<b>Sub total</b>	8	8
<b>Total Permissible Income</b>	126	5,720
Less notional income yield	5,584	5,704
Catch up or (excess) result	8	8
Plus income lost due to valuation objections claimed <sup>(4)</sup>	-	-
Less unused catch up <sup>(5)</sup>	-	-
Carry forward to next year	8	8

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 1991.
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.

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Forsyths Business Services Pty Ltd  
ABN 66 182 781 401

## **GWYDIR SHIRE COUNCIL INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 9**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Gwydir Shire Council for the year ending 30 June 2015.

### **Responsibility of Council for Special Schedule No. 9**

The Council is responsible for preparation and fair presentation of Special 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 preparation and fair presentation of Special Schedule No. 9 that is free from material mistreatment, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibilities**

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 Audit Standard require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 and is free from material misstatement.

An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement on 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.

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation



**Gwydir Shire Council**

**INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 9**

Because of the inherent limitation of an audit, together with the inherent limitations of internal control, 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 the 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 Gwydir Shire Council for the year ending 30 June 2015 is properly drawn up in all material respects, 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 the Special Schedule No. 9 has been prepared for distribution to the Office of Local Government for the purposes of confirming the Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the Special Schedule No. 9 may not be suitable for another purpose

*Forsyths*

**FORYSTHS BUSINESS SERVICES PTY LTD**

  
Geoffrey W Allen  
Principal

Dated at Armidale this 8<sup>th</sup> December 2014