

Gwydir Shire Council

GENERAL PURPOSE FINANCIAL REPORTS
for the year ended 30 June 2012

*“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 2012

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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

33 Maitland St,

BINGARA NSW 2404.

Warialda Office

52 Hope St,

Warialda NSW 2402.

The financial report was authorised for issue by the Council on 23 October 2012. 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.

Gwydir Shire Council

General Purpose Financial Report for the year ended 30 June 2012

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:

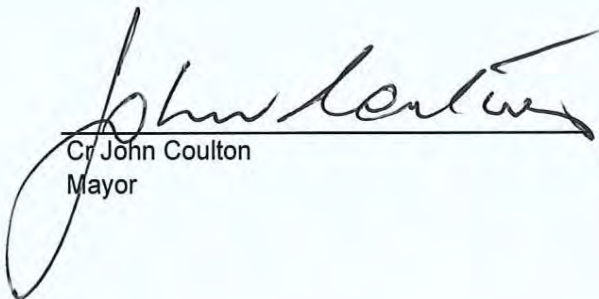
- * The Local Government Act 1993 (as amended) and the Regulations made thereunder.
- * The Australian Accounting Standards and professional pronouncements.
- * The Local Government Code of Accounting Practice and Financial Reporting.

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

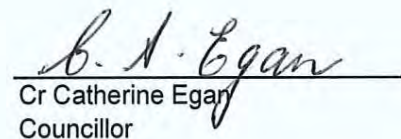
- * presents fairly the Council's operating result and financial position for the year, and
- * accords with Council's accounting and other records.

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

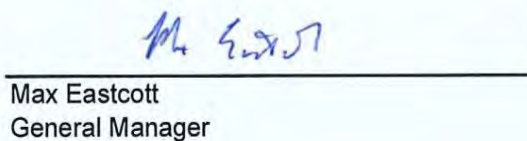
Signed in accordance with a resolution of Council made on 25 October 2012



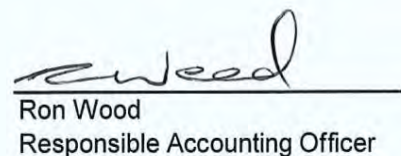
Cr John Coulton
Mayor



Cr Catherine Egan
Councillor



Max Eastcott
General Manager



Ron Wood
Responsible Accounting Officer

Gwydir Shire Council

**Income Statement
for the year ended 30 June 2012**

Original Budget (1) 2012 \$'000		Notes	Actual 2012 \$'000	Actual 2011 \$'000
	Income from continuing operations			
	<i>Revenue:</i>			
7,698	Rates and annual charges	3a	7,432	7,216
2,199	User charges and fees	3b	6,393	5,785
382	Interest and investment revenues	3c	830	492
1,646	Other revenues	3d	1,469	1,451
7,093	Grants and contributions provided for operating purposes	3e,f	8,262	6,901
4,088	Grants and contributions provided for capital purposes	3e,f	5,350	4,383
	<i>Other Income:</i>			
200	Net gain from the disposal of assets	5	25	77
23,306	Total income from continuing operations		29,761	26,305
	Expenses from continuing operations			
9,533	Employee benefits and on-costs	4a	11,166	8,934
678	Borrowing costs	4b	808	635
3,248	Materials and contracts	4c	6,210	5,613
11,257	Depreciation & amortisation	4d	11,268	10,442
1,999	Other expenses	4e	2,240	1,971
26,715	Total expenses from continuing operations		31,692	27,595
(3,409)	Operating result from continuing operations		(1,931)	(1,290)
(3,409)	Net operating result for the year		(1,931)	(1,290)
	Attributable to:			
(3,409)	- Council		(1,931)	(1,290)
(3,409)			(1,931)	(1,290)
(7,497)	Net operating result for the year before grants and contributions provided for capital purposes		(7,281)	(5,673)

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 2012

	Notes	Actual 2012 \$'000	Actual 2011 \$'000
Net operating result for the year - from Income statement		(1,931)	(1,290)
Other Comprehensive Income			
Gain (loss) on revaluation of infrastructure, property, plant & equipment	20b	367	4,376
Gain (loss) on revaluation of available-for-sale investments	20b	-	-
Impairment (loss) reversal relating to I,PP&E	20b	(2,951)	-
Realised available-for-sale investment gains recognised in revenue	20b	-	-
Adjustments to correct prior period depreciation errors	20d	-	9,353
Total other comprehensive income for the year		(2,584)	13,729
Total comprehensive income for the year		(4,515)	12,439
Attributable to - Council		(4,515)	12,439

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

Gwydir Shire Council

Balance Sheet for the year ended 30 June 2012

	Notes	Actual 2012 \$'000	Actual 2011 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6a	832	2,776
Investments	6b	11,250	5,500
Receivables	7	3,813	3,563
Inventories	8	235	249
Other	8	5	-
Non-current assets classified as held for sale	23	-	-
Total current assets		16,135	12,088
Non Current Assets			
Receivables	7	311	160
Inventories	8	-	-
Infrastructure, property, plant and equipment	9	194,435	199,995
Total non-current assets		194,746	200,155
Total assets		210,881	212,243
LIABILITIES			
Current liabilities			
Payables - Payable in less than 12 months	10	1,854	1,298
- Payable after 12 months	10		
Borrowings	10	730	654
Provisions	10	2,945	2,126
Total current liabilities		5,529	4,078
Non-current liabilities			
Payables	10	-	-
Borrowings	10	9,759	8,531
Provisions	10	3,258	2,784
Total non-current liabilities		13,017	11,315
Total liabilities		18,546	15,393
Net assets		192,335	196,850
EQUITY			
Revaluation Reserve	20	65,025	67,609
Retained earnings	20	127,310	129,241
Total equity		192,335	196,850

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 2012**

	Notes Ref.	Actual 2012 \$'000					Actual 2011 \$'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		129,241	67,609	-	196,850	196,850	121,178	63,233	-	184,411	184,411
Transfers to/from Asset revaluation reserve		-	-	-	-	-	-	-	-	-	-
Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-
Restated Opening Balance	20	129,241	67,609	-	196,850	196,850	121,178	63,233	-	184,411	184,411
Net operating result for the year	20	(1,931)			(1,931)	(1,931)	(1,290)			(1,290)	(1,290)
Other Comprehensive Income	20	-	(2,584)		(2,584)	(2,584)	9,353	4,376		13,729	13,729
Total comprehensive income		(1,931)	(2,584)	-	(4,515)	(4,515)	8,063	4,376	-	12,439	12,439
Closing balance		127,310	65,025	-	192,335	192,335	129,241	67,609	-	196,850	196,850

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 2012**

Budget 2012 \$'000		Notes	Actual 2012 \$'000	Actual 2011 \$'000
	Cash flows from operating activities			
	Receipts:			
7,698	Rates and annual charges		7,432	7,301
2,186	User charges and fees		6,355	6,603
382	Investment revenue and interest		830	413
16,777	Grants and contributions		14,973	12,797
	Deposits and retentions received			
917	Other		1,068	732
	Payments:			
(8,429)	Employee benefits and on-costs		(9,873)	(8,934)
(3,594)	Materials and contracts		(6,871)	(6,346)
(678)	Borrowing Costs		(808)	(635)
	Deposits and retentions refunded			
(2,292)	Other		(2,568)	(3,270)
12,967	Net cash provided (or used in) operating activities	11 (b)	10,538	8,661
	Cash flows from investing activities			
	Receipts:			
	Sale of real estate assets	5	-	-
	Sale of infrastructure, property, plant and equipment	5	373	411
	Other		-	-
	Payments:			
	Purchase of investments	6	(5,750)	(500)
	Purchase of investment properties		-	-
	Purchase of infrastructure, property, plant and equipment	9	(8,409)	(10,190)
	Purchase of real estate	8	-	-
-			(13,786)	(10,279)
	Cash flows from financing activities			
	Receipts:			
	Borrowings and advances		2,000	2,400
	Payments:			
	Borrowings and advances		(696)	(675)
-	Net cash provided by (or used in) financing activities		1,304	1,725
12,967	Net increase/(decrease) in cash and cash equivalents		(1,944)	107
	Cash bonds introduced*		-	-
	Cash and cash equivalents at beginning of reporting period	11(a)	2,776	2,669
12,967	Cash and cash equivalents at end of reporting period	11(a)	832	2,776

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 2012

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Gwydir Shire Council

Note 1 Summary of significant accounting policies for the year ended 30 June 2012

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 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*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(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 2011.

(iii) *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, 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.

* Critical judgements in applying the entity's accounting policies

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

(b) Revenue recognition

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

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.

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.

Note 1 Summary of significant accounting policies - (continued)

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.

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.

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.

Interest and rents

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

(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

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

Total Income form 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.

Note 1 Summary of significant accounting policies - (continued)

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

Leases of property, plant and equipment where the council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(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. 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 cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(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.

Note 1 Summary of significant accounting policies - (continued)

(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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(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.

Note 1 Summary of significant accounting policies (continued)

(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.

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. 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.

Note 1 Summary of significant accounting policies (continued)

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).
- * Land Improvements (as approximated by depreciated historical cost).
- * 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, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserve directly in equity to the extent of the remaining reserve attributable to the asset; 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.

Note 1 Summary of significant accounting policies (continued)

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 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	80 years
Pump Stations	70 years
Treatment Works	50 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 balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 2 months of the vacancy of the bed and is shown as a payable within the Balance Sheet.

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 balance sheet 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 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)

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 (see below).

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.

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.

(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.

Note 1 Summary of significant accounting policies (continued)

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.

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

- i) AASB9 *Financial Instruments*, AASB 2009 11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013*)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the 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 the Council does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

*In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

- ii) 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 Arrangement Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. 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 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.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

- iii) *AASB 13 Fair Value Measurement* and *AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

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.

- iv) *Revised AASB 119 Employee Benefits*, *AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) and *AASB 2011-11 Amendments to AASB 119* (September 2011) *arising from Reduced Disclosure Requirements* (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

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

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact of Council's disclosures.

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

In December 2010, the AASB amended the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. This amendment will have no impact on Council.

Note 1 Summary of significant accounting policies (continued)

(y) Self insurance

Council has determined to self-insure for various risks including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10. Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

(z) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(aa) 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.

(ab) 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, councils will continue to account for these assets as they have been doing in previous years.

(ac) 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 balance sheet.

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.

(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 2012

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 2012 \$'000	Actual 2012 \$'000	Actual 2011 \$'000	Original Budget 2012 \$'000	Actual 2012 \$'000	Actual 2011 \$'000	Original Budget 2012 \$'000	Actual 2012 \$'000	Actual 2011 \$'000	Actual 2012 \$'000	Actual 2011 \$'000	Actual 2012 \$'000	Actual 2011 \$'000
Functions/Activities													
Governance (a)	-	-	-	-	306	250	-	(306)	(250)	-	-	-	-
Governance (b)	6	26	113	849	635	821	(843)	(609)	(708)	30	-	-	-
Technical Services	6,243	11,148	11,771	15,831	19,940	12,944	(9,588)	(8,792)	(1,173)	4,786	4,315	174,308	184,088
Building & Environmental Services	2,069	2,306	3,698	3,891	3,231	6,512	(1,822)	(925)	(2,814)	463	1,585	14,777	19,251
Organisational & Community Development	5,110	5,959	1,591	4,141	4,472	4,278	969	1,487	(2,687)	3,179	196	11,170	5,315
Corporate & Social Services	1,145	712	470	2,003	3,108	2,790	(858)	(2,396)	(2,320)	688	194	10,626	3,589
Total functions & activities	14,573	20,151	17,643	26,715	31,692	27,595	(12,142)	(11,541)	(9,952)	9,146	6,290	210,881	212,243
General Purpose Income ⁽¹⁾	8,733	9,610	8,662	-	-	-	8,733	9,610	8,662	4,466	3,546	-	-
Totals	23,306	29,761	26,305	26,715	31,692	27,595	(3,409)	(1,931)	(1,290)	13,612	9,836	210,881	212,243

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 2012

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 2012

	Actual 2012 \$'000	Actual 2011 \$'000
(a) Rates and annual charges		
Ordinary Rates		
Residential	628	648
Farmland	4,444	4,321
Business	73	74
Total ordinary rates	5,145	5,043
Annual Charges <i>(pursuant to s.496, 496A, 496B, 501 and 611)</i>		
Domestic waste management services	606	754
Water supply	655	614
Sewerage services	583	578
Waste management services (not domestic)	443	227
Total annual charges	2,287	2,173
Total rates and annual charges	7,432	7,216

Council has used 2009 valuations provided by the NSW Valuer General in calculating its rates.

Valuations are updated every three years.

Note 3 Income from continuing operations (continued)

	Actual 2012 \$'000	Actual 2011 \$'000
(b) User charges and fees		
User charges (pursuant to s.502)		
Water supply services	312	252
Sewerage services	53	35
Total user charges	365	287
Fees		
Private Works	197	76
RTA charges (State Roads not controlled by Council)	4,379	3,527
Building services - other	1	2
Planning & Building (regulatory)	65	60
s603 certificates	7	7
Registration Fees	5	25
Caravan parks	263	216
Cemeteries	40	51
Pre-school services	43	43
Home And Community Care/Community Transport	83	53
Medical Centres	789	889
Quarry Charges	1	283
Roxy Theatre	49	28
WOW Fitness	-	13
Other fees	106	225
Total fees	6,028	5,498
Total user charges and fees	6,393	5,785
(c) Interest and Investment revenue (losses) ⁽¹⁾		
Overdue rates and charges	69	60
Cash, cash equivalents and Investments	569	432
Premiums recognised on financial instrument transactions		
- Reduced interest loan from Federal Government	192	-
Total interest and investment revenue (losses) ⁽¹⁾	830	492

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)

	Actual 2012 \$'000	Actual 2011 \$'000
(d) Other revenues		
Commissions & agency fees	82	57
Employee related	81	2
Emergency services reimbursements	286	167
Fines	3	1
Insurance claim recoveries	59	210
Medical Centres	74	99
Naroo	38	23
Rental income - other council properties	514	481
Sales - general	50	15
Festivals	1	-
Tourism	25	39
Other - Governance	4	11
Other	77	201
Waste management revenues	126	1
Water supplies	47	142
Sewer Operations	2	2
Total other revenues	1,469	1,451

Note 3 Income from continuing operations (continued)

	Operating		Capital	
	Actual	Actual	Actual	Actual
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
(e) Grants				
General purpose (Untied)				
Financial assistance	4,466	3,504	-	-
Pensioners' rates subsidies:				
- General	46	42	-	-
Special purpose				
Pensioners' rate subsidies:				
- Water	24	16	-	-
- Sewer	21	21	-	-
- Domestic waste management	40	43	-	-
Aged Care	824	671	14	-
NSW Rural Fire Service	-	5	25	-
Gwydir Learning Region	-	-	2,019	-
Employment & training programs	33	38	-	-
Family first - DOCS	97	55	-	-
Home And Community Care	194	204	-	95
Medical Centres	-	-	176	-
Noxious weeds	67	113	-	-
Roxy Complex	95	-	30	-
Tharawonga operational	262	258	-	-
Transport (3x3, Flood works, Roads to Recovery)	-	-	2,440	1,401
Transport (Other roads & bridges funding)	-	-	-	-
Street Lighting	36	-	6	-
Sewerage Services	-	-	5	-
Water Supplies	-	39	46	2,702
Other	402	446	208	183
Total grants	6,607	5,455	4,969	4,381
Comprising:				
- Commonwealth funding	5,595	4,503	3,295	1,022
- State funding	917	920	1,597	3,333
- Other funding	95	32	77	26
	6,607	5,455	4,969	4,381
(f) Contributions				
Developer Contributions				
- Section 94	-	-	153	-
RTA contributions (Regional/Local, Block Grant)	1,424	1,367	-	-
Section 64:				
- Water	-	-	-	-
- Sewerage	-	-	-	-
Other	231	79	228	2
Total contributions	1,655	1,446	381	2
Total grants and contributions	8,262	6,901	5,350	4,383

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 2012 \$'000	Actual 2011 \$'000
416	232
287	717
129	(485)

Gwydir Shire Council

Note 4 Expenses from continuing operations for the year ended 30 June 2012

	Actual 2012 \$'000	Actual 2011 \$'000
(a) Employee benefits and on costs		
Salaries and wages	7,680	7,210
Travelling	120	136
Employee leave entitlements	2,617	1,030
Superannuation	973	899
Workers' compensation insurance	460	557
Fringe Benefits Tax	36	22
Training costs (excluding Salaries)	152	129
Other	131	95
Less: Capitalised costs	(1,003)	(1,144)
Total employee costs expensed	11,166	8,934
Number of FTE employees	169	158
(b) Borrowing Costs		
Interest on Overdrafts	-	-
Interest on Loans	633	635
Amortisation of discounts and premiums:		
- Remediation (Tip & Quarry)	175	-
Less: Capitalised costs	-	-
Total borrowing costs expensed	808	635
(c) Materials and contracts		
Raw materials and consumables	2,777	3,711
Contractor and consultancy costs		
- Domestic waste management contract	-	9
- Health Services	644	437
- Pools	80	81
- Valuations	23	22
- Other	2,551	1,145
- Consultants	60	129
Remuneration of Auditors ⁽¹⁾	63	41
Legal fees:		
- Other	4	38
Operating Leases:		
- Other	8	-
Total materials and contracts	6,210	5,613

Note 4 Expenses from continuing operations (continued)

(1) 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:

- Due diligence services

Total remuneration for audit and other assurance services

(ii) Taxation services

Total remuneration for taxation services

(iii) Other services

Total Remuneration for other services

Total remuneration of Forsyths Chartered Accountants

	35	30
	28	11
	63	41
	-	-
	-	-
	63	41

Note 4 Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment

	Deprn Actual 2012 \$'000	Deprn Actual 2011 \$'000	Impairment Actual 2012 \$'000	Impairment Actual 2011 \$'000
Plant and equipment	975	1,006	-	-
Office equipment	104	94	-	-
Furniture & fittings	38	36	-	-
Buildings - Non Specialised	615	573	-	-
- Specialised	392	391	-	-
Other Structures	115	106	-	-
Infrastructure:				
- roads, bridges and footpaths	8,276	7,437	2,951	-
- storm water drainage	45	48	-	-
- water supply network	215	216	-	-
- sewerage network	227	239	-	-
- library books	7	6	-	-
Quarry Remediation Asset	36	41	-	-
Tip asset	223	249	-	-
Less: Capitalised costs/impairment reversals/ impairments offset against asset revaluation reserves ⁽¹⁾				

Total depreciation

11,268 10,442 2,951 -

(e) Other expenses

Other expenses for the year including the following:

Mayoral fee	22	20		
Councillors' fees	96	87		
Councillors' (incl Mayor) expenses	18	25		
Advertising	53	61		
Bad & doubtful debts	4	-		
Bushfire & SES equipment	273	265		
Contributions and donations	133	94		
Electricity and heating	591	473		
Insurance	547	494		
Street lighting	74	60		
Subscriptions & publications	94	81		
Telephone	335	309		
Other	-	2		

Total Other Expenses

2,240 1,971

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 2012**

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 2012 \$'000	Actual 2011 \$'000
	-	-
	-	-
	-	-
	373	411
	346	334
	27	77
	-	-
	2	-
	(2)	-
	25	77

Gwydir Shire Council

**Note 6(a) Cash and Cash equivalents
for the year ended 30 June 2012**

Cash at bank and on hand
Cash Equivalents

Actual 2012 \$'000	Actual 2011 \$'000
630	2,085
202	691
832	2,776

Gwydir Shire Council

Note 6(b) Investments for the year ended 30 June 2012

The following financial assets are held as investments

	Actual 2012		Actual 2011	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Financial assets at fair value through Profit and Loss	-	-	-	-
Held to maturity investments	-	-	-	-
Available for sale financial assets	11,250	-	5,500	-
Total	11,250	-	5,500	-
Financial assets at fair value through Profit and Loss				
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				
	-	-	-	-
Held to maturity investments				
At beginning of year				
Adjustment on adoption of AASB132 & 139				
Revaluation to Income statement	-	-		
Additions				
Disposals (Sale/Redemption)				
At end of year	-	-	-	-
Comprising of:				
- Government Bonds				
- Term Deposits				
- Bank Bills				
- Equity linked notes				
	-	-	-	-
Available for sale financial assets				
At beginning of year	5,500	-	5,000	-
Adjustment on adoption of AASB132 & 139	-	-	-	-
Additions	5,750	-	5,000	-
Disposals (Sale/Redemption)	-	-	(4,500)	-
Revaluation adjustment to equity	-	-	-	-
At end of year	11,250	-	5,500	-

Gwydir Shire Council

Note 6(c) Restricted cash, cash equivalents and investments
for the year ended 30 June 2012

	Actual 2012		Actual 2011	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Total cash, cash equivalents and investments	12,082	-	8,276	-
External restrictions	5,579		4,768	
Internal restrictions	4,864		3,508	
Unrestricted	1,639		-	
	12,082	-	8,276	-

	Opening Balance \$'000	Transfers to restrictions \$'000	Transfers from restrictions \$'000	Closing balance \$'000
External Restrictions Included in liabilities	-	-	-	-
Aged Care Bonds (A)	558	99	-	657
	558	99	-	657
Other				
RTA contributions (B)	287	-	287	-
Specific purpose unexpended grants (C)	232	777	361	648
Water (D)	1,541	64	-	1,605
Sewerage (E)	1,497	462	-	1,959
Domestic Waste Management (F)	653	57	-	710
Developer contributions (G)	-	-	-	-
Total external restrictions	4,768	1,459	648	5,579

(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.

	Opening Balance \$'000	Transfers to restrictions \$'000	Transfers from restrictions \$'000	Closing balance \$'000
Internal Restrictions				
Employee Leave Entitlements	708	298	-	1,006
Asset Renewal	510	-	-	510
Building Reserves	82	-	-	82
Plant Replacement	1,709	63	-	1,772
Other Waste	145	450	-	595
Unexpended Loans	-	750	-	750
Deposits, bonds etc.	-	117	-	117
Carry Over Works	354	-	322	32
Total Internal Restrictions	3,508	1,678	322	4,864
Total Restrictions	8,276	3,137	970	10,443

Gwydir Shire Council

Note 7 Receivables for the year ended 30 June 2012

Purpose	Actual 2012		Actual 2011	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Rates and annual charges	515	-	737	-
Interest and extra charges	129	-	110	-
User charges and fees	286	-	248	-
Accrued revenues	1,677	-	1,327	-
GST Receivable	44	-	-	-
Government grants and subsidies	-	-	-	-
Sundry Trade Debtors	1,129	262	1,134	160
Other - housing	4	49	4	-
Other	36	-	10	-
Total	3,820	311	3,570	160
Less: Provision for doubtful debts				
Sundry Debtors	7	-	7	-
	7	-	7	-
Total	3,813	311	3,563	160
Restricted receivables				
Externally restricted receivables				
Water Supply	340	-	301	-
Sewerage Services	113	-	119	-
Domestic waste management	127	-	145	-
Total externally restricted receivables	580	-	565	-
Unrestricted receivables	3,233	311	2,998	160
Total receivables	3,813	311	3,563	160

Gwydir Shire Council

**Note 8 Inventories and other assets
for the year ended 30 June 2012**

	Actual 2012		Actual 2011	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Inventories				
Real estate (refer below)	-	-	-	-
Stores and materials	235	-	249	-
Total	235	-	249	-
Other assets				
Prepayments	5	-	-	-
Total	5	-	-	-
Real Estate Development				
Residential	-	-	-	-
Industrial/Commercial	-	-	-	-
Other properties	-	-	-	-
Total real estate for resale	-	-	-	-
<i>(Valued at the lower of cost and net realisable value)</i>				
Represented by:				
Acquisition costs	-	-	-	-
Development costs	-	-	-	-
Borrowing costs	-	-	-	-
Total real estate for resale	-	-	-	-

Externally restricted inventories and other assets

	Actual 2012		Actual 2011	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Water				
Stores and materials	20	-	11	-
Total Water	20	-	11	-
Sewerage				
Stores and materials	3	-	2	-
Total Sewerage	3	-	2	-
Waste				
Stores and materials	11	-	11	-
Total Sewerage	11	-	11	-
Total externally restricted inventories and other assets	34	-	24	-
Unrestricted inventories and other assets	206	-	225	-
Total inventories and other assets	240	-	249	-

Gwydir Shire Council

Note 9(a) Infrastructure, property, plant and equipment
for the year ended 30 June 2012

By Asset Type	At 30 June 2011				Movements during year							At 30 June 2012			
	At Cost	Fair Value	Accum depn and impairment	Written Down Value	Additions - Renewals	Additions - New Assets	WDV of Disposals	Depn and impairment	Transfers	Retained Earnings Adjustments (1)	Revaluation increments/ (decrements) (2)	At Cost	Fair Value	Accum depn and impairment	Written Down Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital WIP	-	5,159	-	5,159	1,643	-	-	-	-	-	-	-	6,802	-	6,802
Plant and equipment	-	14,904	6,119	8,785	2,154	-	346	975	-	-	-	-	15,903	6,283	9,620
Office equipment	-	644	349	295	123	-	-	104	-	-	-	-	763	449	314
Furniture and fittings	-	770	165	605	41	78	-	38	-	-	-	-	889	203	686
Leased plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Operational Land	-	3,067	-	3,067	7	-	-	-	-	-	-	-	3,074	-	3,074
- Community Land	-	8,115	-	8,115	-	-	-	-	-	-	-	-	8,115	-	8,115
- Non depreciable land improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings - Non Specialised	-	28,393	14,615	13,778	131	74	-	615	-	-	-	-	28,598	15,230	13,368
- Specialised	-	17,427	8,495	8,932	4	42	-	392	-	-	-	-	17,473	8,887	8,586
Other Structures	-	3,800	1,374	2,426	55	-	-	115	-	-	-	-	3,855	1,491	2,364
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Roads, bridges, footpaths	-	279,238	147,405	131,833	3,269	29	-	11,227	-	-	-	-	282,536	158,632	123,904
- Stormwater Drainage	-	3,447	2,006	1,441	-	-	-	45	-	-	35	-	3,534	2,102	1,432
- Water Supply Network ⁽³⁾	-	14,301	5,411	8,890	981	1	2	215	-	-	221	-	15,640	5,767	9,873
- Sewerage Network ⁽³⁾	-	13,852	9,199	4,653	7	-	-	227	-	-	111	-	14,206	9,662	4,544
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	-	15	8	7	-	-	-	7	-	-	-	-	15	15	-
- Quarry Asset	-	371	139	232	-	-	-	36	-	-	-	-	371	174	197
- Tip Asset	-	2,547	770	1,777	1	-	-	223	-	-	-	-	2,549	993	1,556
Totals	-	396,050	196,055	199,995	8,416	224	348	14,219	-	-	367	-	404,323	209,888	194,435

- 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.
 - (4) Depreciation and impairment for Roads, bridges, footpaths includes an impairment amount of \$2,951,000 due to flood damage.

**Note 9(b) Restricted infrastructure, property, plant and equipment
for the year ended 30 June 2012**

By Asset Type	At 30 June 2012				At 30 June 2011			
	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
Water Supply								
WIP	-	3,076	-	3,076	-	3,931	-	3,904
Plant and equipment	-	93	23	70		90	16	74
Land								
- Operational Land	-	50	-	50	-	42	-	42
Buildings	-	118	19	99	-	118	17	101
Other Structures	-	200	22	178	-	201	15	186
Water Supply Infrastructure	-	15,641	5,767	9,874	-	14,303	5,416	8,887
Total water supply	-	19,178	5,831	13,347	-	18,685	5,464	13,194
Sewerage Services								
WIP	-	10	-	10		4	-	4
Plant and equipment	-	84	33	51		85	28	57
Land								
- Community Land	-	217	-	217		217	-	217
Buildings	-	61	52	9		61	51	10
Other Structures	-	20	3	17		19	3	16
Sewerage Infrastructure	-	14,206	9,662	4,544		13,852	9,199	4,653
Total sewerage services	-	14,598	9,750	4,848	-	14,238	9,281	4,957
Domestic Waste Management								
WIP		22	-	22		-	-	-
Plant and equipment		19	2	17		5	2	3
- Operational Land		22	-	22		22	-	22
Other Structures		58	12	46		58	9	49
Other		-	-	-		-	-	-
Tip Asset		2,548	993	1,555		2,547	769	1,778
Total Domestic Waste	-	2,669	1,007	1,662	-	2,632	780	1,852
Total Restrictions	-	36,445	16,588	19,857	-	35,555	15,525	20,003

Gwydir Shire Council

**Note 10(a) Payables, borrowings and provisions
for the year ended 30 June 2012**

	Actual 2012		Actual 2011	
	Current	Non-Current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
Payables				
Goods and services	759	-	359	-
Payments received in advance	103	-	87	-
Accrued expenses	103	-	55	-
Accrued Interest	115	-	121	-
Deposits and retentions	117	-	115	-
Aged Care Bonds	657	-	558	-
Other	-	-	3	-
Total payables	1,854	-	1,298	-

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

591

459

Borrowings				
Bank overdraft	-	-	-	-
Loans - Secured ⁽¹⁾	730	9,759	654	8,531
Total borrowings	730	9,759	654	8,531
Provisions ⁽²⁾				
Annual leave	989	-	651	-
Long service leave	1,956	193	1,249	121
Quarry remediation (Note 26)	-	389	3	363
Tip remediation (Note 26)	-	2,676	223	2,300
Total provisions	2,945	3,258	2,126	2,784

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

958

1,321

Liabilities relating to restricted assets				
Waste management	51	2,779	228	1,127
Water	266	2,845	201	3,051
Sewer	80	22	14	44
Total	397	5,646	443	4,222

Notes:

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

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

**Note 10(b) Description of and movements in provisions
for the year ended 30 June 2012**

Class of provision	Opening balance \$'000	Increases in provisions \$'000	Payments \$'000	Re- measurement \$'000	Closing balance \$'000
Annual leave	651	1,318	980	-	989
Long service leave	1,370	1,724	945	-	2,149
Qarry Remediation	366	23	-	-	389
Tip remediation	2,523	153	-	-	2,676
Total	4,910	3,218	1,925	-	6,203

**Note 11 Reconciliation of cash flow movements
for the year ended 30 June 2012**

	Notes	Actual 2012 \$'000	Actual 2011 \$'000
(a) Reconciliation of cash assets			
Total cash and cash equivalents	6a	832	2,776
Less: Bank overdraft	10	-	-
Balances as per cash flow statement		832	2,776
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income statement		(1,931)	(1,290)
Add:			
Depreciation and impairment		11,268	10,442
Increase in provision for leave entitlements		1,117	-
Increase in other provisions		176	62
Decrease in inventories		14	-
Decrease in other current assets			
Increase in payables		562	519
Increase in accrued interest payable		(6)	29
		11,200	9,762
Less:			
Gain on sale of assets		25	77
Decrease in employee leave entitlements		-	333
Decrease in accrued expenses payable		-	102
Increase in inventories		-	31
Increase in other current assets		5	-
Increase in receivables		401	467
Non cash capital grants and contributions		231	
Non-cash asset additions		-	91
Net cash provided from (or used in) operating activities from Cash flow statement		10,538	8,661

**Note 11 Reconciliation of cash flow movements (continued)
for the year ended 30 June 2012**

Notes	Actual 2012 \$'000	Actual 2011 \$'000
(c) Non-cash financing and investing activities		
Quarry Remediation asset	-	12
Tip Remediation asset	-	79
	-	91
(d) Financing arrangements		
Unrestricted access was available at balance date to the following:		
Bank overdraft facility ⁽¹⁾	100	100
Corporate Credit Cards	32	24
	132	124

Notes:

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

**Note 12 Commitments for Expenditure
for the year ended 30 June 2012**

(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

- Buildings
- Infrastructure
- Land
- Plant and equipment

Total

(b) Finance lease commitments

Commitments under finance leases at the reporting date are payable as follows:

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

Total

Minimum lease payments

Less: Future finance charges

Lease liability

Representing lease liabilities:

- Current
- Non-current

Total

	Actual 2012 \$'000	Actual 2011 \$'000
	-	-
	538	300
	-	-
	-	-
Total	538	300
	-	-
	-	-
	-	-
Total	-	-
	-	-
	-	-
Lease liability	-	-
Representing lease liabilities:		
- Current	-	-
- Non-current	-	-
Total	-	-

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 2012 \$'000	Actual 2011 \$'000
-	-
-	-
-	-
-	-
-	-
-	-
-	-

**Note 13 Statement of performance measures
for the year ended 30 June 2012**

	Amounts	Current year indicators	2011	2010	2009
1. Unrestricted current ratio					
Current assets less all external restrictions ⁽¹⁾	9,942	2.50 :1	3.49:1	2.72:1	1.69:1
Current liabilities less specific purpose liabilities ⁽²⁾	3,980				
2. Debt service ratio					
Factors					
Debt Service Cost	1,329	5.96%	6.45%	6.48%	3.28%
Income from continuing operational excluding capital items and specific purpose grants/contributions	22,316				
3. Rate coverage ratio					
Factors					
Rates and annual charges	7,432	24.97%	27.75%	28.70%	28.81%
Income for continuing operations	29,761				
4. Rates and annual charges outstanding percentage					
Factors					
Rates and annual charges outstanding	644	7.71%	10.34%	9.19%	8.09%
Rates and annual charges collectible	8,348				
5. Building and infrastructure renewals ratio ⁽³⁾					
Asset renewals - building and infrastructure	4,447	0.35	0.52	0.43	0.63
Depreciation, amortisation, & impairment - building and infrastructure	12,836				

Notes:

(1) Refer to Notes 6-8 inclusive.

(2) Refer to note 10(a)

(3) Refer Note 9a

**Note 13 Statement of performance measures
for the year ended 30 June 2012**

	Current year indicators			
	General	Water	Sewer	Waste
1. Unrestricted current ratio				
Current assets less all external restrictions ⁽¹⁾	1.82	7.39	25.62	14.10
Current liabilities less specific purpose liabilities ⁽²⁾				
2. Debt service ratio				
Factors				
Debt Service Cost	3.58%	29.40%	0.99%	12.35%
Income from continuing operational excluding capital items and specific purpose grants/contributions				
3. Rate coverage ratio				
Factors				
Rates and annual charges	15.44%	51.16%	76.64%	82.07%
Income for continuing operations				
4. Rates and annual charges outstanding percentage				
Factors				
Rates and annual charges outstanding	5.65%	12.28%	11.09%	NA
Rates and annual charges collectible				
5. Building and infrastructure renewals ratio ⁽³⁾				
Asset renewals - building and infrastructure	0.28	4.56	0.03	0.00
Depreciation, amortisation, & impairment - building and infrastructure				

Notes:

(1) Refer to Notes 6-8 inclusive.

(2) Refer to note 10(a)

(3) Refer Note 9a

**Note 14 Investment properties
for the year ended 30 June 2012**

No investment properties were held by Gwydir Shire Council in the financial year ended 30 June 2012

Note 15 Financial risk management for the year ended 30 June 2012

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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assets				
Cash and cash equivalents	12,082	8,276	12,082	8,276
Receivables	3,813	3,563	3,813	3,563
Financial assets at fair value through profit or loss				
Available-for-sale financial assets				
Held-to-maturity investments				
Total	15,895	11,839	15,895	11,839
Financial Liabilities				
Payables	1,854	1,298	1,854	1,298
Borrowings	10,489	9,185	10,489	9,185
Total	12,343	10,483	12,343	10,483

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 2012**

(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

	30/6/2012	30/6/2011
	\$'000	'\$'000
Impact of a 1% ⁽¹⁾ movement in interest rates on cash and investments		
- Equity	121	83
- Income statement	121	83

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.

**Note 15 Financial risk management (continued)
for the year ended 30 June 2012**

(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:

	30/06/12	30/06/11
Percentage of Rates and Annual charges:		
- Current	20%	58%
- Overdue	80%	42%
Percentage of Other Receivables		
- Current	23%	54%
- Overdue	77%	46%

2012 7 rates current - non current

Note 15 Financial risk management (continued)
for the year ended 30 June 2012

(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:

2012 \$'000	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total Contractual Cash flows	Carrying values
Payables	1,854			1,854	1,854
Borrowings	730	3,684	6,075	10,489	10,489
	2,584	3,684	6,075	12,343	12,343

2011 \$'000	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total Contractual Cash flows	Carrying values
Payables	1,298			1,298	1,298
Borrowings	654	2,327	6,204	9,185	9,185
	1,952	2,327	6,204	10,483	10,483

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 2012		30 June 2011	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Overdraft		-		-
Bank Loans - Fixed	7.23	10,489	11.41	9,185
- Variable (1)		-		-
		10,489		9,185

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 2012**

Council's original budget was incorporated as part of the Corporate Plan adopted by the Council on 30 June 2010. 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. User Charges and Fees

User charges and fees exceeded budget by \$4,194k (F). Major variations in amounts received is detailed below:

Council was successful in obtaining more than expected RMS works on main roads resulting in additional income.

2. Interest and investment revenues

Interest and investment revenues exceeded budget by \$448k (F). Major variations in amounts received is detailed below:

Better than expected investment balances combined with higher than expected interest rates provided higher investment revenues.

3. Grants and contributions provided for operating purposes

Grants and contributions provided for operating purposes were over budget by \$1,169k (F). Major variations in amounts received is detailed below:

Early payment of 2013 Financial Assistance Grant entitlements.

4. Grants and contributions provided for capital purposes

Grants and contributions provided for capital purposes were over budget by \$1,262k (F). Major variations in amounts received is detailed below:

Grants received in relation to flood events

5. Net Gain from the disposal of assets

Net Gain from the disposal of assets were under budget by \$175k (U). Major variations in amounts received is detailed below:

Sale of land was delayed due to operational reasons.

Note 16 Budget Variations (continued)

Expenses

6. Employee benefits and on-costs

Employee costs were over budget by \$1,633k (F). Major variations in expenditure is detailed below:

Increases to employee leave entitlements
Additional staff required due to higher compliance activities.

7. Borrowing costs

Borrowing costs were over budget by \$130k (F). Major variations in expenditure is detailed below:

Additional loans were raised to cover capital activities

8. Materials and contracts

Materials and contracts were over budget by \$2,962k (U). Major variations in expenditure is detailed below:

Additional RMS works as outlined in 1. above
Unexpected emergency works in relation to flood events

9. Other expenses

Other expenses were over budget by \$241k (U). Major variations in expenditure is detailed below:

Insurance costs where higher than expected.

**Note 17 Statement of contribution plans
for the year ended 30 June 2012**

(a) Summary of contributions

	Opening Balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽³⁾ \$'000	Held as restricted asset ⁽²⁾ \$'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	-	153	-	-	153	-	-	-	-	-
S94A levies	-	-	-	-	-	-	-	-	-	-
Planning agreements	-	-	-	-	-	-	-	-	-	-
Section 64	-	-	-	-	-	-	-	-	-	-
Totals	-	153	-	-	153	-	-	-	-	-

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 ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽⁴⁾ \$'000	Held as restricted asset ⁽²⁾ \$'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	-	-	-	-	-	-	-	-	-	-
Totals	-	-	-	-	-	-	-	-	-	-

(c) Contributions not under plans

	Opening Balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽⁴⁾ \$'000	Held as restricted asset ⁽²⁾ \$'000	Projected future contributions \$'000	Projected cost of works still outstanding \$'000	Projected over/under funding \$'000
		Cash \$'000	Non cash \$'000							
Roads	-	153	-	-	153	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Totals	-	153	-	-	153	-	-	-	-	-

No contributions were held or received by Gwydir Shire Council in the financial year ended 30 June 2011

**Note 18 Contingencies
for the year ended 30 June 2012**

Contingent liabilities

1. New England Credit Union.

Council provides bank guarantees to the value of \$158,495 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 2012 was \$306,865. The last valuation of the scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16 February 2010 and covers the period ended 30 June 2009. However the position is monitored annually and the actuary has estimated that as at 30th June 2012 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 share of this deficit that can be broadly attributed to the employer was estimated to be in the order of \$844,162 as at 30 June 2012.

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 2012**

No interests in joint ventures were held by Gwydir Sire Council in the financial year ended 30 June 2012

**Note 20 Revaluation reserves and retained earnings
for the year ended 30 June 2012**

	Notes	Actual 2012 \$'000	Actual 2011 \$'000
(a) Retained earnings			
Movements in retained earnings were as follows:			
At beginning of year		129,241	121,178
Movement in revaluation reserves			
Adjustment to correct prior period errors (Note 20d)	1	-	9,353
Adjustment due opening equity			-
Transfer adjustment for assets disposed of		-	-
Net operating result for the year		(1,931)	(1,290)
At end of year		127,310	129,241
(b) Revaluation reserves			
Plant and equipment revaluation reserve		1,212	1,212
Office Equipment		3	3
Furniture & Fittings revaluation reserve		202	202
Operational Land revaluation reserve		521	521
Buildings revaluation reserve		2,606	2,606
Specialised Buildings revaluation reserve		9,344	9,344
Other Structures revaluation reserve		62	62
Roads revaluation reserve		49,752	52,703
Stormwater revaluation reserve		221	186
Water Supply assets revaluation reserve		717	495
Sewer assets revaluation reserve		385	275
		65,025	67,609
Movements			
Infrastructure, property, plant and equipment revaluation reserve			
At beginning of year		67,609	63,233
Revaluations (Note 9)		367	4,376
Impairment		(2,951)	
Transfer adjustment for assets disposed of		-	-
At end of year		65,025	67,609
Available-for-sale investments revaluation reserve			
At beginning of year			
Revaluation - gross			
Depreciation transfer - gross			
At end of year		-	-

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.

Initial recognition of community land not previously included in accounts

Plant depreciation adjustment

Office Equipment depreciation adjustment

Furniture & Fittings depreciation adjustment

Non Specialised Buildings depreciation adjustment

Specialised Buildings depreciation adjustment

Other Structures depreciation adjustment

Road, Bridges, Footpaths depreciation adjustment

Stormwater depreciation adjustment

Water asset depreciation adjustment

Sewer asset depreciation understated

Landfill remediation asset depreciation understated

Quarry remediation asset depreciation understated

-
-
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-

**Note 21 Results by Fund
for the year ended 30 June 2012**

	Actual 2012 \$'000	Actual 2012 \$'000	Actual 2012 \$'000	Actual 2012 \$'000
	General ⁽¹⁾	Water	Sewer	Waste
Income from continuing operations				
<i>Revenue:</i>				
Rates and annual charges	5,182	704	620	1,103
User charges and fees	6,027	446	53	-
Interest and investment revenues	539	109	108	75
Other revenues	8,317	47	2	126
Grants and contributions provided for operating purposes	8,177	24	21	40
Grants and contributions provided for capital purposes	5,299	46	5	-
<i>Other Income:</i>				
Net gain from the disposal of assets	27	-	-	-
Total income from continuing operations	33,568	1,376	809	1,344
Expenses from continuing operations				
Employee benefits and on-costs	11,202	356	214	294
Borrowing costs	401	241	3	162
Materials and contracts	11,894	249	107	395
Depreciation & amortisation	7,625	231	235	226
Impairment	2,951	-	-	-
Other expenses	1,977	171	66	26
Net loss from disposal of assets	-	2	-	-
Total expenses from continuing operations	36,050	1,250	625	1,103
Operating result from continuing operations	(2,482)	126	184	241
Net operating result for the year	(2,482)	126	184	241
Attributable to:				
- Council	(2,482)	126	184	241
	(2,482)	126	184	241
Net operating result for the year before grants and contributions provided for capital purposes	(7,781)	80	179	241

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 2012**

	Actual 2012 \$'000	Actual 2012 \$'000	Actual 2012 \$'000	Actual 2012 \$'000
	General	Water	Sewer	Waste
Balance Sheet by Fund ⁽²⁾				
ASSETS				
Current Assets				
Cash & cash equivalents	463	105	209	55
Investments	6,750	1,500	1,750	1,250
Receivables	3,233	340	113	127
Inventories	201	20	3	11
Other	5	-	-	-
Non-current assts classified as held for sale	-	-	-	-
Total Current Assets	10,652	1,965	2,075	1,443
Non-current Assets				
Receivables	311	-	-	-
Infrastructure, property, plant and equipment	174,578	13,347	4,848	1,662
Intangible assets	-	-	-	-
Other	-	-	-	-
Total Non-current Assets	174,889	13,347	4,848	1,662
Total Assets	185,541	15,312	6,923	3,105
LIABILITIES				
Current Liabilities				
Payables	1,812	41	-	1
Borrowings	569	150	6	5
Provisions	2,749	75	75	46
Total Current Liabilities	5,130	266	81	52
Non-current Liabilities				
Borrowings	6,807	2,840	17	95
Provisions	562	6	6	2,684
Other	-	-	-	-
Total Current Liabilities	7,369	2,846	23	2,779
Total Liabilities	12,499	3,112	104	2,831
Net Assets	173,042	12,200	6,819	274
Retained Earnings	108,995	11,509	6,532	274
Revaluation Reserves	64,047	691	287	-
Council equity interest	-	-	-	-
Minority equity interest	-	-	-	-
Total Equity	173,042	12,200	6,819	274

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 23 Events occurring after balance sheet date
for the year ended 30 June 2012**

Events that occur after the reporting date of 25 October 2012, and up to and including the date when the financial report is 'authorised for issue' have been taken into account in preparing this financial report. Council has determined the date of the Auditors' Report as the appropriate "authorised for issue" date relating to this General Purpose Financial Report.

Accordingly, the "authorised for issue" date is 25 October 2012

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

- (i) Events that have provided evidence of conditions that existed at the Reporting Date. These financial reports (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 25 October 2012
- (ii) Events that have provided evidence of conditions that arose after the Reporting Date. These financial reports (and figures therein) do not incorporate any "non adjusting events" that have occurred after 25 October 2012 and which are only indicative of conditions that arose after 25 October 2012.
- (iii) Council is aware of the following "non adjusting events" that warrant disclosure;

Council has entered into a Zero Real Interest Loan Agreement with the Department of Health and Ageing for a total loan amount of \$3 million.
The total project is estimated at \$3.65 million, with the remaining funds funded from reserves (bonds).
The project is at the initial investigation stage with tenders for architects being let.
Should final costings of the project exceed original estimates, the project will be re-evaluated in terms of proceeding to construction.

**Note 26 Reinstatement, rehabilitation and restoration liabilities
for the year ended 30 June 2012**

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 2012 \$'000	Actual 2011 \$'000
2,523	2,468
-	-
-	55
-	-
153	-
2,676	2,523

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 2012 \$'000	Actual 2011 \$'000
366	359
-	-
-	7
-	-
-	-
23	-
389	366

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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, cash flow statement, 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 30th June 2012.

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 is 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 Cash Flow Statement 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

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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.

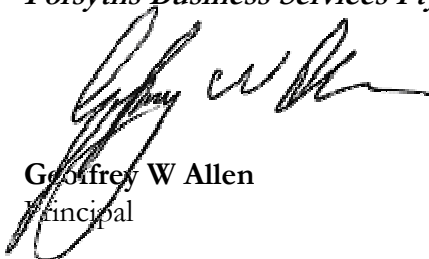
AUDIT OPINION

In our opinion:

- (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 30th June 2012 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

23rd October 2012
92 Rusden Street Armidale

23 October 2012

The Mayor
Gwydir Shire Council
Locked Bag 5
BINGARA NSW 2404

Armidale

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Forsyths Business Services Pty Ltd
ABN 66 182 781 401

Dear Mr Mayor

**AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30th JUNE 2012**

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2012 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

The overall objectives of the audit were to enable us to form an opinion as to whether, in all material respects, the general purpose financial statements:

- were presented fairly in accordance with the requirements of the *Local Government Act 1993* and prescribed Regulations and the Australian Accounting Standards; and
- presented a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

Scope of the Audit

Audit procedures were primarily aimed at achieving audit objectives and did not seek to confirm for management purposes the effectiveness of all internal controls. The planning of the audit procedures was based on an assessment of the risk of the existence of errors and/or irregularities which could materially affect the financial statements.

Page 1

Knowledge with integrity

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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 Cash Flow Statement 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 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 2012 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

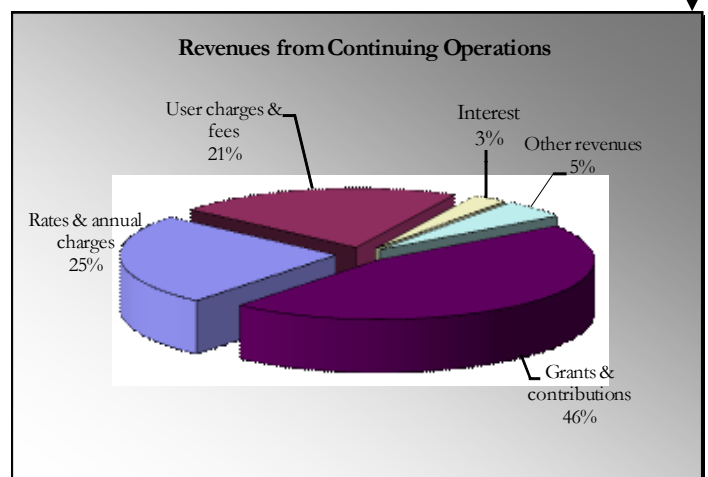
In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

The Income Statement for the year ended 30 June 2012 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2012	2012	2011	Actual	Budget
	\$'000	\$'000	\$'000	%	
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	7,698	7,432	7,216	3.0%	-3.5%
User charges & fees	2,199	6,393	5,785	10.5%	190.7%
Interest	382	830	492	68.7%	117.3%
Other revenues from ordinary activities	1,646	1,469	1,451	1.2%	-10.8%
Grants & contributions for operating purposes	7,093	8,262	6,901	19.7%	16.5%
Grants & contributions For capital purposes	4,088	5,350	4,383	22.1%	30.9%
Gain from sale of assets	200	25	77	-67.5%	-87.5%
Total income from continuing operations	23,306	29,761	26,305	13.1%	27.7%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	9,533	11,166	8,934	25.0%	17.1%
Borrowing costs	678	808	635	27.2%	19.2%
Materials and contracts	3,248	6,210	5,613	10.6%	91.2%
Depreciation & amortisation	11,257	11,268	10,442	7.9%	0.1%
Other expenses from ordinary activities	1,999	2,240	1,971	13.6%	12.1%
Total Expenses from continuing operations	26,715	31,692	27,595	14.8%	18.6%
OPERATING RESULT FROM CONTINUING OPERATIONS	(3,409)	(1,931)	(1,290)	49.7%	-43.4%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(7,497)	(7,281)	(5,673)	28.3%	-2.9%

Council reported a deficit of \$1.9m for 2012 compared with a deficit of \$1.3m in 2011. This result includes grants for capital purposes of \$5.4m. The expenditure of these grants is not recorded in the Income Statement but in the Balance Sheet. When excluded, for comparative purposes, the deficit was \$7.3m (2011: deficit \$5.7m).

Revenue for 2012 was 13.1% higher than 2011 mainly due to increases in User charges & fees (increase in RMS charges for State roads), Grants & Contributions for operating (due to early payment of 2012/13 Financial Assistance grants) and Grants & Contributions for capital (Gwydir learning region grant and flood works).



Expenses increased by 14.8% from 2011 mainly due to increases in employee benefits & on-costs (increase in salaries and wages due to an increase in staff and an increase in leave entitlements), materials and contracts costs (higher contractor and consultancy costs in relation to State road maintenance), borrowing costs (amortisation of discount in relation to tip & quarry remediation),

increase in depreciation (increase in asset value due to revaluations) and other expenses (increase in insurance premiums and cost of electricity).

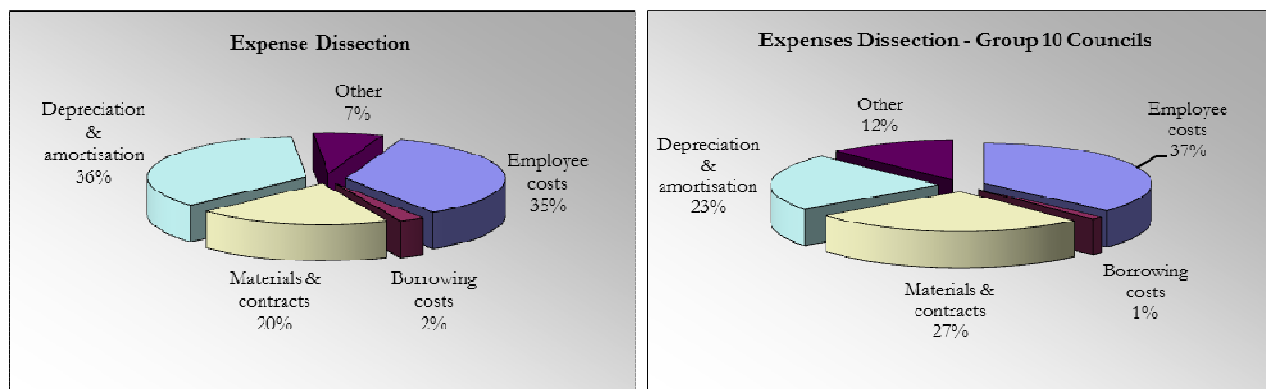
The continuing deficits, excluding capital grants for 2012 and 2011 (as well as the budgeted deficit), highlight Council's difficulty in funding depreciation and therefore Council's ability to manage its infrastructure in the longer term.

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 \$1.9m compares with the original budget deficit of \$3.4m. The major variances to budget included:

- User charges and fees (favourable \$4.2m) - the variance is due to additional RMS revenue received during the year for works on main roads.
- Interest and investment revenue (favourable \$448k) – interest income exceeded budget due to higher than expected investment balances combined with higher than expected interest rates.
- Grants and contributions for operating purposes (favourable \$1.2m) – due to the early payment of 2013 financial assistance grant entitlements.
- Grants and contributions for capital purposes (favourable \$1.3m) – due mainly to flood damage grants received during the year.
- Employee benefits and on-costs (unfavourable \$1.6m) – due to additional staff due to higher compliance activities and increases in leave entitlements.
- Materials and Contracts (unfavourable \$3.0) – due to additional RMS works and emergency works due to flood events during the year.
- Other expenses (unfavourable \$241k) – due to an increase in insurance premiums for asset protection as a result of recent natural disasters across the state and higher electricity cost.

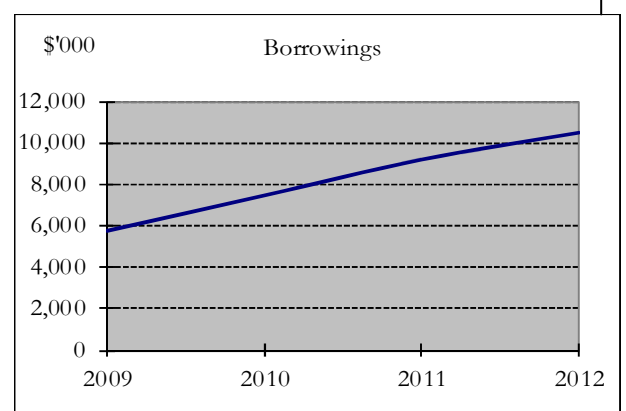
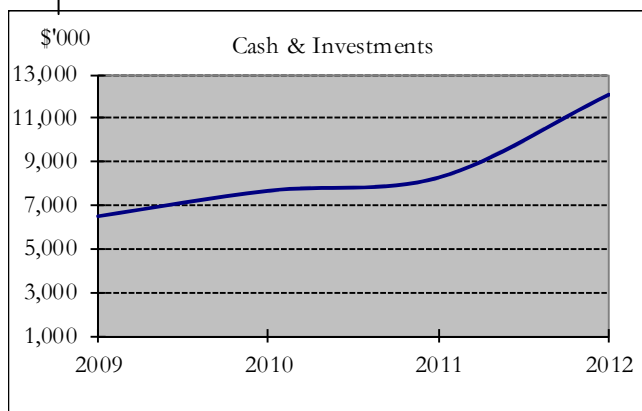
The tables below show a comparison of expense dissections for the Council for 2012 compared to the Group 10 council average (2010 data).



The expense dissection reflects the level of capital renewal works and the capitalisation of employment and materials & contracts costs. It also reflects the size and condition of Council's infrastructure as represented by depreciation and amortisation. Note that at the time of writing the Division of Local Government had not published their 2011 comparative information.

The following schedule of assets and liabilities has been extracted from the Balance Sheet as at 30th June 2012. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES			
	2012	2011	Variance
	\$'000	\$'000	%
CURRENT ASSETS			
Cash and cash equivalents	832	2,776	-70.0%
Investments	11,250	5,500	104.5%
Receivables	3,813	3,563	7.0%
Inventories	235	249	-5.6%
TOTAL CURRENT ASSETS	16,135	12,088	33.5%
CURRENT LIABILITIES			
Payables	1,854	1,298	42.8%
Borrowings	730	654	11.6%
Provisions	2,945	2,126	38.5%
TOTAL CURRENT LIABILITIES	5,529	4,078	35.6%
NET CURRENT ASSETS	10,606	8,010	32.4%
NON-CURRENT ASSETS			
Inventory	-	-	0.0%
Receivables	311	160	94.4%
Infrastructure, Property Plant & Equipment	194,435	199,995	-2.8%
TOTAL NON-CURRENT ASSETS	194,746	200,155	-2.7%
NON-CURRENT LIABILITIES			
Provisions	3,258	2,784	17.0%
Borrowings	9,759	8,531	14.4%
TOTAL NON-CURRENT LIABILITIES	13,017	11,315	15.0%
NET ASSETS	192,335	196,850	-2.3%



Net current assets increased by \$2.6 million due primarily to an increase in cash & investments of \$3.8 million offset by an increase in payables of \$0.5 million and provisions of \$0.8 million during the year.

Borrowings in total increased by \$1.3 million during the year mainly in relation to the proposed renovations of the Naroo Aged Care Centre.

The decrease in infrastructure, property, plant and equipment of \$5.6m is due to increases arising from asset purchases & renewals of \$8.6m, the indexed revaluation of water and sewer assets of \$0.4m offset by depreciation and impairment of \$14.2m and asset disposals of \$0.3m.

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	Dom Waste \$'000	General \$'000	Total \$'000
Current Assets	1,965	2,075	848	11,247	16,135
Current Liabilities	266	81	51	5,131	5,529
Net Current Assets	1,699	1,994	797	6,116	10,606
Plus:Liabilities to be settled >12mths	-	-	-	1,549	1,549
Total Funds before Restrictions	1,699	1,994	797	7,665	12,155
LESS: Restricted Cash & Investments (Included in Revenue)					
Aged care bonds	-	-	-	657	657
Unexpended Grants	-	-	-	648	648
	-	-	-	1,305	1,305
NET FUNDS AVAILABLE	1,699	1,994	797	6,360	10,850
LESS Internal Restrictions	-	-	-	4,864	4,864
Net Funds After All Restrictions	1,699	1,994	797	1,496	5,986

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	708	298	-	1,006
Asset Renewal	510	-	-	510
Plant Replacement	1,709	63	-	1,772
Other Waste	145	450	-	595
Building Reserves	82	-	-	82
Unexpended Loans	-	750	-	750
Carry Over Works	354	-	322	32
Deposits, bonds, etc	-	117	-	117
	3,508	1,678	322	4,864

The above table shows that after excluding Water, Sewerage and domestic waste, the general function working capital balance is in surplus of \$1.5m and able to support internal restrictions at 30 June 2012.

Council has internally restricted \$8.8m in cash for: plant replacements; carry-over projects; asset renewal and employee entitlements provisions. The restriction for employee leave entitlements represents 32% (35% in 2011) of the leave entitlement liability. The level of employee leave funding is considered adequate when compared to Councils of similar size and the age profile of employees.

After funding these restrictions, Council’s general function still retains a good “net funds” position of \$1.5 million to finance working capital requirements.

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	2012	2011	2010	2009	2008
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.50	3.49	2.62	1.69	1.23
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	6.0%	5.6%	6.5%	3.3%	5.8%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	25.0%	27.8%	28.7%	28.8%	29.9%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	7.7%	10.3%	9.2%	8.1%	10.4%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	0.35	0.52	0.43	0.29	1.24

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 & contributions as well as Aged Care Bonds and employee entitlements that are not expected to be paid in next twelve months. This ratio is before setting aside cash to fund internal restrictions relative to the general function.

An unrestricted ratio of 2.5 indicates that the general purpose function of Council has \$2.5 available to meet every dollar of current liability. Councils ratio is comparable to the average of 3.49 for Group 10 Councils and the State average of 2.71% for the 2010 year.

Debt service ratio

The debt service ratio of 6.0% shows the amount of revenue used to service debt and is above the average for Group 10 Councils of 3.17% and the State average of 4.99% (2010 data) and reflects Councils current high level of borrowing.

Rate coverage ratio

The rate coverage ratio shows that 25.0% of Council’s revenue is derived from rates and charges which compares to the average of 29.86% for Group 10 Councils and the State average of 47.26% (2010 data) and shows councils dependence on other forms of revenue.

Outstanding rates

The outstanding rates ratio of 7.7% has improved during the year and is in line with industry benchmarks. The ratio shows that Council has improved its collection performance. This ratio compares to the Group 10 Councils average of 8.74% and the State average of 5.31% (2010 data).

Asset renewals ratio

The asset renewals ratio is a ratio established by the Department of Local Government from the 2007 year. The ratio is to assist readers of the financial statements to assess Council’s performance with renewing its infrastructure assets against the level of infrastructure asset deterioration (as represented by depreciation expense).

The ratio indicates that Council have spent 35 cents on asset purchases and renewal for every estimated \$1 of estimated deterioration in building and infrastructure assets and compares to the Group 10 average of 108 cents and the State average of 84 cents for the 2010 year. With the revaluation of roads and infrastructure the accuracy of this ratio has improved. The ratio trend shows that the Council is not maintaining its infrastructure assets and that significantly more investment in asset renewal is required.

The financial indicators show that Council’s financial standing needs improvement, especially with the pressure, in financial terms, to fund infrastructure needs.

The increased in cash and investments reflected in the Balance Sheet is also evident in the following table extracted from the Cash Flow Statement.

CASH MOVEMENTS	Actual 2012	Actual 2011	Variance
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	30,658	27,846	10.1%
Proceeds from Assets Sales	373	411	-9.2%
Proceeds from Borrowings	2,000	2,400	-16.7%
TOTAL RECEIPTS	33,031	30,657	7.7%
CASH OUTFLOWS			
Operating Payments	20,120	19,185	4.9%
Purchase of investments	5,750	500	1050.0%
Purchase of Assets	8,409	10,190	-17.5%
Repayment of Borrowings	696	675	3.1%
TOTAL PAYMENTS	34,975	30,550	14.5%
TOTAL CASH MOVEMENT	(1,944)	107	-1916.8%
Cash and cash equivalents	832	2,776	-70.0%
Investments	11,250	5,500	104.5%
Total Cash & Investments on Hand	12,082	8,276	46.0%

The positive cash flow for 2012 included inflows from borrowing of \$2.0m and positive cashflows from operations of \$10.5m offset by expenditure of \$8.4m on assets and infrastructure.

Cash outflows for Purchase of Assets included road and bridge construction totalling \$3.3m. This compares to the \$11.2m 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 \$37.7m.

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 \$61,000 after allowing for depreciation of \$231,000. The Net Current Asset position records a positive balance of \$1,699,000 compared to \$1,652,000 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. Further, the overall financial position of the function is considered adequate given the level of debt and the current water infrastructure condition (per unaudited Special Schedule 7) being assessed as “Fair” (Deterioration evident) and that the estimated cost to bring the supply to a “Satisfactory Condition” is \$8,329,000.

SEWERAGE SERVICES

The Special Purpose Financial Statements disclose that the sewerage function recorded an operating surplus of \$184,000 after allowing for depreciation of \$235,000. The Net Current Assets position show a surplus of \$1,994,000 compared with \$1,604,000 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. Special Schedule 7 discloses that the current condition of the Sewerage treatment works is generally assessed as “Fair” (Deterioration evident) and that the estimated cost to bring the works to a “Satisfactory Condition” is \$3,649,000.

NAROO AGED CARE SERVICES

The Special Purpose Financial Statements disclose that Naroo Aged Care recorded an operating surplus of \$40,000 after allowing for depreciation of \$95,000. The Net Current Assets position shows a surplus of \$741,000 compared with a deficit of \$27,000 for the prior year. However, Naroo Aged Care is dependent on funding from Council for its continued operation especially given the long term borrowing of \$1.7m required to be funded.

WASTE SERVICES

The Special Purpose Financial Statements disclose that Waste Services recorded an operating surplus of \$240,000 after allowing for depreciation of \$226,000. The Net Current Assets position show a surplus of \$1,391,000. This is the first year that Waste Services has been reported in the special purpose financial statements.

GENERAL

Reporting obligations under the Local Government Act

It is pleasing to report that Council’s systems and records have improved during the year and the audited financial statements will be submitted to the Department of Local Government within the prescribed time provide for in Division 2 of the *Local Government Act 1993*.

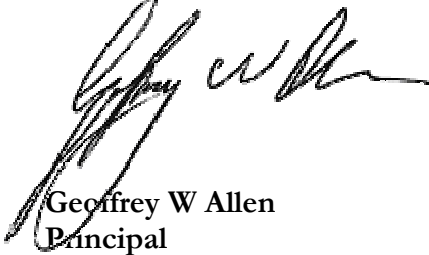
Matters of a technical nature have been documented in a management letter to the General Manager, with some of the issues being raised directly related to the delay in critical reconciliation's as noted above.

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 2012

*“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 2012

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Gwydir Shire Council

**Special Purpose Financial Report
for the year ended 30 June 2012**

**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:

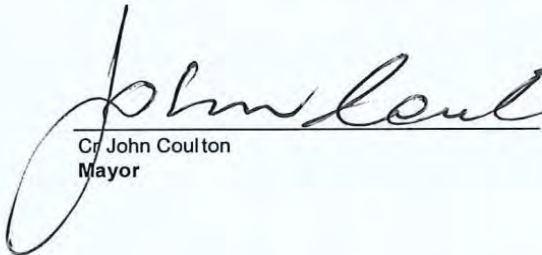
- * NSW Government Policy Statement "*Application of National Competition Policy to Local Government*".
- * Division of Local Government Guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*".
- * The Local Government Code of Accounting Practice and Financial Reporting.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

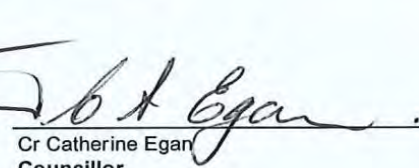
To the best of our knowledge and belief, these Reports:

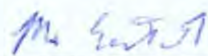
- * presents fairly the operating result and financial position for each of Council's declared Business Activities for the year, and
- * accords with Council's accounting and other records.

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 25 October 2012


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 2012**

	Actual 2012 \$'000	Actual 2011 \$'000	Actual 2010 \$'000
Income from continuing operations			
Access charges	704	663	684
User charges	443	396	571
Fees	3	-	-
Interest	109	65	62
Grants and contributions provided for non capital purposes	24	55	67
Profit from the sale of assets	-	-	-
Other revenues	47	142	269
Total revenues from continuing operations	1,330	1,321	1,653
Expenses from continuing operations			
Employee benefits and on-costs	356	335	278
Borrowing costs	241	262	162
Materials and contracts	249	524	489
Depreciation & impairment	231	225	218
Water purchase charges			
Loss on sale of assets	2		
Calculated taxation equivalents			
Debt guarantee fee (if applicable)	19	19	14
Other expenses	171	57	
Total expenses from continuing operations	1,269	1,422	1,161
Surplus (deficit) from continuing operations before capital amounts	61	(101)	492
Grants and contributions provided for capital purposes	46	2,702	-
Surplus (deficit) from continuing operations after capital amounts	107	2,601	492
Less Corporate Taxation Equivalent (30%) [based on result before capital]	18	-	148
Surplus (deficit) after tax	89	2,601	344
Opening retained profits	11,264	8,720	8,214
Adjustments for amounts unpaid			
Taxation equivalent payments	-	-	-
Debt guarantee fees	19	19	14
Corporate taxation equivalent	18	-	148
Less: TER Dividend Paid			
Less: Surplus Dividend Paid			
Financial Instruments through equity			
Adjustment for previous period error	119	(76)	-
Revaluation Reserve	-	-	-
Closing retained profits	11,509	11,264	8,720
Return on Capital %	2.27%	1.22%	7.31%
Subsidy from Council			
Calculation of Dividend Payable			
Surplus (deficit) after tax	89	2,601	344
Less: Capital grants and contributions (excluding developer contributions)	-	-	-
Surplus for dividend calculation purposes	89	2,601	344
Dividend calculated from surplus	44	49	48

Gwydir Shire Council

Income Statement of Sewerage business activity for the year ended 30 June 2012

	Actual 2012 \$'000	Actual 2011 \$'000	Actual 2010 \$'000
Income from continuing operations			
Access charges	620	615	581
User charges	53	52	94
Fees	-	-	-
Interest	108	80	56
Grants and contributions provided for non capital purposes	21	21	21
Profit from the sale of assets	-	-	-
Other revenues	2	2	7
Total revenues from continuing operations	804	770	759
Expenses from continuing operations			
Employee benefits and on-costs	214	211	213
Borrowing costs	3	2	4
Materials and contracts	107	163	123
Depreciation & impairment	235	247	230
Debt guarantee fee (if applicable)	-	-	-
Other expenses	66	29	27
Total expenses from continuing operations	625	652	597
Surplus (deficit) from continuing operations before capital amounts	179	118	162
Grants and contributions provided for capital purposes	5	-	-
Surplus (deficit) from continuing operations after capital amounts	184	118	162
Less Corporate Taxation Equivalent (30%) [based on result before capital]	54	35	49
Surplus (deficit) after tax	130	83	113
Opening retained profits	6,341	6,256	5,938
Taxation equivalent payments	-	-	-
Debt guarantee fees	-	-	-
Corporate taxation equivalent	54	35	49
Adjustment for previous period error	7	(33)	25
Closing retained profits	6,532	6,341	6,256
Return on Capital %	3.75%	2.42%	3.41%
Subsidy from Council			
Calculation of Dividend Payable			
Surplus (deficit) after tax	130	83	113
Less: Capital grants and contributions (excluding developer contributions)			
Surplus for dividend calculation purposes	130	83	113
Dividend calculated from surplus	41	41	57

Gwydir Shire Council

Income Statement of Waste business activity for the year ended 30 June 2012

	Actual 2012 \$'000	Actual 2011 \$'000
Income from continuing operations		
Access charges	1,103	1,032
User charges	-	-
Fees	-	5
Interest	75	19
Grants and contributions provided for non capital purposes	40	43
Profit from the sale of assets	-	-
Other revenues	126	3
Total revenues from continuing operations	1,344	1,102
Expenses from continuing operations		
Employee benefits and on-costs	294	362
Borrowing costs	162	11
Materials and contracts	395	440
Depreciation & impairment	226	251
Debt guarantee fee (if applicable)	1	1
Other expenses	26	4
Total expenses from continuing operations	1,104	1,069
Surplus (deficit) from continuing operations before capital amounts	240	33
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from continuing operations after capital amounts	240	33
Less Corporate Taxation Equivalent (30%) [based on result before capital]	72	10
Surplus (deficit) after tax	168	23
Opening retained profits	34	-
Taxation equivalent payments	-	-
Debt guarantee fees	1	1
Corporate taxation equivalent	72	10
Adjustment for previous period error	(1)	-
Closing retained profits	274	34
Return on Capital %	8.29%	0.89%
Subsidy from Council		
Calculation of Dividend Payable		
Surplus (deficit) after tax	168	23
Less: Capital grants and contributions (excluding developer contributions)		
Surplus for dividend calculation purposes	168	23
Dividend calculated from surplus	84	12

Gwydir Shire Council

Income Statement of Naroo Aged Care business activity for the year ended 30 June 2012

	Actual 2012 \$'000	Actual 2011 \$'000	Actual 2010 \$'000
Income from continuing operations			
Rentals	334	309	318
User charges & Fees	4	4	-
Investment Revenues	27	16	16
Premiums on discounted loans	192		
Other Revenues	38	29	7
Operating Grants	767	626	660
Donations	2	-	-
Operating Contributions	-	14	15
Total revenues from continuing operations	1,364	998	1,016
Expenses from continuing operations			
Employee benefits and on-costs	810	810	702
Borrowing costs	77	80	71
Materials and contracts	273	236	237
Depreciation & impairment	95	93	93
Calculated taxation equivalents		-	
Debt guarantee fee (if applicable)	6	7	1
Other expenses	63	68	36
Total expenses from continuing operations	1,324	1,294	1,140
Surplus (deficit) from continuing operations before capital amounts	40	(296)	(124)
Grants and contributions provided for capital purposes	14	-	
Surplus (deficit) from continuing operations after capital amounts	54	(296)	(124)
Less Corporate Taxation Equivalent (30%) [based on result before capital]	12	-	
Surplus (deficit) after tax	42	(296)	(124)
Opening retained profits	2,177	2,222	2,625
Taxation equivalent payments	-	-	
Debt guarantee fees	6	1	1
Corporate taxation equivalent	12	-	
Equity Adjustment	145	296	(280)
Revaluation Reserve	-	(46)	-
Closing retained profits	2,382	2,177	2,222
Return on Capital %	3.62%	-6.66%	-1.60%
Subsidy from Council	-	124	279
Calculation of Dividend Payable			
Surplus (deficit) after tax	42	(296)	(124)
Less: Capital grants and contributions (excluding developer contributions)		-	
Surplus for dividend calculation purposes	42	(296)	(124)
Dividend calculated from surplus	-	-	-

Gwydir Shire Council

Balance Sheet of Water Supply business activity for the year ended 30 June 2012

ASSETS

Current Assets

Cash and cash equivalents
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 2012 \$'000	Actual 2011 \$'000
	1,605	1,541
	340	301
	20	11
	1,965	1,853
	13,347	13,194
	13,347	13,194
	15,312	15,047
	41	39
	150	150
	75	12
	266	201
	2,840	3,018
	6	33
	2,846	3,051
	3,112	3,252
	12,200	11,795
	11,509	11,264
	691	531
	12,200	11,795

Gwydir Shire Council

Balance Sheet of Sewerage business activity for the year ended 30 June 2012

ASSETS

Current Assets

Cash and cash equivalents
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 2012 \$'000	Actual 2011 \$'000
Cash and cash equivalents	1,959	1,497
Receivables	113	119
Inventories	3	2
Total current assets	2,075	1,618
Non Current Assets		
Infrastructure, property, plant and equipment	4,848	4,957
Total non-current assets	4,848	4,957
Total assets	6,923	6,575
LIABILITIES		
Current liabilities		
Payables	-	-
Interest bearing liabilities	6	6
Provisions	75	8
Total current liabilities	81	14
Non-current liabilities		
Interest bearing liabilities	17	21
Provisions	6	23
Total non-current liabilities	23	44
Total liabilities	104	58
Net assets	6,819	6,517
EQUITY		
Retained earnings	6,532	6,341
Reserves	287	176
Council equity interest		
Total equity	6,819	6,517

Gwydir Shire Council

Balance Sheet of Waste business activity for the year ended 30 June 2012

ASSETS

Current Assets

Cash and cash equivalents

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 2012 \$'000	Actual 2011 \$'000
	1,305	653
	127	145
	11	11
	1,443	809
	1,662	1,852
	1,662	1,852
	3,105	2,661
	1	1
	5	4
	46	223
	52	228
	95	99
	2,684	2,300
	2,779	2,399
	2,831	2,627
	274	34
	274	34
	274	34

Gwydir Shire Council

Balance Sheet of Naroo Aged Care business activity for the year ended 30 June 2012

	Actual 2012 \$'000	Actual 2011 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	750	-
Receivables	23	-
Aged Care Bonds	657	558
Total current assets	1,430	558
Non Current Assets		
Investments		
Receivables	169	-
Inventories		
Infrastructure, property, plant and equipment	3,229	3,241
Investments accounted for using equity method		
Investment property		
Other		
Total non-current assets	3,398	3,241
Total assets	4,828	3,799
LIABILITIES		
Current liabilities		
Interest bearing liabilities	32	27
Aged Care Bonds	657	558
Total current liabilities	689	585
Non-current liabilities		
Payables	-	-
Interest bearing liabilities	1,640	920
Non interest bearing liabilities	117	117
Total non-current liabilities	1,757	1,037
Total liabilities	2,446	1,622
Net assets	2,382	2,177
EQUITY		
Retained earnings	1,987	1,927
Reserves	-	-
Council equity interest	395	250
Total equity	2,382	2,177

Gwydir Shire Council

Notes to the Special Purpose Financial Reports for the year ended 30 June 2012

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 2012

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.

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 2010 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 2012

Calculation and payment of tax-equivalents

(i)	Calculated tax-equivalents	18,300
(ii)	No of assessments multiplied by \$3/assessment	5,292
(iii)	Amounts payable for tax-equivalents (lessor of (i) and (ii))	5,292
(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>	44,350
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	52,910
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011	3,034,100
(iv)	Maximum dividend from surplus (least of (i), (ii) and (iii))	44,350
(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
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National Water Initiative (NWI) Financial Performance Indicators

NWI F4	Residential Revenue from Usage Charges (Water) <i>= 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]</i>	%	62.08
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NWI F1	Total Revenue (Water) <i>= Total Revenue (w13) + Gain/loss on Disposal of Assets (w14) - Grants for Acquisition of Assets (w11a) - Interest Income (w9)</i>	\$ ('000)	1,221
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NWI F20	Capital Works Grants (Water) <i>= Grants for Acquisition of Assets (w11a)</i>	\$ ('000)	46
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NWI F13	Economic Real of Return (Water) <i>= [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)</i>	%	3.16
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NWI F6	Operating Cost (OMA) (Water) <i>= Management Expenses (w1) + Operation and Maintenance Expenses (w2)</i>	\$ ('000)	568
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NWI F9	Total Cost (Water) <i>= Operating Cost (NWI F6) + Current Cost Depreciation (w3a +w3b)</i>	\$ ('000)	799
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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 2012

Calculation and payment of tax-equivalents

(i)	Calculated tax-equivalents	53,700
(ii)	No of assessments multiplied by \$3/assessment	4,074
(iii)	Amounts payable for tax-equivalents (lessor of (i) and (ii))	4,074
(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>	65,150
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	40,700
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011	326,300
(iv)	Maximum dividend from surplus (least of (i), (ii) and (iii))	40,700
(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)	696
= Total Revenues (s14) + Gain/loss on Disposal of Assets (S15) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)		
NWI F21 Capital Works Grants (Sewerage)	\$ ('000)	5
= Grants for Acquisition of Assets (s12a)		
NWI F11 Capital Expenditure (Water & Sewerage)	\$ ('000)	981
= Acquisition of Fixed Assets (w16+s17)		
NWI F14 Economic Real of Return (Sewerage)	%	2.805
= [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)		
NWI F12 Economic Real of Return (Water and Sewerage)	%	3.067
= [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)		
NWI F16 Net Debt to Equity (Water and Sewerage)	%	-2.902
= [Overdraft (w36 +s37) + Borrowings (w38 + s39) - Cash and Investments (w30 + s31)] x 100 divided by [Total Assets (w35 +s36) - Total Liabilities (w40 + s41)]		
NWI F17 Interest Cover (Water and Sewerage)		544.444
= [Earnings before Interest and Tax x 100 divided by Net Interest (Interest Expense - Interest Income)]		
= [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)]		
NWI F18 Net Profit After Tax (Water and Sewerage)	\$ ('000)	219
= [Surplus before Dividends less Tax Paid (see Notes 2 & 3 above)		
NWI F19 Community Service Obligations (Water and Sewerage)	\$ ('000)	45
= Grants for Pensioner Rebates (w11b + s12b)		
NWI F5 Revenue from Community Service Obligations (Water and Sewerage)	%	2.35
= Community Service Obligations (NWI F19) x 100 divided by Total Revenue (NWI F1 + NWI F2)		
NWI F7 Operating Cost (OMA) (Sewerage)	\$ ('000)	325

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

NWI F10 Total Cost (Sewerage)

\$ ('000)

560

= *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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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 30th June 2012 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 Division 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 Division 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 Division 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 Division 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 30th June 2012 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 Division 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

23rd October 2012
92 Rusden Street Armidale

Gwydir Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2012

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



Gwydir Shire Council

Special Schedules for the year ended 30 June 2012

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Gwydir Shire Council

Special Schedule No. 1

Net cost of services

for the year ended 30 June 2012

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
Governance	170	-	-	170
Administration	3,263	943	-	2,320
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	603	286	25	292
Animal Control	80	8	-	72
Beach Control	-	-	-	-
Enforcement of Local Govt Regs	-	-	-	-
Other	81	-	-	81
Total Public Order & Safety	764	294	25	445
Health	941	971	176	(206)
Environment				
Noxious Plants & Insects/Vermin Control	105	68	-	37
Other Environmental Protection	-	51	150	(201)
Solid Waste Management	1,027	1,343	-	(316)
Street Cleaning	387	-	-	387
Drainage	-	-	-	-
Stormwater Management	66	-	-	66
Total Environment	1,585	1,462	150	(27)
Community Services & Education				
Administration & Education	404	456	2,019	(2,071)
Social protection (welfare)	117	89	-	28
Aged Persons & Disabled	1,308	1,701	14	(407)
Childrens Services	153	74	-	79
Total Community Services & Education	1,982	2,320	2,033	(2,371)
Housing & Community Amenities				
Public Cemeteries	40	48	-	(8)
Public Conveniences	104	-	25	79
Street Lighting	70	36	6	28
Town Planning	29	200	-	(171)
Other Community Activities	310	144	-	166
Total Housing & Community Amenities	553	428	31	94

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
Water Supplies	1,066	1,331	46	(311)
Sewerage Services	530	809	-	(279)
Recreation and Culture				
Public Libraries	128	45	-	83
Museums	13	-	-	13
Art Galleries	-	-	-	-
Community Centres & Halls	247	1	-	246
Performing Arts Venues	407	178	30	199
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds & Venues	174	-	-	174
Swimming Pools	180	1	12	167
Parks and Gardens (Lakes)	158	4	4	150
Other Sport and Recreation	61	33	3	25
Total Recreation & Culture	1,368	262	49	1,057
Fuel & Energy	-	-	-	-
Mining, Manufacturing & Construction				
Building Control	-	30	-	(30)
Other Mining, Manufacturing & Construction	626	24	-	602
Total Mining, Manufacturing & Construction	626	54	-	572
Transport and Communications				
Urban Roads (UR): Local	443	-	-	443
Urban Roads: Regional	-	-	-	-
Sealed Rural Roads (SRR): Local	2,572	-	-	2,572
Sealed Rural Roads: Regional	1,823	1,422	356	45
Unsealed Rural Roads (URR): Local	4,385	228	2,084	2,073
Unsealed Rural Roads: Regional	-	-	-	-
Bridges on Urban Roads: Local	50	-	-	50
Bridges on Urban Roads: Regional	-	-	-	-
Bridges on Sealed Rural Roads: Local	225	-	-	225
Bridges on Sealed Rural Roads: Regional	269	-	-	269
Bridges on Unsealed Rural Roads: Local	106	-	-	106
Bridges on Unsealed Rural Roads: Regional	-	-	-	-
Parking Areas	-	-	-	-
Footpaths	40	-	-	40
Aerodromes	2	-	-	2
Other Transport & Communication	8,259	4,389	-	3,870
Total Transport & Communications	18,174	6,039	2,440	9,695

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
Economic Affairs				
Camping Areas & Caravan Parks	328	278	10	40
Other Economic Affairs	545	75	3	467
Total Economic Affairs	873	353	13	507
Totals - Functions	31,895	15,266	4,963	11,666
General Purpose Revenues (1)				9,735
Net operating result for the year (2)				1,931
Net operating result for the year (2)				1,931

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 2012

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
Loans (by source)											
Financial Institutions	654	8,531	9,185	1,250	696	-	-	633	730	9,009	9,739
Commonwealth Government	-	-	-	750	-	-	-	-	-	750	750
Total Loans	654	8,531	9,185	2,000	696	-	-	633	730	9,759	10,489
Total long term debt	654	8,531	9,185	2,000	696	-	-	633	730	9,759	10,489

Gwydir Shire Council

Special Schedule No. 2(b)

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

for the year ended 30 June 2012

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	-	-	-
Totals	-	-	-
Total long term debt	-	-	-

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 2012**

	Actual 2012 \$'000	Actual 2011 \$'000
A Expenses and Income		
Expenses		
1 Management Expenses		
a. Administration	31	318
b. Engineering and Supervision	-	6
2 Operation and Maintenance		
Dams and Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
Mains		
c. Operation expenses	42	45
d. Maintenance expenses	101	143
Reservoirs		
e. Operation expenses	10	3
f. Maintenance expenses	21	16
Pumping Stations		
g. Operation expenses (excluding energy costs)	87	96
h. Energy Costs	144	45
l. Maintenance expenses	21	15
Treatment		
j. Operation expenses (excluding chemical costs)	17	3
k. Chemical Costs	39	39
l. Maintenance expenses	55	13
Other		
m. Operation expenses	-	5
n. Maintenance expenses	-	2
o. Purchase of Water	-	-
3 Depreciation		
a. System assets	224	220
b. Plant and equipment	7	5
4 Miscellaneous Expenses		
a. Interest expenses	241	167
b. Other expenses	192	262
c. Revaluation decrements	-	-
NCP Tax & Other Equivalents	37	19
5 Total expenses	1,269	1,422
Income		
6 Residential charges		
a. Access (including rates)	168	607
b. User charges	275	282
7 Non-residential charges		
a. Access (including rates)	526	56
b. User charges	178	110
8 Extra charges	3	-
9 Interest income	109	65
10 Other income	47	146
11 Grants		
a. Grants for the acquisition of assets	46	2,702
b. Grants for pensioner rebates	24	55
c. Other grants	-	-
12 Contributions		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	-	-
13 Total Income	1,376	4,023
14 Gain or (loss) on disposal of assets		
15 Operating result	107	2,601
15a Operating result (less grants for acquisition of assets)	61	(101)

Gwydir Shire Council

**Special Schedule No. 3 (continued)
Water Supply Income Statement
(Gross including Internal Transactions)
for the year ended 30 June 2012**

	Actual 2012 \$'000	Actual 2011 \$'000
B Capital transactions		
Non-operating expenditures		
16 Acquisition of Fixed Assets		
a. Subsidised Scheme	-	3,227
b. Other new system assets	-	-
c. Renewals	981	45
d. Plant and equipment	-	39
17 Repayment of Debt		
a. Loans	178	349
18 Transfer to sinking fund	-	-
19 Totals	1,159	3,660
Non-operating funds employed		
20 Proceeds from the disposal of assets		
21 Borrowings utilised		
a. Loans	-	1,000
22 Transfer from sinking fund	-	-
23 Totals	-	1,000
C Rates and charges		
24 Number of assessments		
a. Residential (occupied)	1,347	1,603
b. Residential (unoccupied)	145	39
c. Non-residential (occupied)	242	152
d. Non-residential (unoccupied)	30	15
	1,764	1,809
25 Number of ET's for which developer charges were received	-	-
26 Total amount of pensioner rebates	45	41

Gwydir Shire Council

Special Schedule No. 3 (continued) Water Supply - Cross-subsidies for the year ended 30 June 2012

	Yes/No	Amount
D Best practice annual charges and developer charges		
27 Annual Charges		
a. Does Council have best-practice water supply annual charges and usage charges?	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)		_____
		-
28 Developer charges		
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		-
29 Disclosure of cross-subsidies		_____
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 2012

	Current \$'000	Non current \$'000	Total \$'000
ASSETS			
30			
Cash and investments			
a. Developer charges	-	-	-
b. Specific purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Other	1,605	-	1,605
31			
Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	340	-	340
c. Other	-	-	-
32			
Inventories	20	-	20
33			
Property, plant and equipment			
a. System assets	-	13,280	13,280
b. Plant and equipment	-	66	66
			-
34			
Other Assets	-	-	-
35			
Total assets	1,965	13,346	15,311
LIABILITIES			
36			
Bank overdraft	-	-	-
37			
Creditors	41	-	41
38			
Borrowings			
a. Loans	150	2,839	2,989
39			
Provisions			
c. Other	75	6	81
40			
Total Liabilities	266	2,845	3,111
41			
Net assets committed	1,699	10,501	12,200
EQUITY			
42			
Accumulated Surplus			11,509
Asset revaluation reserve			691
44			
Total equity			12,200
Note to system assets:			
45			
Current replacement cost of system assets			19,178
46			
Accumulated current cost depreciation of system assets			5,831
47			
Written down current cost of system assets			13,347

Gwydir Shire Council

**Special Schedule No. 5
Sewerage Income Statement
(Gross including Internal Transactions)
for the year ended 30 June 2012**

	Actual 2012 \$'000	Actual 2011 \$'000
A Expenses and Income		
Expenses		
1 Management Expenses		
a. Administration	20	102
b. Engineering and Supervision	-	-
2 Operation and Maintenance		
Mains		
a. Operation expenses	-	1
b. Maintenance expenses	28	24
Pumping Stations		
c. Operation expenses (excluding energy costs)	30	26
d. Energy Costs	11	8
e. Maintenance expenses	22	26
Treatment		
f. Operation expenses (excluding chemical , energy, effluent and biosolids management costs)	139	144
g. Chemical Costs	3	5
h. Energy Costs	32	19
i. Effluent management	-	1
j. Biosolids management	3	3
k. Maintenance expenses	35	35
Other		
l. Operation Expenses	-	6
m. Maintenance expenses	2	3
3 Depreciation		
a. System assets	229	241
b. Plant and equipment	6	6
4 Miscellaneous Expenses		
a. Interest expenses	3	2
b. Other expenses	128	-
NCP Tax & Other Equivalents	54	35
5 Total expenses	745	687
Income		
6 Residential charges (including rates)	506	552
7 Non-residential charges		
a. Access (including rates)	106	55
b. User charges	53	52
8 Trade Waste Charges	8	8
9 Extra charges	-	-
10 Interest income	108	80
11 Other income	2	2
12 Grants		
a. Grants for the acquisition of assets	5	-
b. Grants for pensioner rebates	21	21
c. Other grants	-	-
13 Contributions		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	-	-
14 Total Income	809	770
15 Gain or loss on disposal of assets		
16 Operating result	64	83
16a Operating result (less grants for acquisition of assets)	59	83

Gwydir Shire Council

Special Schedule No. 5 (continued)
Sewerage Income Statement
(Gross including Internal Transactions)
for the year ended 30 June 2012

	Actual 2012 \$'000	Actual 2011 \$'000
B Capital transactions		
Non-operating expenditures		
17 Acquisition of Fixed Assets		
a. Subsidised Scheme	-	-
b. Other new system assets	-	-
c. Renewals	-	8
d. Plant and equipment	-	-
18 Repayment of Debt	-	-
a. Loans	4	-
19 Transfer to sinking fund	-	-
20 Totals	4	8
Non-operating funds employed		
21 Proceeds from the disposal of assets	-	-
22 Borrowings utilised		
a. Loans	-	-
23 Transfer from sinking fund	-	-
24 Totals	-	-
C Rates and Charges		
25 Number of assessments		
a. Residential (occupied)	1,074	1,093
b. Residential (unoccupied)	-	-
c. Non-residential (occupied)	284	132
d. Non-residential (unoccupied)	-	-
	1,358	1,225
26 Number of ET's for which developer charges were received		
27 Total amount of pensioner rebates	39	39

Gwydir Shire Council

Special Schedule No. 5 (continued) Sewerage - Cross-subsidies for the year ended 30 June 2012

	Yes/No	Amount
D Best practice annual charges and developer charges		
28 Annual Charges		
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)		-
29 Developer charges		
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		-
30 Disclosure of cross-subsidies		
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.

Gwydir Shire Council

**Special Schedule No. 6
Sewerage services - Balance Sheet
(Gross including Internal Transactions)
for the year ended 30 June 2012**

ASSETS

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

LIABILITIES

38	Creditors
39	Borrowings
a.	Loans
40	Provisions
c.	Other
41	Total Liabilities

42 Net assets committed

EQUITY

43	Accumulated Surplus
44	Asset revaluation reserve
45	Total equity

Note to system assets:

46	Current replacement cost of system assets
47	Accumulated current cost depreciation of system assets
48	Written down current cost of system assets

	Current \$'000	Non current \$'000	Total \$'000
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	1,959	-	1,959
	-	-	-
	-	-	-
	113	-	113
	3	-	3
	-	4,797	4,797
	-	51	51
	-	-	-
	2,075	4,848	6,923
	-	-	-
	6	17	23
	75	6	81
	81	23	104
	1,994	4,825	6,819
			6,532
			287
			6,819
			14,598
			9,750
			4,848

Notes to Special Schedules 3 and 5

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

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

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

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

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^(2+A36) (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⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b 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**

**as at 30 June 2010
\$'000**

Asset class	Asset category (as determined by Council)	Depn Expense % (specific rate or range of rates)	Depn expense \$'000	Valuation \$'000	Accum Depreciation and Impairment \$'000	WDV \$'000	Asset Condition (refer to details attached)	Estimated cost to bring to a satisfactory standard \$'000	Required annual maintenance \$'000	Current annual maintenance \$'000
		Per Note 1	Per Note 4	Per Note 9						
Public Buildings	Aged Care	2.0%	92	3,524	444	3,080	2	127	92	147
	Amenities	2.0%	55	2,527	1,527	1,000	3	137	55	10
	Council Offices	2.0%	98	3,601	1,995	1,606	3	453	98	41
	Council Depots	2.0%	73	3,636	1,421	2,215	3	613	73	34
	Halls	2.0%	177	8,879	6,327	2,552	4	1,320	177	32
	Housing	2.0%	101	4,761	2,534	2,227	3	221	101	30
	Museum	2.0%	9	449	365	84	3	92	9	1
	Other	2.0%	403	18,694	9,503	9,191	3	678	403	677
	Subtotal		1,008	46,071	24,116	21,955		3,641	1,008	972
Other Structures	Other	1.0% to 10%	115	3,855	1,491	2,364	3	137	115	-
Public Roads	Sealed Roads	1.0% to 6.7%	3,713	129,957	71,836	58,121	3	17,911	3,713	1,987
	Unsealed Roads	1.0% to 10%	3,813	112,203	56,269	55,934	4	17,893	3,813	3,285
	Bridges	1.0% to 2.0%	624	35,020	22,596	12,424	3	1,454	624	5
	Footpaths	1.0% to 2.0%	24	963	830	133	3	106	24	19
	Kerb & Gutter	1.0% to 2.0%	101	4,374	4,150	224	3	372	101	23
		Subtotal		8,275	282,517	155,681	126,836		37,736	8,275
Water	Pipeline	1.3%	103	8,607	3,298	5,309	3	4,390	103	194
	Pump Station	1.4%	5	207	145	62	1	36	5	21
	Reservoir	1.0%	39	4,729	1,631	3,098	1	2,654	39	-
	Treatment Works	2.0%	26	942	174	768	1	619	26	55
	Bores	2.0%	34	976	426	550	1	494	34	4
	Connections	2.0%	8	174	93	81	1	73	8	3
		1.0% to 2.0%	215	15,635	5,767	9,868		8,266	215	277
Sewerage	Pipeline	1.4% to 2.5%	159	9,426	6,541	2,885	3	2,439	159	37
	Pump Station	1.4%	30	2,307	1,162	1,145	1	923	30	27
	Treatment Works	2.0%	32	2,124	1,667	457	1	363	32	36
	Manholes	2.0%	7	348	292	56	2	52	7	-
		1.0% to 2.0%	228	14,205	9,662	4,543		3,777	228	100
Stormwater Drainage	Infrastructure	1.4%	45	3,534	2,102	1,432	4	69	45	24
Total classes	Total – all assets		9,886	365,817	198,819	166,998		53,626	9,886	6,692

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.

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 2012**

	2012 (1) \$m	2013 \$m	2014 \$m	2015 \$m	2016 \$m	2017 \$m
Recurrent budget						
Income from continuing operations	23	25	23	24	24	24
Expenses from continuing operations	27	28	28	28	28	28
Operating result from continuing operations	(3)	(3)	(5)	(4)	(4)	(4)
Capital budget						
New capital works (2)	2	4	-	-	-	-
Funded by:						
- Loans	-	3	-	-	-	-
- Asset sales	-	-	-	-	-	-
- Reserves	-	-	-	-	-	-
- Grants/Contributions	2	-	-	-	-	-
- Recurrent revenue	-	-	-	-	-	-
- Other	-	1	-	-	-	-
	2	4	-	-	-	-

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

GENERAL PURPOSE FINANCIAL REPORTS
for the year ended 30 June 2013

*"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 2013

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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 31 October 2013. 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.

Gwydir Shire Council

**General Purpose Financial Report
for the year ended 30 June 2013**

**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:

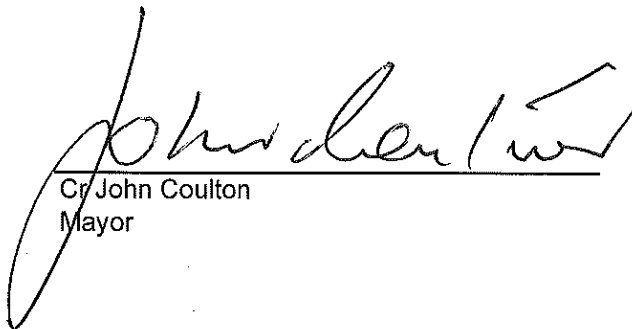
- * The Local Government Act 1993 (as amended) and the Regulations made thereunder.
- * The Australian Accounting Standards and professional pronouncements.
- * The Local Government Code of Accounting Practice and Financial Reporting.

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 31 October 2013



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 2013**

Original Budget (1) 2013 \$'000		Notes	Actual 2013 \$'000	Actual 2012 \$'000
	Income from continuing operations			
	<i>Revenue:</i>			
7,208	Rates and annual charges	3a	7,593	7,432
5,262	User charges and fees	3b	6,090	6,393
354	Interest and investment revenues	3c	519	830
2,072	Other revenues	3d	1,279	1,469
5,451	Grants and contributions provided for operating purposes	3e,f	7,161	8,262
3,489	Grants and contributions provided for capital purposes	3e,f	4,193	5,350
	<i>Other Income:</i>			
137	Net gain from the disposal of assets	5	38	25
23,973	Total income from continuing operations		26,873	29,761
	Expenses from continuing operations			
11,862	Employee benefits and on-costs	4a	10,635	11,166
698	Borrowing costs	4b	912	808
6,015	Materials and contracts	4c	5,264	6,210
11,495	Depreciation & amortisation	4d	11,238	11,268
2,388	Other expenses	4e	2,478	2,240
-	Impairment Expense	4d	1,686	-
32,458	Total expenses from continuing operations		32,213	31,692
(8,485)	Operating result from continuing operations		(5,340)	(1,931)
(8,485)	Net operating result for the year		(5,340)	(1,931)
	Attributable to:			
(8,485)	- Council		(5,340)	(1,931)
(8,485)			(5,340)	(1,931)
(11,974)	Net operating result for the year before grants and contributions provided for capital purposes		(9,533)	(7,281)

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 2013

	Notes	Actual 2013 \$'000	Actual 2012 \$'000
Net operating result for the year - from Income statement		(5,340)	(1,931)
Other Comprehensive Income			
Amounts which will not be classified subsequently to operating result			
Gain (loss) on revaluation of infrastructure, property, plant & equipment	20b	3,124	367
Adjustments to correct prior period errors	20b	-	-
Impairment (loss) reversal relating to I,PP&E	20b	-	(2,951)
Prior Period Errors	20d	24,216	-
Amounts which will be reclassified subsequently to operating result when specific conditions are met			
De-recognition of land under roads	20f	-	-
Total other comprehensive income for the year		27,340	(2,584)
Total comprehensive income for the year		22,000	(4,515)
Attributable to - Council		22,000	(4,515)
- Non-controlling interest		-	-

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 2013

	Notes	Actual 2013 \$'000	Actual 2012 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6a	4,718	6,332
Investments	6b	4,500	5,750
Receivables	7	2,248	3,813
Inventories	8	338	235
Other	8	16	5
Non-current assets classified as held for sale	23	-	-
Total current assets		11,820	16,135
Non Current Assets			
Receivables	7	282	311
Inventories	8	-	-
Infrastructure, property, plant and equipment	9	220,807	194,435
Total non-current assets		221,089	194,746
Total assets		232,909	210,881
LIABILITIES			
Current liabilities			
Payables - Payable in less than 12 months	10	1,894	1,854
- Payable after 12 months	10		
Borrowings	10	677	730
Provisions	10	2,909	2,945
Total current liabilities		5,480	5,529
Non-current liabilities			
Payables	10	-	-
Borrowings	10	9,677	9,759
Provisions	10	3,417	3,258
Total non-current liabilities		13,094	13,017
Total liabilities		18,574	18,546
Net assets		214,335	192,335
EQUITY			
Revaluation Reserve	20	68,149	65,025
Retained earnings	20	146,186	127,310
Council equity interest		-	-
Non-controlling equity interest		-	-
Total equity		214,335	192,335

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 2013**

	Notes Ref.	Actual 2013 \$'000					Actual 2012 \$'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		127,310	65,025	-	192,335	192,335	129,241	67,609	-	196,850	196,850
Transfers to/from Asset revaluation reserve		-	-	-	-	-	-	-	-	-	-
Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-
Restated Opening Balance	20	127,310	65,025	-	192,335	192,335	129,241	67,609	-	196,850	196,850
Net operating result for the year	20	(5,340)			(5,340)	(5,340)	(1,931)			(1,931)	(1,931)
Other Comprehensive Income	20	24,216	3,124		27,340	27,340	-	(2,584)		(2,584)	(2,584)
Total comprehensive income		18,876	3,124	-	22,000	22,000	(1,931)	(2,584)	-	(4,515)	(4,515)
Closing balance		146,186	68,149	-	214,335	214,335	127,310	65,025	-	192,335	192,335

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 2013**

Budget 2013 \$'000		Notes	Actual 2013 \$'000	Actual 2012 \$'000
	Cash flows from operating activities			
	Receipts:			
7,221	Rates and annual charges		7,607	7,432
5,581	User charges and fees		6,459	6,355
488	Investment revenue and interest		715	830
20,581	Grants and contributions		12,704	14,973
	Deposits and retentions received		63	
2,100	Other		2,759	1,068
	Payments:			
(11,933)	Employee benefits and on-costs		(10,699)	(9,873)
(7,229)	Materials and contracts		(6,326)	(6,871)
(683)	Borrowing Costs		(893)	(808)
	Deposits and retentions refunded			
(3,084)	Other		(3,200)	(2,568)
13,042	Net cash provided (or used in) operating activities	11 (b)	9,189	10,538
	Cash flows from investing activities			
	Receipts:			
	Sale of Investments	6	1,250	-
	Sale of investment property			
	Sale of real estate assets	5	-	-
	Sale of infrastructure, property, plant and equipment	5	609	373
	Other		-	-
	Payments:			
	Purchase of investments	6	-	(4,250)
	Purchase of investment properties		-	-
	Purchase of infrastructure, property, plant and equipment	9	(12,527)	(8,409)
	Purchase of real estate	8	-	-
-			(10,668)	(12,286)
	Cash flows from financing activities			
	Receipts:			
	Borrowings and advances		542	2,000
	Payments:			
	Borrowings and advances		(677)	(696)
-	Net cash provided by (or used in) financing activities		(135)	1,304
13,042	Net increase/(decrease) in cash and cash equivalents		(1,614)	(444)
	Cash bonds introduced*		-	-
	Cash and cash equivalents at beginning of reporting period	11(a)	6,332	6,776
13,042	Cash and cash equivalents at end of reporting period	11(a)	4,718	6,332

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 2013

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Gwydir Shire Council

Note 1 Summary of significant accounting policies for the year ended 30 June 2013

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 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*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(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 2012.

(iii) *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, 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.

* Critical judgements in applying the entity's accounting policies

- (i) Impairment of receivables.

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

- (ii) Projected Section 94 Commitments

Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

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

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.

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.

Note 1 Summary of significant accounting policies - (continued)

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.

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.

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.

Interest and rents

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

(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

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.

Note 1 Summary of significant accounting policies - (continued)

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

Leases of property, plant and equipment where the council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(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 cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(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.

Note 1 Summary of significant accounting policies - (continued)

(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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(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.

Note 1 Summary of significant accounting policies (continued)

(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.

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.

Note 1 Summary of significant accounting policies (continued)

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).
- * Land Improvements (as approximated by depreciated historical cost).
- * 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.

Note 1 Summary of significant accounting policies (continued)

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 balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 Balance Sheet.

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 balance sheet 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 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)

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 (see below).

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 the 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 June 2013 was \$311,898. The last valuation of the Scheme was performed by Mr Martin Stevenson, BSc, FIA, FIAA on 20th February 2013 and covers the period ended 30 June 2012. However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 a deficit still exists. Effective from 1 July 2013, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of the contributions included in the total employer contributions advised above is \$118,769.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$552,196 as at 30 June 2013.

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.

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. Council

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.

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

- i) *AASB9 Financial Instruments*, *AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9* and *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9* and *AASB 2010-6 Amendments to Australian Accounting Standards - Mandatory Executive Date of AASB 9* and transitional disclosures (effective from 1 January 2015) *AASB 9 Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive income category for debt instruments.

There will be no impact on the 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 the Council does not have any such liabilities. The derecognition rules have been transferred from *AASB 139 Financial Instruments: Recognition and Measurement* and have not been changed.

- ii) *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 Arrangement Standards* (effective 1 January 2013) in August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in *AASB 127 Consolidated and Separate Financial Statements*, and Interpretation 12 Consolidation - Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. 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 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 AASB11, 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.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

iii) *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)*

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

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.

iv) *Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)*

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

v) *AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)*

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

vi) *AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014)*

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

Note 1 Summary of significant accounting policies (continued)

- vii) AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvement 2009-2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and interpretation 2 - Clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes.

AASB 134 - provides clarification about segment reporting

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

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.

(z) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(aa) 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.

(ab) 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, councils will continue to account for these assets as they have been doing in previous years.

(ac) 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 balance sheet.

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.

(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 2013

Revenues, expenses and assets have been directly attributed to the following functions/activities. Details of those focus areas are provided.													
Functions/Activities	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
	2013	2013	2012	2013	2013	2012	2013	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Governance (a)	-	-	-	125	85	306	(125)	(85)	(306)	-	-	-	-
Governance (b)	28	42	26	835	831	635	(807)	(789)	(609)	-	30	-	-
Technical Services	10,961	11,967	11,148	19,460	21,100	19,940	(8,499)	(9,133)	(8,792)	5,643	4,786	182,962	174,308
Building & Environmental Services	1,914	2,291	2,306	3,518	3,362	3,231	(1,604)	(1,071)	(925)	280	463	27,734	14,777
Organisational & Community Development	2,685	2,915	5,959	6,037	4,876	4,472	(3,352)	(1,961)	1,487	1,230	3,179	10,191	11,170
Corporate & Social Services	820	439	712	2,483	1,959	3,108	(1,663)	(1,520)	(2,396)	667	688	12,022	10,626
Total functions & activities	16,408	17,654	20,151	32,458	32,213	31,692	(16,050)	(14,559)	(11,541)	7,820	9,146	232,909	210,881
General Purpose Income ⁽¹⁾	7,565	9,219	9,610	-	-	-	7,565	9,219	9,610	3,534	4,466	-	-
Totals	23,973	26,873	29,761	32,458	32,213	31,692	(8,485)	(5,340)	(1,931)	11,354	13,612	232,909	210,881

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 2013

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 2013

	Actual 2013 \$'000	Actual 2012 \$'000
(a) Rates and annual charges		
Ordinary Rates		
Residential	693	628
Farmland	4,590	4,444
Business	76	73
Total ordinary rates	5,359	5,145
Annual Charges <i>(pursuant to s.496, 496A, 496B, 501 and 611)</i>		
Domestic waste management services	604	606
Water supply	576	655
Sewerage services	582	583
Stormwater management services	32	-
Waste management services (not domestic)	440	443
Total annual charges	2,234	2,287
Total rates and annual charges	7,593	7,432

Council has used 2009 valuations provided by the NSW Valuer General in calculating its rates.

Valuations are updated every three years.

Note 3 Income from continuing operations (continued)

	Actual 2013 \$'000	Actual 2012 \$'000
(b) User charges and fees		
User charges (pursuant to s.502)		
Water supply services	441	312
Sewerage services	77	53
Total user charges	518	365
Fees		
Private Works	223	197
RTA charges (State Roads not controlled by Council)	3,976	4,379
Building services - other	-	1
Planning & Building (regulatory)	84	65
s603 certificates	7	7
Registration Fees	11	5
Caravan parks	282	263
Cemeteries	30	40
Pre-school services	43	43
Home And Communtiy Care/Community Transport	91	83
Medical Centres	712	789
Quarry Charges	17	1
Roxy Theatre	45	49
WOW Fitness	-	-
Other fees	51	106
Total fees	5,572	6,028
Total user charges and fees	6,090	6,393
(c) Interest and Investment revenue (losses) ⁽¹⁾		
Overdue rates and charges	39	69
Cash, cash equivalents and Investments	480	569
Premiums recognised on financial instrument transactions		
- Reduced interest loan from Federal Government	-	192
Total interest and investment revenue (losses) ⁽¹⁾	519	830

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)

	Actual 2013 \$'000	Actual 2012 \$'000
(d) Other revenues		
Commissions & agency fees	76	82
Employee related	106	81
Emergency services reimbursements	-	286
Fines	3	3
Insurance claim recoveries	73	59
Medical Centres	70	74
Naroo	26	38
Rental income - other council properties	557	514
Sales - general	42	50
Festivals	-	1
Tourism	37	25
Other - Governance	-	4
Other	273	77
Waste management revenues	10	126
Water supplies	5	47
Sewer Operations	1	2
Total other revenues	1,279	1,469

Note 3 Income from continuing operations (continued)

	Operating		Capital	
	Actual	Actual	Actual	Actual
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
(e) Grants				
General purpose (Untied)				
Financial assistance	3,489	4,466	-	-
Pensioners' rates subsidies:				
- General	40	46	-	-
Special purpose				
Pensioners' rate subsidies:				
- Water	24	24	-	-
- Sewer	21	21	-	-
- Domestic waste management	46	40	-	-
Aged Care	773	824	-	14
NSW Rural Fire Service	306	-	-	25
Gwydir Learning Region	-	-	-	2,019
Employment & training programs	11	33	-	-
Family first - DOCS	101	97	-	-
Home And Community Care	234	194	55	-
Medical Centres	-	-	-	176
Noxious weeds	68	67	-	-
Roxy Complex	-	95	-	30
Tharawonga operational	268	262	-	-
Transport (3x3, Flood works, Roads to Recovery)	-	-	3,941	2,440
Transport (Other roads & bridges funding)	-	-	-	-
Street Lighting	19	36	-	6
Sewerage Services	-	-	-	5
Water Supplies	-	-	-	46
Other	427	402	9	208
Total grants	5,827	6,607	4,005	4,969
Comprising:				
- Commonwealth funding	4,719	5,595	2,180	3,295
- State funding	816	917	1,819	1,597
- Other funding	292	95	6	77
	5,827	6,607	4,005	4,969
(f) Contributions				
Developer Contributions				
- Section 94	-	-	110	153
RTA contributions (Regional/Local, Block Grant)	1,063	1,424	-	-
Section 64:				
- Water	-	-	-	-
- Sewerage	-	-	-	-
Other	271	231	78	228
Total contributions	1,334	1,655	188	381
Total grants and contributions	7,161	8,262	4,193	5,350

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 2013 \$'000	Actual 2012 \$'000
433	416
114	287
319	129

Gwydir Shire Council

**Note 4 Expenses from continuing operations
for the year ended 30 June 2013**

	Actual 2013 \$'000	Actual 2012 \$'000
(a) Employee benefits and on costs		
Salaries and wages	8,382	7,680
Travelling	180	120
Employee leave entitlements	1,683	2,617
Superannuation	1,029	973
Workers' compensation insurance	381	460
Fringe Benefits Tax	29	36
Training costs (excluding Salaries)	309	152
Other	382	131
Less: Capitalised costs	(1,740)	(1,003)
Total employee costs expensed	10,635	11,166
Number of FTE employees	172	169
(b) Borrowing Costs		
Interest on Overdrafts	-	-
Interest on Loans	715	633
Amortisation of discounts and premiums:		
- Unwinding discount on reduced interest loan	23	-
- Remediation (Tip & Quarry)	188	175
Less: Capitalised costs	(14)	-
Total borrowing costs expensed	912	808
(c) Materials and contracts		
Raw materials and consumables	1,773	2,777
Contractor and consultancy costs		
- Domestic waste management contract	-	-
- Health Services	565	644
- Pools	112	80
- Valuations	27	23
- Other	2,621	2,551
- Consultants	72	60
Remuneration of Auditors ⁽¹⁾	68	63
Legal fees:		
- Other	17	4
Operating Leases:		
- Other	9	8
Total materials and contracts	5,264	6,210

Note 4 Expenses from continuing operations (continued)

⁽¹⁾ 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

47	35
-	-
14	28

Other assurance services:

- Audit of regulatory returns

- Due diligence services

61	63
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Total remuneration for audit and other assurance services

(ii) Taxation services

Tax compliance services

-	-
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Total remuneration for taxation services

-	-
---	---

(iii) Other services

Remuneration advice

7	-
---	---

Benchmarking services

-	-
---	---

Total Remuneration for other services

7	-
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Total remuneration of Forsyths Chartered Accountants

68	63
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Note 4 Expenses from continuing operations (continued)

	Depn Actual 2013 \$'000	Depn Actual 2012 \$'000	Impairment Actual 2013 \$'000	Impairment Actual 2012 \$'000
(d) Depreciation, amortisation and impairment				
Plant and equipment	1,076	975	-	-
Office equipment	98	104	-	-
Furniture & fittings	41	38	-	-
Buildings - Non Specialised	582	615	-	-
- Specialised	366	392	-	-
Other Structures	90	115	-	-
Infrastructure:				
- roads, bridges and footpaths	8,268	8,276	-	2,951
- storm water drainage	46	45	-	-
- water supply network	211	215	-	-
- sewerage network	201	227	1,686	-
- library books	-	7	-	-
Quarry Remediation Asset	36	36	-	-
Tip asset	223	223	-	-
Less: Capitalised costs/impairment reversals/ impairments offset against asset revaluation reserves ⁽¹⁾				
Total depreciation	11,238	11,268	1,686	2,951
(e) Other expenses				
Other expenses for the year including the following:				
Mayoral fee	23	22		
Councillors' fees	100	96		
Councillors' (incl Mayor) expenses	22	18		
Advertising	59	53		
Bad & doubtful debts	20	4		
Bushfire & SES equipment	336	273		
Contributions and donations	149	133		
Electricity and heating	645	591		
Insurance	604	547		
Street lighting	94	74		
Subscriptions & publications	45	94		
Telephone	381	335		
Other	-	-		
Total Other Expenses	2,478	2,240		

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 2013

	Actual 2013 \$'000	Actual 2012 \$'000
Gain (or loss) on disposal of Property		
Proceeds from disposal	-	-
Less: Carrying amount of assets sold	32	-
Gain (or loss) on disposal	(32)	-
Gain (or loss) on disposal of Plant and Equipment		
Proceeds from disposal	609	373
Less: Carrying amount of assets sold	444	346
Gain (or loss) on disposal	165	27
Gain (or loss) on disposal of Infrastructure Assets		
Proceeds from disposal	-	-
Less: Carrying amount of infrastructure assets	95	2
Gain (or loss) on disposal	(95)	(2)
Net gain (or loss) from disposal of assets	38	25

Gwydir Shire Council

**Note 6(a) Cash and Cash equivalents
for the year ended 30 June 2013**

Cash at bank and on hand
Cash Equivalents

Actual 2013 \$'000	Actual 2012 \$'000
1,261	630
3,457	5,702
4,718	6,332

Gwydir Shire Council

**Note 6(b) Investments
for the year ended 30 June 2013**

The following financial assets are held as investments

	Actual 2013		Actual 2012	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Financial assets at fair value through Profit and Loss	-	-	-	-
Held to maturity investments	-	-	-	-
Available for sale financial assets	4,500	-	5,750	-
Total	4,500	-	5,750	-
Financial assets at fair value through Profit and Loss				
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				
	-	-	-	-
Held to maturity investments				
At beginning of year				
Adjustment on adoption of AASB132 & 139				
Revaluation to Income statement	-	-		
Additions				
Disposals (Sale/Redemption)				
At end of year	-	-	-	-
Comprising of:				
- Government Bonds				
- Term Deposits				
- Bank Bills				
- Equity linked notes				
	-	-	-	-
Available for sale financial assets				
At beginning of year	5,750	-	5,500	-
Adjustment on adoption of AASB132 & 139	-	-	-	-
Additions	3,000	-	250	-
Disposals (Sale/Redemption)	(4,250)	-	-	-
Revaluation adjustment to equity	-	-	-	-
At end of year	4,500	-	5,750	-

**Note 6(c) Restricted cash, cash equivalents and investments
for the year ended 30 June 2013**

	Actual 2013		Actual 2012	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Total cash, cash equivalents and investments	9,218	-	12,082	-
External restrictions	6,047		5,579	
Internal restrictions	2,993		4,864	
Unrestricted	178		1,639	
	9,218	-	12,082	-

	Opening Balance \$'000	Transfers to restrictions \$'000	Transfers from restrictions \$'000	Closing balance \$'000
External Restrictions Included in liabilities	-	-	-	-
Aged Care Bonds (A)	657	20	-	677
	657	20	-	677
Other				
Specific purpose unexpended grants (C)	648	84	462	270
Water (D)	1,605	60	-	1,665
Sewerage (E)	1,959	320	-	2,279
Domestic Waste Management (F)	710	336	-	1,046
Developer contributions (G)	-	110	-	110
Total external restrictions	5,579	930	462	6,047

(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.

	Opening Balance \$'000	Transfers to restrictions \$'000	Transfers from restrictions \$'000	Closing balance \$'000
Internal Restrictions				
Employee Leave Entitlements	1,006	-	133	873
Asset Renewal	510	510	250	250
Building Reserves	82	-	-	82
Plant Replacement	1,772	-	1,500	272
Other Waste	595	103	-	698
Unexpended Loans	750	95	226	619
Deposits, bonds etc.	117	82	-	199
Carry Over Works	32	-	32	-
Total Internal Restrictions	4,864	790	2,141	2,993
Total Restrictions	10,443	1,720	2,603	9,040

Gwydir Shire Council

**Note 7 Receivables
for the year ended 30 June 2013**

Purpose	Actual 2013		Actual 2012	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Rates and annual charges	501	-	515	-
Interest and extra charges	62	-	129	-
User charges and fees	272	-	286	-
Accrued revenues	928	-	1,677	-
GST Receivable	65	-	44	-
Government grants and subsidies	-	-	-	-
Sundry Trade Debtors	380	237	1,129	262
Other - housing	4	45	4	49
Other	43	-	36	-
Total	2,255	282	3,820	311
Less: Provision for doubtful debts				
Sundry Debtors	7	-	7	-
	7	-	7	-
Total	2,248	282	3,813	311
Restricted receivables				
Externally restricted receivables				
Water Supply	305	-	340	-
Sewerage Services	96	-	113	-
Domestic waste management	109	-	127	-
Total externally restricted receivables	510	-	580	-
Unrestricted receivables	1,738	282	3,233	311
Total receivables	2,248	282	3,813	311

Gwydir Shire Council

**Note 8 Inventories and other assets
for the year ended 30 June 2013**

	Actual 2013		Actual 2012	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Inventories				
Real estate (refer below)	-	-	-	-
Stores and materials	338	-	235	-
Total	338	-	235	-
Other assets				
Prepayments	16	-	5	-
Total	16	-	5	-
Real Estate Development				
Residential	-	-	-	-
Industrial/Commercial	-	-	-	-
Other properties	-	-	-	-
Total real estate for resale	-	-	-	-
<i>(Valued at the lower of cost and net realisable value)</i>				
Represented by:				
Acquisition costs	-	-	-	-
Development costs	-	-	-	-
Borrowing costs	-	-	-	-
Total real estate for resale	-	-	-	-

Externally restricted inventories and other assets

	Actual 2013		Actual 2012	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Water				
Stores and materials	19	-	20	-
Total Water	19	-	20	-
Sewerage				
Stores and materials	2	-	3	-
Total Sewerage	2	-	3	-
Waste				
Stores and materials	-	-	11	-
Total Sewerage	-	-	11	-
Total externally restricted inventories and other assets	21	-	34	-
Unrestricted inventories and other assets	333	-	206	-
Total inventories and other assets	354	-	240	-

**Note 9(a) Infrastructure, property, plant and equipment
for the year ended 30 June 2013**

By Asset Type	At 30 June 2012				Movements during year							At 30 June 2013			
	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	-	6,802	-	6,802	(359)	-	-	-	-	-	-	6,443	-	-	6,443
Plant and equipment	-	15,903	6,283	9,620	2,838	1	443	1,076	-	-	-	-	17,336	6,395	10,941
Office equipment	-	763	449	314	80	-	-	98	-	-	-	-	843	548	295
Furniture and fittings	-	889	203	686	34	-	-	41	-	-	-	-	923	244	679
Leased plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Operational Land	-	3,074	-	3,074	-	-	32	-	-	-	1,697	-	4,739	-	4,739
- Community Land	-	8,115	-	8,115	-	5	-	-	-	-	-	-	8,120	-	8,120
- Non depreciable land improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings - Non Specialised	-	28,598	15,230	13,368	473	774	-	582	-	9,790	907	-	30,344	5,614	24,730
- Specialised	-	17,473	8,887	8,586	77	2,006	-	366	1,163	6,943	1,352	-	22,810	3,049	19,761
Other Structures	-	3,855	1,491	2,364	17	639	-	90	(1,163)	-	-	-	2,608	842	1,766
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Roads, bridges, footpaths	-	282,536	158,632	123,904	4,112	1,510	-	8,268	-	-	-	-	288,158	166,899	121,259
- Stormwater Drainage	-	3,534	2,102	1,432	-	-	-	46	-	-	-	-	3,534	2,148	1,386
- Water Supply Network ⁽³⁾	-	15,640	5,767	9,873	5	163	96	211	-	1,154	(447)	-	15,067	4,626	10,441
- Sewerage Network ⁽³⁾	-	14,206	9,662	4,544	128	24	-	1,887	-	6,329	(385)	-	11,611	2,858	8,753
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	-	15	15	-	-	-	-	-	-	-	-	-	15	15	-
- Quarry Asset	-	371	174	197	-	-	-	36	-	-	-	-	371	210	161
- Tip Asset	-	2,549	993	1,556	-	-	-	223	-	-	-	-	2,549	1,216	1,333
Totals	-	404,323	209,888	194,435	7,405	5,122	571	12,924	-	24,216	3,124	6,443	409,028	194,664	220,807

- 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 2013**

By Asset Type	At 30 June 2013				At 30 June 2012			
	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
Water Supply								
WIP	-	57	-	57	-	3,076	-	3,076
Plant and equipment	-	525	45	480	-	93	23	70
Land								-
- Operational Land	-	63	-	63	-	50	-	50
Buildings	-	3,393	201	3,192	-	118	19	99
Other Structures	-	119	24	95	-	200	22	178
Water Supply Infrastructure	-	15,067	4,626	10,441	-	15,641	5,767	9,874
Total water supply	-	19,224	4,896	14,328	-	19,178	5,831	13,347
Sewerage Services								-
WIP	-	63	-	63	-	10	-	10
Plant and equipment	-	93	39	54	-	84	33	51
Land								
- Operational Land	-	284	-	284	-	217	-	217
Buildings	-	114	24	90	-	61	52	9
Other Structures	-	20	4	16	-	20	3	17
Sewerage Infrastructure	-	11,611	2,858	8,753	-	14,206	9,662	4,544
Total sewerage services	-	12,185	2,925	9,260	-	14,598	9,750	4,848
Domestic Waste Management								
WIP		24	-	24		22	-	22
Plant and equipment		19	3	16		19	2	17
- Operational Land		192	-	192		22	-	22
Other Structures		68	14	54		58	12	46
Other		-	-	-		-	-	-
Tip Asset		2,549	1,216	1,333		2,548	993	1,555
Total Domestic Waste	-	2,852	1,233	1,619	-	2,669	1,007	1,662
Total Restrictions	-	34,261	9,054	25,207	-	36,445	16,588	19,857

Gwydir Shire Council

**Note 10(a) Payables, borrowings and provisions
for the year ended 30 June 2013**

	Actual 2013		Actual 2012	
	Current	Non-Current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
Payables				
Goods and services	792	-	759	-
Payments received in advance	67	-	103	-
Accrued expenses	66	-	103	-
Accrued Interest	111	-	115	-
Deposits and retentions	180	-	117	-
Aged Care Bonds	677	-	657	-
Other	1	-	-	-
Total payables	1,894	-	1,854	-

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

609

501

Borrowings				
Bank overdraft	-	-	-	-
Loans - Secured ⁽¹⁾	677	9,677	730	9,759
Total borrowings	677	9,677	730	9,759
Provisions ⁽²⁾				
Annual leave	1,011	-	989	-
Long service leave	1,898	165	1,956	193
Quarry remediation (Note 26)	-	413	-	389
Tip remediation (Note 26)	-	2,839	-	2,676
Total provisions	2,909	3,417	2,945	3,258

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

1,491

958

Liabilities relating to restricted assets				
Waste management	17	2,934	51	2,779
Water	303	2,763	266	2,845
Sewer	145	15	80	22
Total	465	5,712	397	5,646

Notes:

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

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

for the year ended 30 June 2013

Class of provision	Opening balance \$'000	Increases in provisions \$'000	Payments \$'000	Re-measurement \$'000	Closing balance \$'000
Annual leave	989	749	727	-	1,011
Long service leave	2,149	231	647	-	1,733
Quarry Remediation	389	24	-	-	413
Tip remediation	2,676	163	-	-	2,839
Total	6,203	1,167	1,374	-	5,996

**Note 11 Reconciliation of cash flow movements
for the year ended 30 June 2013**

	Notes	Actual 2013 \$'000	Actual 2012 \$'000
(a) Reconciliation of cash assets			
Total cash and cash equivalents	6a	4,718	6,332
Less: Bank overdraft	10	-	-
Balances as per cash flow statement		4,718	6,332
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income statement		(5,340)	(1,931)
Add:			
Depreciation and impairment		12,924	11,268
Increase in provision for leave entitlements		-	1,117
Increase in other provisions		187	176
Decrease in receivables		1,594	-
Decrease in inventories		-	14
Increase in payables		40	562
Increase in accrued interest payable		-	(6)
		9,405	11,200
Less:			
Gain on sale of assets		38	25
Decrease in employee leave entitlements		64	-
Increase in inventories		114	-
Increase in other current assets		-	5
Increase in receivables		-	401
Decrease in other current liabilities		-	-
Non cash capital grants and contributions		-	231
Net cash provided from (or used in) operating activities from Cash flow statement		9,189	10,538

**Note 11 Reconciliation of cash flow movements (continued)
for the year ended 30 June 2013**

Notes	Actual 2013 \$'000	Actual 2012 \$'000
(c) Non-cash financing and investing activities		
Quarry Remediation asset	-	-
Tip Remediation asset	-	-
	-	-
(d) Financing arrangements		
Unrestricted access was available at balance date to the following:		
Bank overdraft facility ⁽¹⁾	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.

**Note 12 Commitments for Expenditure
for the year ended 30 June 2013**

(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

- Buildings
- Infrastructure
- Land
- Plant and equipment

Total

(b) Finance lease commitments

Commitments under finance leases at the reporting date are payable as follows:

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

Total

Minimum lease payments

Less: Future finance charges

Lease liability

Representing lease liabilities:

- Current
- Non-current

Total

	Actual 2013 \$'000	Actual 2012 \$'000
	3,424	-
	-	538
	-	-
	-	-
Total	3,424	538
	-	-
	-	-
	-	-
Total	-	-
	-	-
	-	-
Lease liability	-	-
	-	-
	-	-
Total	-	-

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 2013 \$'000	Actual 2012 \$'000
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

**Note 13 Statement of performance measures - Consolidated results
for the year ended 30 June 2013**

	Amounts	Current year indicators	2012	2011	2010
1. Unrestricted current ratio					
Current assets less all external restrictions ⁽¹⁾	5,242	1.79 :1	2.50:1	3.49:1	2.72:1
Current liabilities less specific purpose liabilities ⁽²⁾	2,932				
2. Debt service ratio					
Factors					
Debt Service Cost	1,392	7.21%	5.96%	6.45%	6.48%
Income from continuing operational excluding capital items and specific purpose grants/contributions	19,319				
3. Rate coverage ratio					
Factors					
Rates and annual charges	7,593	28.26%	24.97%	27.75%	28.70%
Income for continuing operations	26,873				
4. Rates and annual charges outstanding percentage					
Factors					
Rates and annual charges outstanding	556	6.82%	7.71%	10.34%	9.19%
Rates and annual charges collectible	8,147				
5. Building and infrastructure renewals ratio ⁽³⁾					
Asset renewals - building and infrastructure	4,812	0.42	0.35	0.52	0.43
Depreciation, amortisation, & impairment - building and infrastructure	11,450				

Notes:

(1) Refer to Notes 6-8 inclusive.

(2) Refer to note 10(a)

(3) Refer Note 9a

**Note 13 Statement of Tcorp performance measures - Consolidated results
for the year ended 30 June 2013**

	Amounts	Current year indicators	2012	2011	2010
1. Operating Performance					
Factors					
Operating Revenue excluding capital grants and contributions - operating expenses	-9,533	-42%	-30%	-26%	-29%
Operating Revenue excluding capital grants and contributions	22,680				
Current benchmark > 4%					
2. Own source operating revenue					
Factors					
Rates, utilities and charges ¹	13,683	50.92%	46.45%	49.42%	54.94%
Total operating revenue (inclusive of capital grants and contributions)	26,873				
Current benchmark > 60%					
3. Unrestricted current ratio					
Factors					
Current assets less all external restrictions	5,773	1.15 :1	2.05	1.79	1.29
Current liabilities less specific purpose liabilities	5,015				
Current benchmark > 1.5					
4. Debt Service Cover Ratio					
Factors					
Operating results before interest and depreciation (EBITDA)	2,617	1.65 :1	3.19	4.13	5.32
Principal repayments (from the statement of cash flows) + borrowing interest costs (from the income statement)	1,589				
Current benchmark > 2					
5. Capital expenditure ratio					
Annual capital expenditure	11,956	1.06 :1	0.72	0.90	0.54
Annual depreciation	11,238				
Current benchmark > 1.1					

Notes:

(1) Rates & annual charges + user charges and fees

Note 13 Statement of Tcorp performance measures - Consolidated results (cont)
for the year ended 30 June 2013

	Amounts	Current year indicators	2012	2011	2010
6. Infrastructure backlog ratio					
Factors					
Estimated cost to bring assets to a satisfactory condition	54,139	0.29 :1	0.32	0.29	0.28
Total value of infrastructure, building, other structures and depreciable land improvement assets.	188,096				
7. Asset maintenance ratio					
Factors					
Actual asset maintenance	9,252	0.95 :1	0.68	0.63	0.39
Required asset maintenance	9,765				
Current benchmark > 1					
8. Building and infrastructure renewals ratio					
Factors					
Asset renewals	4,812	0.42 :1	0.45	0.55	0.36
Depreciation of building and infrastructure assets	11,450				
Current benchmark > 1					
9. Cash expense cover ratio					
Factors					
Current year's cash and cash equivalents	4,718	2.82 :1	3.87	4.92	5.48
(Total expenses - depreciation - interest costs)*12	20,063				
Current benchmark > 3					
10. Interest cover ratio					
Operating results before interest and depreciation (EBITDA)	2,617	2.87 :1	5.93	8.51	11.75
Borrowing interest costs (from the income statement)	912				
Current benchmark > 3					

Notes:

**Note 13 Statement of performance measures - Fund results
for the year ended 30 June 2013**

	Current year indicators			
	General	Water	Sewer	Waste
1. Unrestricted current ratio				
Current assets less all external restrictions ⁽¹⁾	0.93	6.56	16.39	47.47
Current liabilities less specific purpose liabilities ⁽²⁾				
2. Debt service ratio				
Factors				
Debt Service Cost	5.13%	27.81%	0.72%	14.48%
Income from continuing operational excluding capital items and specific purpose grants/contributions				
3. Rate coverage ratio				
Factors				
Rates and annual charges	20.57%	44.97%	74.91%	90.18%
Income for continuing operations				
4. Rates and annual charges outstanding percentage				
Factors				
Rates and annual charges outstanding	4.24%	13.66%	10.98%	NA
Rates and annual charges collectible				
5. Building and infrastructure renewals ratio ⁽³⁾				
Asset renewals - building and infrastructure	0.50	0.02	0.07	0.00
Depreciation, amortisation, & impairment - building and infrastructure				

Notes:

(1) Refer to Notes 6-8 inclusive.

(2) Refer to note 10(a)

(3) Refer Note 9a

**Note 13 Statement of Tcorp performance measures - Fund results
for the year ended 30 June 2013**

	Current year indicators			
	General	Water	Sewer	Waste
1. Operating Performance				
Factors				
Operating Revenue excluding capital grants and contributions - operating expenses	-18%	-5%	-174%	6%
Operating Revenue excluding capital grants and contributions				
Current benchmark > 4%				
2. Own source operating revenue				
Factors				
Rates, utilities and charges ¹	41.65%	90.95%	84.32%	90.18%
Total operating revenue (inclusive of capital grants and contributions)				
Current benchmark > 60%				
3. Unrestricted current ratio				
Factors				
Current assets less all external restrictions	0.12	6.56	16.39	47.47
Current liabilities less specific purpose liabilities				
Current benchmark > 1.5				
4. Debt Service Cover Ratio				
Factors				
Operating results before interest and depreciation (EBITDA)	5.14	1.07	65.29	2.68
Principal repayments (from the statement of cash flows) + borrowing interest costs (from the income statement)				
Current benchmark > 2				
5. Capital expenditure ratio				
Annual capital expenditure	1.34	-0.38	0.07	0.00
Annual depreciation				
Current benchmark > 1.1				

Notes:

(1) Rates & annual charges + user charges and fees

**Note 13 Statement of Tcorp performance measures - Fund results
for the year ended 30 June 2013**

	Current year indicators			
	General	Water	Sewer	Waste
6. Infrastructure backlog ratio				
Factors				
Estimated cost to bring assets to a satisfactory condition	26%	59%	42%	0%
Total value of infrastructure, building, other structures and depreciable land improvement assets.				
7. Asset maintenance ratio				
Factors				
Actual asset maintenance	0.91	2.00	1.36	0.00
Required asset maintenance				
Current benchmark > 1				
8. Building and infrastructure renewals ratio				
Factors				
Asset renewals	0.42	0.02	0.63	0.00
Depreciation of building and infrastructure assets				
Current benchmark > 1				
9. Cash expense cover ratio				
Factors				
Current year's cash and cash equivalents	2.53	2.04	0.94	3.91
(Total expenses - depreciation - interest costs)*12				
Current benchmark > 3				
10. Interest cover ratio				
Factors				
Operating results before interest and depreciation (EBITDA)	10.85	1.74	457.00	2.74
Borrowing interest costs (from the income statement)				
Current benchmark > 3				

**Note 14 Investment properties
for the year ended 30 June 2013**

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 2013

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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial Assets				
Cash and cash equivalents	4,718	6,332	4,718	6,332
Receivables	2,530	4,124	2,530	4,124
Financial assets at fair value through profit or loss				
Available-for-sale financial assets	4,500	5,750	4,500	5,750
Held-to-maturity investments				
Total	11,748	16,206	11,748	16,206
Financial Liabilities				
Payables	1,894	1,854	1,894	1,854
Borrowings	10,354	10,489	10,354	10,489
Total	12,248	12,343	12,248	12,343

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 2013**

(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

	30/6/2013	30/6/2012
	\$'000	'\$000
Impact of a 1% ⁽¹⁾ movement in interest rates on cash and investments		
- Equity	92	121
- Income statement	92	121

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.

**Note 15 Financial risk management (continued)
for the year ended 30 June 2013**

(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:

	30/06/13	30/06/12
Percentage of Rates and Annual charges:		
- Current	20%	20%
- Overdue	80%	80%
Percentage of Other Receivables		
- Current	62%	23%
- Overdue	38%	77%

Note 15 Financial risk management (continued)
for the year ended 30 June 2013

(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:

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

2012 \$'000	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total Contractual Cash flows	Carrying values
Payables	1,854			1,854	1,854
Borrowings	730	3,684	6,075	10,489	10,489
	2,584	3,684	6,075	12,343	12,343

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 2013		30 June 2012	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Overdraft		-		-
Bank Loans - Fixed	7.59	10,354	7.23	10,489
- Variable (1)		-		-
		10,354		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 2013**

Council's original budget was incorporated as part of the Corporate Plan adopted by the Council on 30 June 2010. 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. User Charges and Fees

User charges and fees exceeded budget by \$828k (F). Major variations in amounts received is detailed below:

Council was successful in obtaining more than expected RMS works on main roads resulting in additional income.

2. Interest and investment revenues

Interest and investment revenues exceeded budget by \$165k (F). Major variations in amounts received is detailed below:

Better than expected investment balances combined with higher than expected interest rates provided higher investment revenues.

3. Other revenues

Other revenues were under budget by \$793k (U). Major variations in amounts received is detailed below:

Reduction of agency commissions of \$29k due to reduction of service levels.

Reduced insurance claim refunds \$50k.

Reduction in waste management income \$61k - reduced recycling income.

Reductions in numerous miscellaneous 'other' revenue accounts totalling \$184k.

4. Grants and contributions provided for operating purposes

Grants and contributions provided for operating purposes were over budget by \$1,710k (F). Major variations in amounts received is detailed below:

Early payment of 2014 Financial Assistance Grant entitlements.

5. Grants and contributions provided for capital purposes

purposes were over budget by \$704k (F). Major variations in amounts received is detailed

Grants received in relation to flood events

6. Net Gain from the disposal of assets

under budget by \$99k (U). Major variations in amounts received is detailed below:

Sale of land was delayed due to operational

Note 16 Budget Variations (continued)

Expenses

7. Employee benefits and on-costs

Employee costs were under budget by \$1,228k (F). Major variations in expenditure is detailed below:

Increased capitalised component of wages.

A comparison including capitalised wages results in an unfavourable variation of \$107k - less than 1%.

8. Materials and contracts

Materials and contracts were under budget by \$752k (F). Major variations in expenditure is detailed below:

A change in focus resulting in increased capital works.

**Note 17 Statement of contribution plans
for the year ended 30 June 2013**

(a) Summary of contributions

	Opening Balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽³⁾ \$'000	Held as restricted asset ⁽²⁾ \$'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	-	-	-	-	110	-	-	-
S94A levies	-	-	-	-	-	-	-	-	-	-
Planning agreements	-	-	-	-	-	-	-	-	-	-
Section 64	-	-	-	-	-	-	-	-	-	-
Totals	-	110	-	-	-	-	110	-	-	-

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 ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽⁴⁾ \$'000	Held as restricted asset ⁽²⁾ \$'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	-	-	-	-	-	-	-	-	-	-
Totals	-	-	-	-	-	-	-	-	-	-

(c) Contributions not under plans

	Opening Balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽⁴⁾ \$'000	Held as restricted asset ⁽²⁾ \$'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	-	-	-	-	-	-	-	-	-	-
Totals	-	110	-	-	-	-	110	-	-	-

**Note 18 Contingencies
for the year ended 30 June 2013**

Contingent liabilities

1. New England Credit Union.

Council provides bank guarantees to the value of \$198,745 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 2013 was \$311,898. The last valuation of the scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20th February 2013 and covers the period ended 30 June 2013. However the position is monitored annually and the actuary has estimated that as at 30th June 2013 a deficit still exists. Effective from 1 July 2013, 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 \$552,196 as at 30 June 2013.

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 2013**

No interests in joint ventures were held by Gwydir Sire Council in the financial year ended 30 June 2013

**Note 20 Revaluation reserves and retained earnings
for the year ended 30 June 2013**

	Notes	Actual 2013 \$'000	Actual 2012 \$'000
(a) Retained earnings			
Movements in retained earnings were as follows:			
At beginning of year		127,310	129,241
Movement in revaluation reserves			
Adjustment to correct prior period errors (Note 20d)	1	24,216	-
Adjustment due opening equity			-
Transfer adjustment for assets disposed of		-	-
Net operating result for the year		(5,340)	(1,931)
At end of year		146,186	127,310
(b) Revaluation reserves			
Plant and equipment revaluation reserve		1,212	1,212
Office Equipment		3	3
Furniture & Fittings revaluation reserve		202	202
Operational Land revaluation reserve		2,218	521
Buildings revaluation reserve		3,513	2,606
Specialised Buildings revaluation reserve		10,696	9,344
Other Structures revaluation reserve		62	62
Roads revaluation reserve		49,752	49,752
Stormwater revaluation reserve		221	221
Water Supply assets revaluation reserve		270	717
Sewer assets revaluation reserve		-	385
		68,149	65,025
Movements			
Infrastructure, property, plant and equipment revaluation reserve			
At beginning of year		65,025	67,609
Revaluations (Note 9)		3,124	367
Impairment		-	(2,951)
Transfer adjustment for assets disposed of		-	-
At end of year		68,149	65,025
Available-for-sale investments revaluation reserve			
At beginning of year			
Revaluation - gross			
Depreciation transfer - gross			
At end of year		-	-

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.

Initial recognition of community land not previously included in accounts

Plant depreciation adjustment

Office Equipment depreciation adjustment

Furniture & Fittings depreciatoin adjustment

Non Specialised Buildings depreciaiton adjustment

Specialised Buildings depreciaiton adjustment

Other Structures depreciaiton adjustment

Road, Bridges, Footpaths depreciation adjustment

Stormwater depreciation adjustment

Water asset depreciation adjustment

Sewer asset depreciation understated

Sewer asset revaluation decrement

Landfill remediation asset depreciation understated

Quarry remediation asset depreciation understated

-
-
-
-
9,790
6,943
-
-
-
1,154
6,329
-
-
-
24,216

**Note 21 Results by Fund
for the year ended 30 June 2013**

	Actual 2013 \$'000	Actual 2013 \$'000	Actual 2013 \$'000	Actual 2013 \$'000
	General ⁽¹⁾	Water	Sewer	Waste
Income from continuing operations				
Revenue:				
Rates and annual charges	5,431	621	621	1,102
User charges and fees	5,566	635	78	-
Interest and investment revenues	257	93	105	64
Other revenues	3,766	5	1	-
Grants and contributions provided for operating purposes	7,070	24	21	46
Grants and contributions provided for capital purposes	4,187	3	3	-
Other Income:				
Net gain from the disposal of assets	124	-	-	10
Total income from continuing operations	26,401	1,381	829	1,222
Expenses from continuing operations				
Employee benefits and on-costs	9,679	376	250	329
Borrowing costs	504	234	1	173
Materials and contracts	4,856	270	84	414
Depreciation & amortisation	8,872	242	1,895	227
Impairment	-	-	-	-
Other expenses	2,209	229	35	5
Net loss from disposal of assets	-	96	-	-
Total expenses from continuing operations	26,120	1,447	2,265	1,148
Operating result from continuing operations	281	(66)	(1,436)	74
Net operating result for the year	281	(66)	(1,436)	74
Attributable to:				
- Council	281	(66)	(1,436)	74
	281	(66)	(1,436)	74
Net operating result for the year before grants and contributions provided for capital purposes	(3,906)	(69)	(1,439)	74

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 2013**

	Actual 2013 \$'000	Actual 2013 \$'000	Actual 2013 \$'000	Actual 2013 \$'000
	General	Water	Sewer	Waste
Balance Sheet by Fund ⁽²⁾				
ASSETS				
Current Assets				
Cash & cash equivalents	3,530	165	29	244
Investments	-	1,500	2,250	1,500
Receivables	1,738	305	96	109
Inventories	317	19	2	-
Other	16	-	-	-
Non-current assts classified as held for sale	-	-	-	-
Total Current Assets	5,601	1,989	2,377	1,853
Non-current Assets				
Receivables	282	-	-	-
Infrastructure, property, plant and equipment	195,600	14,328	9,260	1,619
Intangible assets	-	-	-	-
Other	-	-	-	-
Total Non-current Assets	195,882	14,328	9,260	1,619
Total Assets	201,483	16,317	11,637	3,472
LIABILITIES				
Current Liabilities				
Payables	1,853	40	-	-
Borrowings	542	124	6	5
Provisions	2,620	139	139	12
Total Current Liabilities	5,015	303	145	17
Non-current Liabilities				
Borrowings	6,817	2,759	11	90
Provisions	565	4	4	2,844
Other	-	-	-	-
Total Current Liabilities	7,382	2,763	15	2,934
Total Liabilities	12,397	3,066	160	2,951
Net Assets	189,086	13,251	11,477	521
Retained Earnings	121,979	12,750	11,457	-
Revaluation Reserves	67,107	501	20	521
Council equity interest	-	-	-	-
Minority equity interest	-	-	-	-
Total Equity	189,086	13,251	11,477	521

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 2013**

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.

	Actual 2013 \$'000	Actual 2012 \$'000
At Beginning of year	2,676	2,523
Amounts capitalised to Tip asset		
- Initial recognition	-	-
- New disturbance		
- Revised costs	-	-
- Revised life		
- Revised discount rate		
Amortisation of discount - expensed to borrowing costs	163	153
At end of year	2,839	2,676

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.

	Actual 2013 \$'000	Actual 2012 \$'000
At Beginning of year	389	366
Amounts capitalised to Quarry asset		
- Initial recognition	-	-
- New disturbance		
- Revised costs	-	-
- Revised life		
- Revised discount rate		
Amortisation of discount - expensed to borrowing costs	24	23
At end of year	413	389

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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 30th June 2013.

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 Division 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 revaluation of Council's water, sewer and operational land and building assets as well as the compilation of the financial statements.

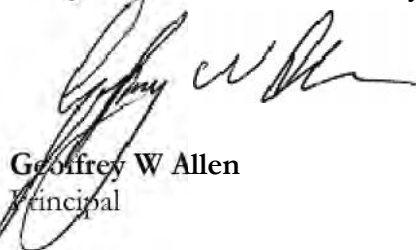
QUALIFIED AUDIT OPINION

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 30th June 2013 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

20th November 2013
92 Rusden Street Armidale

20 November 2013

The Mayor
Gwydir Shire Council
Locked Bag 5
BINGARA NSW 2404

Dear Mr Mayor

Armidale

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Forsyth's Business Services Pty Ltd
ABN 66 182 781 401

**AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30th JUNE 2013**

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2013 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

The overall objectives of the audit were to enable us to form an opinion as to whether, in all material respects, the general purpose financial statements:

- were presented fairly in accordance with the requirements of the *Local Government Act 1993* and prescribed Regulations and the Australian Accounting Standards; and
- presented a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

Scope of the Audit

Audit procedures were primarily aimed at achieving audit objectives and did not seek to confirm for management purposes the effectiveness of all internal controls. The planning of the audit procedures was based on an assessment of the risk of the existence of errors and/or irregularities which could materially affect the financial statements.

Page 1

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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. Further, our audit does not extend to the New South Wales Treasury Corporation (“TCorp”) performance measures disclosed in Note 13 as these are not mandatory under the Code of Accounting Practice and Financial Reporting 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 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 2013 included on Gwydir Shire Council’s web site. The Council is responsible for the integrity of it’s 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

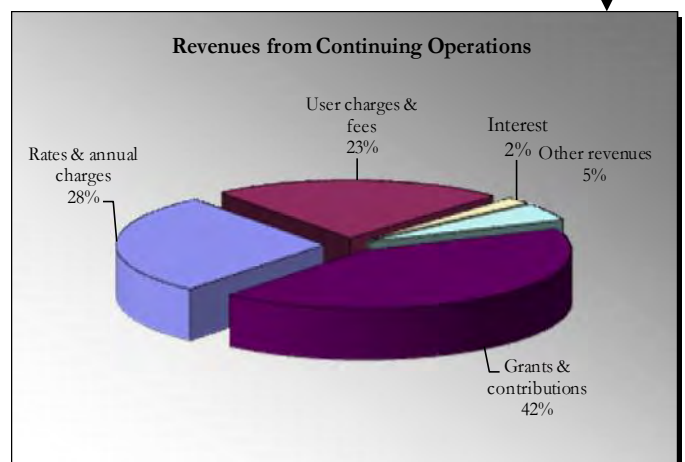
In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

The Income Statement for the year ended 30 June 2013 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2013	2013	2012	Actual	Budget
	\$'000	\$'000	\$'000		%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	7,208	7,593	7,432	2.2%	5.3%
User charges & fees	5,262	6,090	6,393	-4.7%	15.7%
Interest	354	519	830	-37.5%	46.6%
Other revenues from ordinary activities	2,072	1,279	1,469	-12.9%	-38.3%
Grants & contributions for operating purposes	5,451	7,161	8,262	-13.3%	31.4%
Grants & contributions For capital purposes	3,489	4,193	5,350	-21.6%	20.2%
Gain from sale of assets	137	38	25	52.0%	-72.3%
Total income from continuing operations	23,973	26,873	29,761	-9.7%	12.1%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	11,862	10,635	11,166	-4.8%	-10.3%
Borrowing costs	698	912	808	12.9%	30.7%
Materials and contracts	6,015	5,264	6,210	-15.2%	-12.5%
Depreciation & amortisation	11,495	11,238	11,268	-0.3%	-2.2%
Other expenses from ordinary activities	2,388	2,478	2,240	10.6%	3.8%
Impairment expense	0	1,686	0	0.0%	0.0%
Total Expenses from continuing operations	32,458	32,213	31,692	1.6%	-0.8%
OPERATING RESULT FROM CONTINUING OPERATIONS	(8,485)	(5,340)	(1,931)	176.5%	-37.1%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(11,974)	(9,533)	(7,281)	30.9%	-20.4%

Council reported a deficit of \$5.3m for 2013 compared with a deficit of \$1.9m in 2012. This result includes grants for capital purposes of \$4.2m. 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 \$9.5m (2012: deficit \$7.3m).

Revenue decreased by 9.7% mainly due to decrease in operating and capital grants and contributions. The decrease in user charges & fees was mainly due to a reduction in RMS charges in relation to State road work. Interest decrease due to the accounting adjustment required to reflect the gain arising from the receipt of a low interest loan in the prior year. Operational grants and contributions were lower due to only receiving one early instalment of the 2013/14 Financial Assistance grants compared to two in the 2012 year. Capital grants and contributions were lower because of the



receipt of a \$2m Gwydir Learning Region grant in the 2012 which was offset by increases in roads funding due to flood events during the current year.

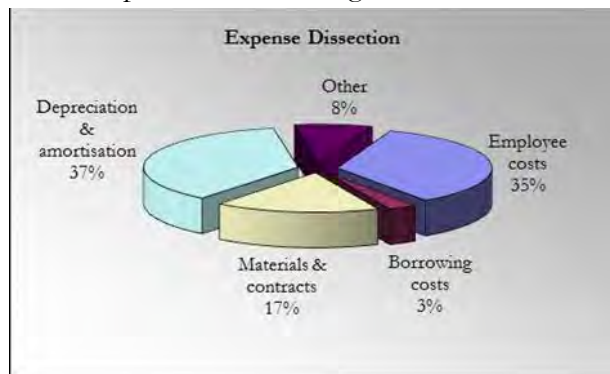
Expenses increased by 1.6% from 2012 mainly due to an increase on other expenses and an impairment loss partially offset by a decrease in employee benefits & on-costs and materials and contracts. Other expenses increased due to increased bushfire and SES expenditure and increases in electricity and insurance costs. The impairment expense relates to the impairment of sewer assets following the revaluation of sewer assets during the year. Employee benefit & on-costs were lower due to an increase in capitalisation of employees costs into capital projects. Materials and contract costs decreased due to Council focusing on capital works instead of maintenance

The continuing deficits, excluding capital grants for 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 \$5.3m compares with the original budget deficit of \$8.5m. The major variances to budget included:

Large Budget Variations		Comment
User charges & fees	\$ 828,000	Favourable variance to budget because Council was successful in obtaining additional RMS works on main roads.
Other revenues from ordinary activities	\$ (793,000)	Unfavourable variance to budget due to lower than expected agency commission, insurance refunds, reduced recycling income and other miscellaneous income.
Grants & contributions for operating purposes	\$ 1,710,000	Capital grants were favourable to budget mainly due to the early payment of the 2014 Financial Assistance Grant.
Grants & contributions For capital purposes	\$ 704,000	Favourable to budget due to the receipt of funding in relation to flood events.
Employee benefits & oncosts	\$ 1,227,000	Favourable to budget mainly due to higher than expected capitalisation of wages into capital projects.
Materials and contracts	\$ 751,000	Favourable to budget due to a change in focus resulting in increased capital works.
Impairment expense	\$ (1,686,000)	Unfavourable to budget as the decrease in the value of sewers assets was not contemplated in the budget process.

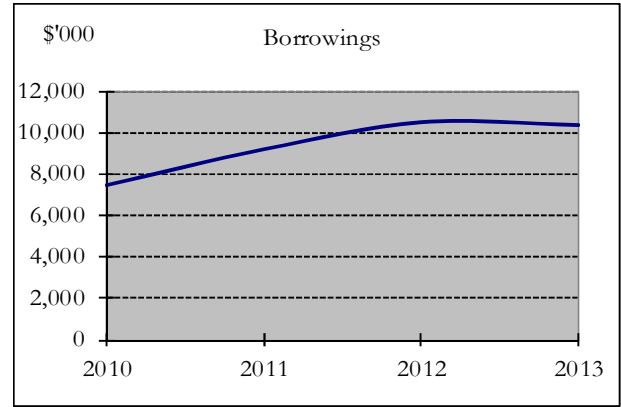
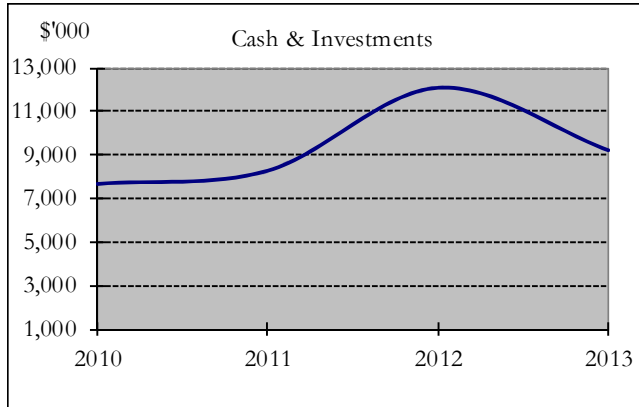
The tables below show a comparison of expense dissections for the Council for 2013 compared to the Group 10 council average for 2011.



The expense dissection reflects the level of capital renewal works and the capitalisation of employment and materials & contracts costs. It also reflects the size and condition of Council's infrastructure as represented by depreciation and amortisation. Note that 2011 is the latest available data as the Division of Local Government are no longer publishing this comparative information.

The following schedule of assets and liabilities has been extracted from the Statement of Financial Position as at 30th June 2013. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2013	2012	Variance
	\$'000	\$'000	%
CURRENT ASSETS			
Cash and cash equivalents	4,718	6,332	-25.5%
Investments	4,500	5,750	-21.7%
Receivables	2,248	3,813	-41.0%
Inventories	338	235	43.8%
TOTAL CURRENT ASSETS	11,820	16,135	-26.7%
CURRENT LIABILITIES			
Payables	1,894	1,854	2.2%
Borrowings	677	730	-7.3%
Provisions	2,909	2,945	-1.2%
TOTAL CURRENT LIABILITIES	5,480	5,529	-0.9%
NET CURRENT ASSETS	6,340	10,606	-40.2%
NON-CURRENT ASSETS			
Receivables	282	311	-9.3%
Infrastructure, Property Plant & Equipment	220,807	194,435	13.6%
TOTAL NON-CURRENT ASSETS	221,089	194,746	13.5%
NON-CURRENT LIABILITIES			
Provisions	3,417	3,258	4.9%
Borrowings	9,677	9,759	-0.8%
TOTAL NON-CURRENT LIABILITIES	13,094	13,017	0.6%
NET ASSETS	214,335	192,335	11.4%



Net current assets decreased by \$4.3 million due primarily to a decrease in cash & investments of \$2.9 million and a decrease in receivables of \$1.2m. The decrease in cash and investments is due to the expenditure on asset additions and renewals during the year. Receivables were lower as there were fewer grants receivable at year end.

The increase in infrastructure, property, plant and equipment of \$26.3m is due to increases arising from asset purchases & renewals of \$12.5m, the revaluation of water and sewer assets and operational land and buildings of \$27.3m offset by depreciation and impairment of \$12.9m and asset disposals of \$0.6m.

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.

NET CURRENT ASSETS	Water \$'000	Sewerage \$'000	Dom Waste \$'000	General \$'000	Total \$'000
Current Assets	1,989	2,377	1,853	5,601	11,820
Current Liabilities	303	145	17	5,015	5,480
Net Current Assets	1,686	2,232	1,836	586	6,340
Plus: Liabilities to be settled >12mths	-	-	-	2,441	2,441
Total Funds before Restrictions	1,686	2,232	1,836	3,027	8,781
LESS: Restricted Cash & Investments					
Aged care bonds	-	-	-	677	677
Developer Contributions (unexpended)	-	-	-	110	110
Unexpended Grants	-	-	-	270	270
	-	-	-	1,057	1,057
NET FUNDS AVAILABLE	1,686	2,232	1,836	1,970	7,724
LESS Internal Restrictions	-	-	1,317	1,676	2,993
Net Funds After All Restrictions	1,686	2,232	519	294	4,731

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	1,006	-	133	873
Asset Renewal	510	-	260	250
Plant Replacement	1,772	-	1,500	272
Other Waste	595	103	-	698
Building Reserves	82	-	-	82
Unexpended Loans	750	95	226	619
Carry Over Works	32	-	32	-
Deposits, bonds, etc	117	82	-	199
	4,864	280	2,151	2,993

The above table shows that after excluding water, sewerage and domestic waste functions, the general function had a working capital balance of \$2.0m before internal restrictions at 30 June 2013. Council has internally restricted \$3.0m in cash including \$0.9m for employee entitlements provisions. The restriction for employee leave entitlements represents 28% (32% in 2012) of the leave entitlement liability. The level of employee leave funding is considered adequate when compared to Councils of similar size and the age profile of employees.

After funding these restrictions, Council's general function has \$0.3 million to finance working capital requirements which is considered low and Council will need to carefully manage cash flow during the coming year.

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	2013	2012	2011	2010	2009
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.08	2.50	3.49	2.62	1.69
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	7.2%	6.0%	5.6%	6.5%	3.3%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	28.3%	25.0%	27.8%	28.7%	28.8%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	6.8%	7.7%	10.3%	9.2%	8.1%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	0.42	0.35	0.52	0.43	0.29

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 & contributions as well as Aged Care Bonds and employee entitlements that are not expected to be paid within the next twelve months. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 2.08 indicates that the general purpose function of Council has \$2.08 available to meet every dollar of current liability. Council's ratio compares to Group 10 Councils average of 4.60 and the State average of 3.80 for the 2012 year. However, the ratio is higher than the TCorp benchmark of greater than 1.5.

Debt service ratio

The debt service ratio of 7.2% shows the amount of revenue used to service debt and is above the average for Group 10 Councils of 3.38% and the State average of 5.45% for 2011 (latest available data) and reflects Council's current level of borrowing. A debt service ratio of between 5% and 15% is considered reasonable.

Rate coverage ratio

The rate coverage ratio shows that 28.3% of Council's revenue is derived from rates and charges which compares to the average of 30.52% for Group 10 Councils and the State average of 46.38% for 2011 (latest available data) and shows Council's dependence on other forms of revenue.

Outstanding rates

The outstanding rates ratio of 6.8% has improved during the year and is in line with industry benchmarks. The ratio shows that Council has improved its collection performance. This ratio compares to the Group 10 Councils average of 7.71% and the State average of 5.40% for 2011 (latest available data).

Asset renewals ratio

The asset 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 2013 Council spent \$0.42 for every \$1 in estimated asset deterioration. The Group 10 average for the asset renewal ratio was \$0.65 and the state average of \$0.66 for 2012.

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.

TCorp Performance Indicators

The Code of Accounting Practice has introduced new non-mandatory performance indicators that have been developed by TCorp as part of their review during the year of all councils future financial sustainability. These financial indicators are considered useful in assessing long term financial sustainability rather than the financial position at the end of the financial year. Please note that this is the first year that these ratios have been calculated and they have been calculated using data from 2009 to 2013 which is a period with changing accounting treatment (revaluations, etc). They should be used as general indicators only. These ratios will improve as the data becomes more consistent and the calculations are more refined.

The key consolidated TCorp performance measures disclosed in the Financial Statements are:

RATIO	PURPOSE	2013	2012	2011	2010	2009
OPERATING PERFORMANCE	To assess councils ability to meet operating expenditure within operating reveune.	-42.0%	-30.0%	-26.0%	-29.0%	-39.2%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	50.9%	46.5%	49.4%	54.9%	49.5%
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	1.65	3.19	4.13	5.32	3.28
CAPITAL EXPENDITURE RATIO	To assess the extent to which council is forecasting to expand its asset base with capital expenditure.	1.06	0.72	0.90	0.54	0.56
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	29.0%	32.0%	29.0%	28.0%	26.0%
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	0.95	0.68	0.63	0.39	0.66
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	2.82	3.87	4.92	5.48	2.80
INTEREST COVER RATIO	To assess the extent to which council can service its interest bearing debt and take on additional borrowings.	2.87	5.93	8.51	11.75	8.39

Council is only required to disclose these performance measures for the 2013 year. However, for comparative purposes we have included the indicators for the past 5 years with the ratios for 2012 and 2009 being sourced from the TCorp report issued during the 2013 year.

Operating performance

An operating performance deficit of 42% compares to a deficit in 2012 of 30% and means that Council's operating revenue, excluding capital grants and contributions are insufficient to cover operating expenditure. This compares to the Group 10 Councils average deficit of 6.64% and a state average deficit of 4.4%. The TCorp benchmark for this ratio is to have a deficit of less than 4.0% each year.

Owned source operating revenue

A ratio of 50.9% for the 2013 year highlights Council's dependence on grants and contributions and compares to a Group 10 average of 46.6% for 2012 and a State average of 56.7% for 2012. The TCorp benchmark for sustainability is to have a ratio of greater than 60%.

Debt service cover ratio

The debt service cover ratio of 1.65 times indicates that council has \$1.65 before interest and depreciation to pay interest and principal repayments on current borrowings. The TCorp benchmark for sustainability is to have a ratio of greater than 2.0.

Capital expenditure ratio

The capital expenditure ratio of 1.06 indicates that Council has expended \$1.06 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.

Infrastructure backlog ratio

An infrastructure backlog ratio 29% indicates that the infrastructure backlog represents 29% of the value of Council's infrastructure and compares to a Group 10 average of 14.59% and State average of 13% for 2012. The TCorp benchmark is a ratio less than 20%.

We do not provide an audit opinion regarding the accuracy of the infrastructure backlog ratio as it involves significant judgement by council staff regarding the condition of its assets and the costs required to bring them to a satisfactory standard. The data is sourced from the unaudited Special Schedule 7 of the financial statements.

Asset maintenance ratio

The Asset Maintenance ratio of 0.95 indicates that Council has been undertaking insufficient maintenance to keep pace with required maintenance requirements as determined by council's engineers and maintenance staff. A ratio of greater than 1.0 is considered acceptable by TCorp.

We do not provide an audit opinion regarding the accuracy of the asset maintenance ratio as it involves significant judgement by council staff regarding the costs required to maintain assets. The data is sourced from the unaudited Special Schedule 7 of the financial statements.

Cash expense ratio

The ratio indicates that Council can pay 2.82 months of its expenses without additional cash inflows. The TCorp benchmark is to have reserves to meet at least 3 months of operating expenditure. Since Council also has significant long term deposits not included in this ratio, it has maintained strong cash reserves and per this ratio maintains a healthy short term financial position.

Interest cover ratio

This ratio indicates that Council has 2.87 times interest cover and is not in a satisfactory position to service current debt commitments and does not have the ability to service additional debt borrowings.

The increased 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 2013 \$'000	Actual 2012 \$'000	Variance %
CASH INFLOWS			
Operating Receipts	30,307	30,658	-1.1%
Proceeds from Assets Sales	609	373	63.3%
Proceeds from Borrowings	542	2,000	-72.9%
TOTAL RECEIPTS	32,708	33,031	-1.0%
CASH OUTFLOWS			
Operating Payments	21,118	20,120	5.0%
Purchase of investments	0	5,750	0.0%
Purchase of Assets	12,527	8,409	49.0%
Repayment of Borrowings	677	696	-2.7%
TOTAL PAYMENTS	34,322	34,975	-1.9%
TOTAL CASH MOVEMENT	(1,614)	(1,944)	-17.0%
Cash and cash equivalents	4,718	6,332	-25.5%
Investments	4,500	5,750	-21.7%
Total Cash & Investments on Hand	9,218	12,082	-23.7%

Cash and investment decreased by \$2.9m during the year due to expenditure on asset of \$12.5 m and loan repayments of \$0.7m being funded by asset sales \$0.6m, borrowings of \$0.5m, cash from operations of \$9.2m and \$2.9m of cash reserves.

Cash outflows for Purchase of Assets included road and bridge construction totalling \$5.6m. This compares to the \$8.3m 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 \$38.9m.

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 deficit of \$87,000 after allowing for depreciation of \$242,000. The Net Current Asset position records a positive balance of \$1,686,000 compared to \$1,699,000 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. Further, the overall financial position of the function is considered adequate given the low level of debt and the current water infrastructure condition (per unaudited Special Schedule 7) being assessed as “Fair” (Deterioration evident) and that the estimated cost to bring the supply to a “Satisfactory Condition” is \$8,054,000.

SEWERAGE SERVICES

The Special Purpose Financial Statements disclose that the sewerage function recorded an operating surplus of \$247,000 after allowing for depreciation of \$209,000. The Net Current Assets position show a surplus of \$2,232,000 compared with \$1,994,000 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. Special Schedule 7 discloses that the current condition of the Sewerage treatment works is generally assessed as “Fair” (Deterioration evident) and that the estimated cost to bring the works to a “Satisfactory Condition” is \$3,705,000.

NAROO AGED CARE SERVICES

The Special Purpose Financial Statements disclose that Naroo Aged Care recorded an operating surplus of \$489,000 after allowing for depreciation of \$85,000. The Net Current Assets position shows a surplus of \$405,000 compared with a surplus of \$741,000 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 surplus of \$74,000 after allowing for depreciation of \$227,000. The Net Current Assets position show a surplus of \$1,836,000.

FINANCIAL SUSTAINABILITY

During the year all councils have had an external assessment by NSW Treasury Corporation (“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 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;
- 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;
- 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.

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 following areas:

- Asset register finalisation especially data related to revaluation changes;
- Obtaining asset revaluation reports and results on a timely basis for inclusion in final results; and
- Compilation of financial statements including the special purpose financial statements.

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

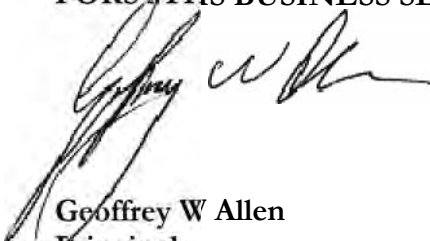
Matters of a technical nature have been documented in a management letter to the General Manager.

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 2013

*"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 2013

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Gwydir Shire Council

Special Purpose Financial Report for the year ended 30 June 2013

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:

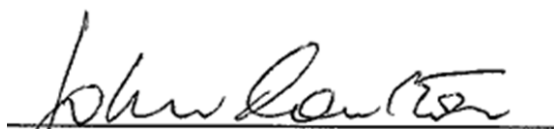
- * NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- * Division of Local Government Guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality".
- * The Local Government Code of Accounting Practice and Financial Reporting.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

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

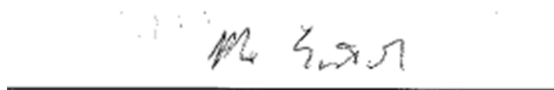
- * presents fairly the operating result and financial position for each of Council's declared Business Activities for the year, and
- * accords with Council's accounting and other records.


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 31 October 2013


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 2013**

	Actual 2013 \$'000	Actual 2012 \$'000
Income from continuing operations		
Access charges	621	704
User charges	629	443
Fees	6	3
Interest	93	109
Grants and contributions provided for non capital purposes	24	24
Profit from the sale of assets	-	-
Other revenues	5	47
Total revenues from continuing operations	1,378	1,330
Expenses from continuing operations		
Employee benefits and on-costs	376	356
Borrowing costs	234	241
Materials and contracts	270	249
Depreciation & impairment	242	231
Water purchase charges	-	-
Loss on sale of assets	96	2
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	18	19
Other expenses	229	171
Total expenses from continuing operations	1,465	1,269
Surplus (deficit) from continuing operations before capital amounts	(87)	61
Grants and contributions provided for capital purposes	3	46
Surplus (deficit) from continuing operations after capital amounts	(84)	107
Less Corporate Taxation Equivalent (30%) [based on result before capital]	-	18
Surplus (deficit) after tax	(84)	89
Opening retained profits	11,509	11,264
Adjustments for amounts unpaid		
Taxation equivalent payments	-	-
Debt guarantee fees	18	19
Corporate taxation equivalent	-	18
Less: TER Dividend Paid		
Less: Surplus Dividend Paid		
Financial Instruments through equity		
Adjustment for previous period error	1,307	119
Revaluation Reserve	-	-
Closing retained profits	12,750	11,509
Return on Capital %	1.03%	2.27%
Subsidy from Council		
Calculation of Dividend Payable		
Surplus (deficit) after tax	(84)	89
Less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	(84)	89
Dividend calculated from surplus	-	44

Gwydir Shire Council

Income Statement of Sewerage business activity for the year ended 30 June 2013

	Actual 2013 \$'000	Actual 2012 \$'000
Income from continuing operations		
Access charges	621	620
User charges	77	53
Fees	1	-
Interest	105	108
Grants and contributions provided for non capital purposes	21	21
Profit from the sale of assets	-	-
Other revenues	1	2
Total revenues from continuing operations	826	804
Expenses from continuing operations		
Employee benefits and on-costs	250	214
Borrowing costs	1	3
Materials and contracts	84	107
Depreciation & impairment ¹	1,895	235
Debt guarantee fee (if applicable)	-	-
Other expenses	35	66
Total expenses from continuing operations	2,265	625
Surplus (deficit) from continuing operations before capital amounts	(1,439)	179
Grants and contributions provided for capital purposes	3	5
Surplus (deficit) from continuing operations after capital amounts	(1,436)	184
Less Corporate Taxation Equivalent (30%) [based on result before capital]	-	54
Surplus (deficit) after tax	(1,436)	130
Opening retained profits	6,532	6,341
Adjustments for amounts unpaid	-	-
Taxation equivalent payments	-	-
Debt guarantee fees	-	-
Corporate taxation equivalent	-	54
Less: TER Dividend Paid	-	-
Less: Surplus Dividend Paid	-	-
Adjustment for previous period error	4,675	7
Revaluation Reserve	-	-
Closing retained profits	9,771	6,532
Return on Capital %	-15.53%	3.75%
Subsidy from Council		
Calculation of Dividend Payable		
Surplus (deficit) after tax	(1,436)	130
Less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	(1,436)	130
Dividend calculated from surplus	88	41

¹ 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 2013

	Actual 2013 \$'000	Actual 2012 \$'000
Income from continuing operations		
Access charges	1,102	1,103
User charges	-	-
Fees	-	-
Interest	64	75
Grants and contributions provided for non capital purposes	46	40
Profit from the sale of assets	10	-
Other revenues	-	126
Total revenues from continuing operations	1,222	1,344
Expenses from continuing operations		
Employee benefits and on-costs	329	294
Borrowing costs	173	162
Materials and contracts	414	395
Depreciation & impairment	227	226
Debt guarantee fee (if applicable)	-	1
Other expenses	5	26
Total expenses from continuing operations	1,148	1,104
Surplus (deficit) from continuing operations before capital amounts	74	240
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from continuing operations after capital amounts	74	240
Less Corporate Taxation Equivalent (30%) [based on result before capital]	22	72
Surplus (deficit) after tax	52	168
Opening retained profits	274	34
Taxation equivalent payments	-	-
Debt guarantee fees	-	1
Corporate taxation equivalent	22	72
Adjustment for previous period error	(348)	(1)
Closing retained profits	-	274
Return on Capital %	15.26%	8.29%
Subsidy from Council		
Calculation of Dividend Payable		
Surplus (deficit) after tax	52	168
Less: Capital grants and contributions (excluding developer contributions)		
Surplus for dividend calculation purposes	52	168
Dividend calculated from surplus	26	84

Gwydir Shire Council

Income Statement of Naroo Aged Care business activity for the year ended 30 June 2013

	Actual 2013 \$'000	Actual 2012 \$'000
Income from continuing operations		
Rentals	361	334
User charges & Fees	4	4
Investment Revenues	26	27
Premiums on discounted loans	-	192
Other Revenues	26	38
Operating Grants	699	767
Donations	-	2
Operating Contributions	-	-
Total revenues from continuing operations	1,116	1,364
Expenses from continuing operations		
Employee benefits and on-costs	881	810
Borrowing costs	105	77
Materials and contracts	449	273
Depreciation & impairment	85	95
Calculated taxation equivalents		
Debt guarantee fee (if applicable)	10	6
Other expenses	75	63
Total expenses from continuing operations	1,605	1,324
Surplus (deficit) from continuing operations before capital amounts	(489)	40
Grants and contributions provided for capital purposes	-	14
Surplus (deficit) from continuing operations after capital amounts	(489)	54
Less Corporate Taxation Equivalent (30%) [based on result before capital]	-	12
Surplus (deficit) after tax	(489)	42
Opening retained profits	2,382	2,177
Taxation equivalent payments	-	-
Debt guarantee fees	10	6
Corporate taxation equivalent	-	12
Equity Adjustment		145
Adjustment for previous period error	(690)	-
Closing retained profits	1,213	2,382
Return on Capital %	-16.09%	3.62%
Subsidy from Council	-	-
Calculation of Dividend Payable		
Surplus (deficit) after tax	(489)	42
Less: Capital grants and contributions (excluding developer contributions)		-
Surplus for dividend calculation purposes	(489)	42
Dividend calculated from surplus	-	-

Gwydir Shire Council

Statement of Financial Position of Water Supply business activity for the year ended 30 June 2013

	Actual 2013 \$'000	Actual 2012 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	1,665	1,605
Receivables	305	340
Inventories	19	20
Total current assets	1,989	1,965
Non Current Assets		
Infrastructure, property, plant and equipment	14,328	13,347
Total non-current assets	14,328	13,347
Total assets	16,317	15,312
LIABILITIES		
Current liabilities		
Payables	40	41
Interest bearing liabilities	124	150
Provisions	139	75
Total current liabilities	303	266
Non-current liabilities		
Interest bearing liabilities	2,759	2,840
Provisions	4	6
Total non-current liabilities	2,763	2,846
Total liabilities	3,066	3,112
Net assets	13,251	12,200
EQUITY		
Retained earnings	12,750	11,509
Reserves	501	691
Council equity interest		
Total equity	13,251	12,200

Gwydir Shire Council

Statement of Financial Position of Sewerage business activity for the year ended 30 June 2013

	Actual 2013 \$'000	Actual 2012 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	2,279	1,959
Receivables	96	113
Inventories	2	3
Total current assets	2,377	2,075
Non Current Assets		
Infrastructure, property, plant and equipment	9,260	4,848
Total non-current assets	9,260	4,848
Total assets	11,637	6,923
LIABILITIES		
Current liabilities		
Payables	-	-
Interest bearing liabilities	6	6
Provisions	139	75
Total current liabilities	145	81
Non-current liabilities		
Interest bearing liabilities	11	17
Provisions	4	6
Total non-current liabilities	15	23
Total liabilities	160	104
Net assets	11,477	6,819
EQUITY		
Retained earnings	11,457	6,532
Reserves	20	287
Council equity interest		
Total equity	11,477	6,819

Gwydir Shire Council

Statement of Financial Position of Waste business activity for the year ended 30 June 2013

	Actual 2013 \$'000	Actual 2012 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	1,744	1,305
Receivables	109	127
Inventories	-	11
Total current assets	1,853	1,443
Non Current Assets		
Infrastructure, property, plant and equipment	1,619	1,662
Total non-current assets	1,619	1,662
Total assets	3,472	3,105
LIABILITIES		
Current liabilities		
Payables	-	1
Interest bearing liabilities	5	5
Provisions	12	46
Total current liabilities	17	52
Non-current liabilities		
Interest bearing liabilities	90	95
Provisions	2,844	2,684
Total non-current liabilities	2,934	2,779
Total liabilities	2,951	2,831
Net assets	521	274
EQUITY		
Retained earnings	-	274
Reserves	521	
Total equity	521	274

Gwydir Shire Council

Balance Sheet of Naroo Aged Care business activity for the year ended 30 June 2013

	Actual 2013 \$'000	Actual 2012 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	415	750
Receivables	22	23
Aged Care Bonds	677	657
Total current assets	1,114	1,430
Non Current Assets		
Investments		
Receivables	147	169
Inventories		
Infrastructure, property, plant and equipment	2,386	3,229
Investments accounted for using equity method		
Investment property		
Other		
Total non-current assets	2,533	3,398
Total assets	3,647	4,828
LIABILITIES		
Current liabilities		
Interest bearing liabilities	32	32
Aged Care Bonds	677	657
Total current liabilities	709	689
Non-current liabilities		
Payables	-	-
Interest bearing liabilities	1,608	1,640
Non interest bearing liabilities	117	117
Total non-current liabilities	1,725	1,757
Total liabilities	2,434	2,446
Net assets	1,213	2,382
EQUITY		
Retained earnings	1,213	1,987
Reserves	-	-
Council equity interest	-	395
Total equity	1,213	2,382

Gwydir Shire Council

Notes to the Special Purpose Financial Reports for the year ended 30 June 2013

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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 2013

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.

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 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 2013

Calculation and payment of tax-equivalents

(i)	Calculated tax-equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	4,803
(iii)	Amounts payable for tax-equivalents (lessor of (i) and (ii))	-
(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>	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	48,030
(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	2,605,700
(iv)	Maximum dividend from surplus (least of (i), (ii) and (iii))	-
(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) <i>= 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]</i>	%	44.57
--------	--	---	-------

NWI F1	Total Revenue (Water) <i>= Total Revenue (w13) + Gain/loss on Disposal of Assets (w14) - Grants for Acquisition of Assets (w11a) - Interest Income (w9)</i>	\$ ('000)	1,292
--------	--	-----------	-------

NWI F20	Capital Works Grants (Water) <i>= Grants for Acquisition of Assets (w11a)</i>	\$ ('000)	3
---------	--	-----------	---

NWI F13	Economic Real of Return (Water) <i>= [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)</i>	%	3.17
---------	---	---	------

NWI F6	Operating Cost (OMA) (Water) <i>= Management Expenses (w1) + Operation and Maintenance Expenses (w2)</i>	\$ ('000)	719
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NWI F9	Total Cost (Water) <i>= Operating Cost (NWI F6) + Current Cost Depreciation (w3a +w3b)</i>	\$ ('000)	961
--------	---	-----------	-----

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 2013

Calculation and payment of tax-equivalents

(i)	Calculated tax-equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	3,774
(iii)	Amounts payable for tax-equivalents (lessor of (i) and (ii))	-
(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>	(718,000)
(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))	(718,000)
(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)	721
= Total Revenues (s14) + Gain/loss on Disposal of Assets (S15) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)		
NWI F21 Capital Works Grants (Sewerage)	\$ ('000)	3
= Grants for Acquisition of Assets (s12a)		
NWI F11 Capital Expenditure (Water & Sewerage)	\$ ('000)	502
= Acquisition of Fixed Assets (w16+s17)		
NWI F14 Economic Real of Return (Sewerage)	%	-16.486
= [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)		
NWI F12 Economic Real of Return (Water and Sewerage)	%	-5.793
= [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)		
NWI F16 Net Debt to Equity (Water and Sewerage)	%	-4.222
= [Overdraft (w36 +s37) + Borrowings (w38 + s39) - Cash and Investments (w30 + s31)] x 100 divided by [Total Assets (w35 +s36) - Total Liabilities (w40 + s41)]		
NWI F17 Interest Cover (Water and Sewerage)		-3368.182
= [Earnings before Interest and Tax x 100 divided by Net Interest (Interest Expense - Interest Income)]		
= [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)]		
NWI F18 Net Profit After Tax (Water and Sewerage)	\$ ('000)	(1,520)
= [Surplus before Dividends less Tax Paid (see Notes 2 & 3 above)		
NWI F19 Community Service Obligations (Water and Sewerage)	\$ ('000)	45
= Grants for Pensioner Rebates (w11b + s12b)		
NWI F5 Revenue from Community Service Obligations (Water and Sewerage)	%	2.24
= Community Service Obligations (NWI F19) x 100 divided by Total Revenue (NWI F1 + NWI F2)		
NWI F7 Operating Cost (OMA) (Sewerage)	\$ ('000)	269

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

NWI F10 Total Cost (Sewerage)

\$ ('000)

2,164

= *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 30th June 2013 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 Division 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 Division 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 Division 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 Division 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 30th June 2013 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 Division 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

20th November 2013
92 Rusden Street Armidale

Gwydir Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2013

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



Gwydir Shire Council

Special Schedules for the year ended 30 June 2013

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Gwydir Shire Council

Special Schedule No. 1

Net cost of services

for the year ended 30 June 2013

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
Governance	187	-	-	187
Administration	2,762	371	-	2,391
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	742	434	-	308
Animal Control	75	5	-	70
Beach Control	-	-	-	-
Enforcement of Local Govt Regs	-	-	-	-
Other	85	-	-	85
Total Public Order & Safety	902	439	-	463
Health	881	918	-	(37)
Environment				
Noxious Plants & Insects/Vermin Control	122	69	-	53
Other Environmental Protection	-	50	-	(50)
Solid Waste Management	1,041	1,221	-	(180)
Street Cleaning	369	-	-	369
Drainage	-	-	-	-
Stormwater Management	127	-	-	127
Total Environment	1,659	1,340	-	319
Community Services & Education				
Administration & Education	619	469	-	150
Social protection (welfare)	83	102	-	(19)
Aged Persons & Disabled	1,337	1,519	55	(237)
Childrens Services	94	51	-	43
Total Community Services & Education	2,133	2,141	55	(63)
Housing & Community Amenities				
Public Cemeteries	38	53	-	(15)
Public Conveniences	96	-	-	96
Street Lighting	88	19	-	69
Town Planning	27	64	-	(37)
Other Community Activities	322	134	-	188
Total Housing & Community Amenities	571	270	-	301

Net cost of services (continued)

Function or Activity	Expenses from	Income from continuing	Income from continuing	Net cost of services
	continuing operations	operations (non capital)	operations (capital)	
	\$'000	\$'000	\$'000	\$'000
Water Supplies	1,281	1,378	3	(100)
Sewerage Services	2,147	826	3	1,318
Recreation and Culture				
Public Libraries	207	93	-	114
Museums	12	-	-	12
Art Galleries	-	-	-	-
Community Centres & Halls	218	10	-	208
Performing Arts Venues	477	109	-	368
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds & Venues	165	-	-	165
Swimming Pools	197	-	-	197
Parks and Gardens (Lakes)	137	1	-	136
Other Sport and Recreation	52	10	-	42
Total Recreation & Culture	1,465	223	-	1,242
Fuel & Energy	-	-	-	-
Mining, Manufacturing & Construction				
Building Control	-	83	-	(83)
Other Mining, Manufacturing & Construction	799	26	-	773
Total Mining, Manufacturing & Construction	799	109	-	690
Transport and Communications				
Urban Roads (UR): Local	417	-	-	417
Urban Roads: Regional	-	-	-	-
Sealed Rural Roads (SRR): Local	2,639	-	-	2,639
Sealed Rural Roads: Regional	1,598	1,322	725	(449)
Unsealed Rural Roads (URR): Local	4,611	63	3,404	1,144
Unsealed Rural Roads: Regional	-	-	-	-
Bridges on Urban Roads: Local	49	-	-	49
Bridges on Urban Roads: Regional	-	-	-	-
Bridges on Sealed Rural Roads: Local	218	-	-	218
Bridges on Sealed Rural Roads: Regional	256	-	-	256
Bridges on Unsealed Rural Roads: Local	104	-	-	104
Bridges on Unsealed Rural Roads: Regional	-	-	-	-
Parking Areas	20	-	-	20
Footpaths	35	-	-	35
Aerodromes	6	-	-	6
Other Transport & Communication	6,703	3,982	-	2,721
Total Transport & Communications	16,656	5,367	4,129	7,160

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
Economic Affairs				
Camping Areas & Caravan Parks	343	302	-	41
Other Economic Affairs	427	48	3	376
Total Economic Affairs	770	350	3	417
Totals - Functions	32,213	13,732	4,193	14,288
General Purpose Revenues (1)				8,948
Net operating result for the year (2)				5,340
Net operating result for the year (2)				5,340

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 2013

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
Loans (by source)											
Financial Institutions	730	9,009	9,739	542	677	-	-	715	677	8,927	9,604
Commonwealth Government	-	750	750	-	-	-	-	-	-	750	750
Total Loans	730	9,759	10,489	542	677	-	-	715	677	9,677	10,354
Total long term debt	730	9,759	10,489	542	677	-	-	715	677	9,677	10,354

Gwydir Shire Council

Special Schedule No. 2(b)

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

for the year ended 30 June 2013

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	-	-	-
Totals	-	-	-
Total long term debt	-	-	-

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 2013

	Actual 2013 \$'000	Actual 2012 \$'000
A Expenses and Income		
Expenses		
1 Management Expenses		
a. Administration	47	31
b. Engineering and Supervision	-	-
2 Operation and Maintenance		
Dams and Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
Mains		
c. Operation expenses	62	42
d. Maintenance expenses	152	101
Reservoirs		
e. Operation expenses	-	10
f. Maintenance expenses	15	21
Pumping Stations		
g. Operation expenses (excluding energy costs)	100	87
h. Energy Costs	206	144
i. Maintenance expenses	28	21
Treatment		
j. Operation expenses (excluding chemical costs)	11	17
k. Chemical Costs	47	39
l. Maintenance expenses	47	55
Other		
m. Operation expenses	-	-
n. Maintenance expenses	1	-
o. Purchase of Water	3	-
3 Depreciation		
a. System assets	220	224
b. Plant and equipment	22	7
4 Miscellaneous Expenses		
a. Interest expenses	234	241
b. Other expenses	252	192
c. Revaluation decrements	-	-
NCP Tax & Other Equivalents	18	37
5 Total expenses	1,465	1,269
Income		
6 Residential charges		
a. Access (including rates)	485	168
b. User charges	390	275
7 Non-residential charges		
a. Access (including rates)	136	526
b. User charges	245	178
8 Extra charges	7	3
9 Interest income	86	109
10 Other income	5	47
11 Grants		
a. Grants for the acquisition of assets	3	46
b. Grants for pensioner rebates	24	24
c. Other grants	-	-
12 Contributions		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	-	-
13 Total Income	1,381	1,376
14 Gain or (loss) on disposal of assets		
15 Operating result	(84)	107
15a Operating result (less grants for acquisition of assets)	(87)	61

Gwydir Shire Council

Special Schedule No. 3 (continued)
Water Supply Income Statement
(Gross including Internal Transactions)
for the year ended 30 June 2013

	Actual 2013 \$'000	Actual 2012 \$'000
B Capital transactions		
Non-operating expenditures		
16 Acquisition of Fixed Assets		
a. Subsidised Scheme	-	-
b. Other new system assets	-	-
c. Renewals	163	981
d. Plant and equipment	-	-
17 Repayment of Debt		
a. Loans	-	178
18 Transfer to sinking fund	-	-
19 Totals	163	1,159
Non-operating funds employed		
20 Proceeds from the disposal of assets		
21 Borrowings utilised		
a. Loans	-	-
22 Transfer from sinking fund	-	-
23 Totals	-	-
C Rates and charges		
24 Number of assessments		
a. Residential (occupied)	1,232	1,347
b. Residential (unoccupied)	118	145
c. Non-residential (occupied)	230	242
d. Non-residential (unoccupied)	21	30
	1,601	1,764
25 Number of ET's for which developer charges were received	-	-
26 Total amount of pensioner rebates	211	45

Gwydir Shire Council

Special Schedule No. 3 (continued) Water Supply - Cross-subsidies for the year ended 30 June 2013

	Yes/No	Amount
D Best practice annual charges and developer charges		
27 Annual Charges		
a. Does Council have best-practice water supply annual charges and usage charges?	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)		-
28 Developer charges		
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		
29 Disclosure of cross-subsidies		
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 2013**

	Current \$'000	Non current \$'000	Total \$'000
ASSETS			
30			
Cash and investments			
a. Developer charges	-	-	-
b. Specific purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Other	1,665	-	1,665
31			
Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	305	-	305
c. Other	-	-	-
32			
Inventories	19	-	19
33			
Property, plant and equipment			
a. System assets	-	13,848	13,848
b. Plant and equipment	-	480	480
			-
34			
Other Assets	-	-	-
35			
Total assets	1,989	14,328	16,317
LIABILITIES			
36			
Bank overdraft	-	-	-
37			
Creditors	40	-	40
38			
Borrowings			
a. Loans	124	2,759	2,883
39			
Provisions			
c. Other	139	4	143
40			
Total Liabilities	303	2,763	3,066
41			
Net assets committed	1,686	11,565	13,251
EQUITY			
42			
Accumulated Surplus			12,750
Asset revaluation reserve			501
44			
Total equity			13,251
Note to system assets:			
45			
Current replacement cost of system assets			15,067
46			
Accumulated current cost depreciation of system assets			4,626
47			
Written down current cost of system assets			10,441

Gwydir Shire Council

**Special Schedule No. 5
Sewerage Income Statement
(Gross including Internal Transactions)
for the year ended 30 June 2013**

	Actual 2013 \$'000	Actual 2012 \$'000
A Expenses and Income		
Expenses		
1 Management Expenses		
a. Administration	25	20
b. Engineering and Supervision	-	-
2 Operation and Maintenance		
Mains		
a. Operation expenses	1	-
b. Maintenance expenses	15	28
Pumping Stations		
c. Operation expenses (excluding energy costs)	15	30
d. Energy Costs	7	11
e. Maintenance expenses	15	22
Treatment		
f. Operation expenses (excluding chemical , energy, effluent and biosolids management costs)	129	139
g. Chemical Costs	4	3
h. Energy Costs	26	32
i. Effluent management	-	-
j. Biosolids management	3	3
k. Maintenance expenses	29	35
Other		
l. Operation Expenses	-	-
m. Maintenance expenses	-	2
3 Depreciation		
a. System assets	1,889	229
b. Plant and equipment	6	6
4 Miscellaneous Expenses		
a. Interest expenses	1	3
b. Other expenses	100	128
NCP Tax & Other Equivalents	-	54
5 Total expenses	2,265	745
Income		
6 Residential charges (including rates)	499	506
7 Non-residential charges		
a. Access (including rates)	115	106
b. User charges	77	53
8 Trade Waste Charges	7	8
9 Extra charges	-	-
10 Interest income	105	108
11 Other income	2	2
12 Grants		
a. Grants for the acquisition of assets	3	5
b. Grants for pensioner rebates	21	21
c. Other grants	-	-
13 Contributions		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	-	-
14 Total Income	829	809
15 Gain or loss on disposal of assets		
16 Operating result	(1,436)	64
16a Operating result (less grants for acquisition of assets)	(1,439)	59

Gwydir Shire Council

Special Schedule No. 5 (continued)
Sewerage Income Statement
(Gross including Internal Transactions)
for the year ended 30 June 2013

	Actual 2013 \$'000	Actual 2012 \$'000
B Capital transactions		
Non-operating expenditures		
17 Acquisition of Fixed Assets		
a. Subsidised Scheme	-	-
b. Other new system assets	211	-
c. Renewals	128	-
d. Plant and equipment		-
18 Repayment of Debt	-	-
a. Loans	-	4
19 Transfer to sinking fund	-	-
20 Totals	339	4
Non-operating funds employed		
21 Proceeds from the disposal of assets	-	-
22 Borrowings utilised		
a. Loans	-	-
23 Transfer from sinking fund	-	
24 Totals	-	-
C Rates and Charges		
25 Number of assessments		
a. Residential (occupied)	1,013	1,074
b. Residential (unoccupied)	84	-
c. Non-residential (occupied)	144	284
d. Non-residential (unoccupied)	17	-
	1,258	1,358
26 Number of ET's for which developer charges were received		
27 Total amount of pensioner rebates	21	39

Gwydir Shire Council

Special Schedule No. 5 (continued) Sewerage - Cross-subsidies for the year ended 30 June 2013

	Yes/No	Amount
D Best practice annual charges and developer charges		
28 Annual Charges		
a. Does Council have best-practice sewerage annual charges and usage charges and trade waste fees and charges*? If yes go to 29a. If no, has Council removed land value from access charges (i.e. rates)	Yes	
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)		-
29 Developer charges		
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		-
30 Disclosure of cross-subsidies		
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.

Gwydir Shire Council

**Special Schedule No. 6
Sewerage services - Balance Sheet
(Gross including Internal Transactions)
for the year ended 30 June 2013**

ASSETS

31	Cash and investments			
	a. Developer charges	-	-	-
	b. Specific purpose grants	-	-	-
	c. Accrued leave	-	-	-
	d. Unexpended loans	-	-	-
	e. Sinking fund	-	-	-
	f. Other	2,279	-	2,279
32	Receivables			
	a. Specific purpose grants	-	-	-
	b. Rates and charges	-	-	-
	c. Other	96	-	96
33	Inventories	2	-	2
34	Property, plant and equipment			
	a. System assets	-	9,206	9,206
	b. Plant and equipment	-	54	54
35	Other Assets	-	-	-
36	Total assets	2,377	9,260	11,637

LIABILITIES

38	Creditors	-	-	-
39	Borrowings			
	a. Loans	6	11	17
40	Provisions			
	c. Other	139	4	143
41	Total Liabilities	145	15	160

42 Net assets committed

EQUITY

43	Accumulated Surplus			11,457
44	Asset revaluation reserve			20
45	Total equity			11,477

Note to system assets:

46	Current replacement cost of system assets			11,611
47	Accumulated current cost depreciation of system assets			2,858
48	Written down current cost of system assets			8,753

	Current \$'000	Non current \$'000	Total \$'000
ASSETS			
31 Cash and investments			
a. Developer charges	-	-	-
b. Specific purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	2,279	-	2,279
32 Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	-	-	-
c. Other	96	-	96
33 Inventories	2	-	2
34 Property, plant and equipment			
a. System assets	-	9,206	9,206
b. Plant and equipment	-	54	54
35 Other Assets	-	-	-
36 Total assets	2,377	9,260	11,637
LIABILITIES			
38 Creditors	-	-	-
39 Borrowings			
a. Loans	6	11	17
40 Provisions			
c. Other	139	4	143
41 Total Liabilities	145	15	160
42 Net assets committed	2,232	9,245	11,477
EQUITY			
43 Accumulated Surplus			11,457
44 Asset revaluation reserve			20
45 Total equity			11,477
Note to system assets:			
46 Current replacement cost of system assets			11,611
47 Accumulated current cost depreciation of system assets			2,858
48 Written down current cost of system assets			8,753

Notes to Special Schedules 3 and 5

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

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

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

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

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^(2+A36) (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⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b 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**

**for the year ended 30 June 2013
\$'000**

Asset class	Asset category (as determined by Council)	Depn Expense % (specific rate or range of rates)	Depn expense \$'000	Valuation \$'000	Accum Depreciation and Impairment \$'000	WDV \$'000	Asset Condition (refer to details attached)	Estimated cost to bring to a satisfactory standard \$'000	Required annual maintenance \$'000	Current annual maintenance \$'000
		Per Note 1	Per Note 4	Per Note 9						
Public Buildings	Aged Care	2.0%	86	2,488	234	2,254	2	38	86	175
	Amenities	2.0%	51	3,983	558	3,425	2	79	51	109
	Council Offices	2.0%	89	2,439	331	2,108	2	293	89	249
	Council Depots	2.0%	66	3,284	320	2,964	2	513	66	166
	Halls	2.0%	152	10,204	2,220	7,984	2	1,373	152	99
	Housing	2.0%	102	6,678	1,808	4,870	2	196	102	127
	Museum	2.0%	7	628	164	464	2	90	7	9
	Other	2.0%	396	23,450	3,028	20,422	2	646	396	428
	Subtotal		949	53,154	8,663	44,491		3,228	949	1,362
Other Structures	Other	1.0% to 10%	90	2,608	842	1,766	1	227	90	-
Public Roads	Sealed Roads	1.0% to 6.7%	3,714	131,428	78,501	52,927	2	19,328	3,714	2,297
	Unsealed Roads	1.0% to 10%	3,889	115,266	60,157	55,109	3	17,074	3,889	4,708
	Bridges	1.0% to 2.0%	604	36,075	23,200	12,875	2	2,056	604	2
	Footpaths	1.0% to 2.0%	21	988	852	136	1	85	21	42
	Kerb & Gutter	1.0% to 2.0%	40	4,401	4,189	212	2	358	40	54
		Subtotal		8,268	288,158	166,899	121,259		38,901	8,268
Water	Pipeline	1.3%	123	5,739	1,819	3,920	2	4,256	123	257
	Pump Station	1.4%	4	1,283	541	742	2	11	4	29
	Reservoir	1.0%	11	3,391	1,647	1,744	2	2,604	11	61
	Treatment Works	2.0%	55	3,788	270	3,518	2	612	55	62
	Bores	2.0%	11	640	267	373	2	493	11	12
	Connections	2.0%	7	226	82	144	2	78	7	2
		Subtotal	1.0% to 2.0%	211	15,067	4,626	10,441		8,054	211
Sewerage	Pipeline	1.4% to 2.5%	138	6,371	427	5,944	2	2,426	138	151
	Pump Station	1.4%	28	2,733	1,601	1,132	4	882	28	69
	Treatment Works	2.0%	30	2,215	810	1,405	4	343	30	50
	Manholes	2.0%	5	292	20	272	2	54	5	3
		Subtotal	1.0% to 2.0%	201	11,611	2,858	8,753		3,705	201
Stormwater Drainage	Infrastructure	1.4%	46	3,534	2,148	1,386	3	24	46	91
Total classes	Total – all assets		9,765	374,132	186,036	188,096		54,139	9,765	9,252

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.

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 2013

	2013 (1)	2014	2015	2016	2017	2018
	\$m	\$m	\$m	\$m	\$m	\$m
Recurrent budget						
Income from continuing operations	27	25	27	29	30	31
Expenses from continuing operations	29	31	31	32	33	34
Operating result from continuing operations	(2)	(6)	(4)	(3)	(3)	(3)
Capital budget						
New capital works (2)	-	4	-	-	-	-
Funded by:						
- Loans	-	3	-	-	-	-
- Asset sales	-	-	-	-	-	-
- Reserves	-	-	-	-	-	-
- Grants/Contributions	-	-	-	-	-	-
- Recurrent revenue	-	-	-	-	-	-
- Other	-	1	-	-	-	-
	-	4	-	-	-	-

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

GENERAL PURPOSE FINANCIAL REPORTS
for the year ended 30 June 2014

*"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

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General purpose financial report	
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Statement of comprehensive income	3
Statement of financial position	4
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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.

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:

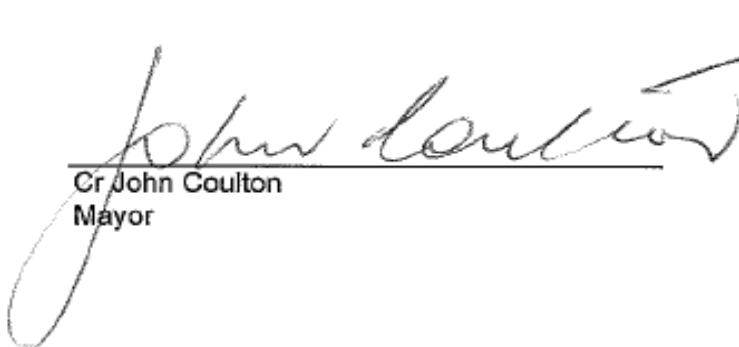
- * The Local Government Act 1993 (as amended) and the Regulations made thereunder.
- * The Australian Accounting Standards and professional pronouncements.
- * The Local Government Code of Accounting Practice and Financial Reporting.

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.

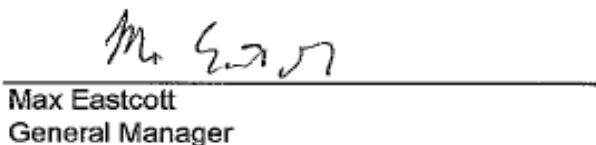
Signed in accordance with a resolution of Council made on 30 October 2014



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
	Income from continuing operations			
	<i>Revenue:</i>			
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
	<i>Other Income:</i>			
284	Net gain from the disposal of assets	5	-	38
24,831	Total income from continuing operations		23,348	26,873
	Expenses from continuing operations			
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	Total expenses from continuing operations		30,867	32,213
(6,224)	Operating result from continuing operations		(7,519)	(5,340)
(6,224)	Net operating result for the year		(7,519)	(5,340)
	Attributable to:			
(6,224)	- Council		(7,519)	(5,340)
(6,224)			(7,519)	(5,340)
(7,646)	Net operating result for the year before grants and contributions provided for capital purposes		(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
Net operating result for the year - from Income statement		(7,519)	(5,340)
Other Comprehensive Income			
Amounts which will not be classified subsequently to operating result			
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
Amounts which will be reclassified subsequently to operating result when specific conditions are met			
De-recognition of land under roads	20f	-	-
Total other comprehensive income for the year		622	27,340
Total comprehensive income for the year		(6,897)	22,000
Attributable to - Council		(6,897)	22,000
- Non-controlling interest		-	-

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

	Notes	Actual 2014 \$'000	Actual 2013 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6a	3,562	4,718
Investments	6b	3,000	4,500
Receivables	7	2,529	2,248
Inventories	8	444	338
Other	8	16	16
Non-current assets classified as held for sale	23	-	-
Total current assets		9,551	11,820
Non Current Assets			
Receivables	7	500	282
Inventories	8	-	-
Infrastructure, property, plant and equipment	9	218,793	220,807
Total non-current assets		219,293	221,089
Total assets		228,844	232,909
LIABILITIES			
Current liabilities			
Payables	10	2,250	1,894
Borrowings	10	890	677
Provisions	10	3,061	2,909
Total current liabilities		6,201	5,480
Non-current liabilities			
Payables	10	-	-
Borrowings	10	11,593	9,677
Provisions	10	3,612	3,417
Total non-current liabilities		15,205	13,094
Total liabilities		21,406	18,574
Net assets		207,438	214,335
EQUITY			
Revaluation Reserve	20	68,771	68,149
Retained earnings	20	138,667	146,186
Council equity interest		-	-
Non-controlling equity interest		-	-
Total equity		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
	Cash flows from operating activities			
	Receipts:			
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
	Payments:			
(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	Net cash provided (or used in) operating activities	11 (b)	3,598	9,189
	Cash flows from investing activities			
	Receipts:			
	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		-	-
	Payments:			
	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)
	Cash flows from financing activities			
	Receipts:			
	Borrowings and advances		3,649	542
	Payments:			
	Borrowings and advances		(1,248)	(677)
-	Net cash provided by (or used in) financing activities		2,401	(135)
3,757	Net increase/(decrease) in cash and cash equivalents		(1,156)	(1,614)
	Cash bonds introduced*		-	-
	Cash and cash equivalents at beginning of reporting period	11(a)	4,718	6,332
3,757	Cash and cash equivalents at end of reporting period	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

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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-or-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 instruments 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 2014 \$'000	Actual 2014 \$'000	Actual 2013 \$'000	Original Budget 2014 \$'000	Actual 2014 \$'000	Actual 2013 \$'000	Original Budget 2014 \$'000	Actual 2014 \$'000	Actual 2013 \$'000	Actual 2014 \$'000	Actual 2013 \$'000	Actual 2014 \$'000	Actual 2013 \$'000
Functions/Activities													
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
Total functions & activities	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 ⁽¹⁾	10,921	9,246	9,219	-	-	-	10,921	9,246	9,219	1,509	3,534	-	-
Totals	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
(a) Rates and annual charges		
Ordinary Rates		
Residential	723	693
Farmland	4,710	4,590
Business	78	76
Total ordinary rates	5,511	5,359
Annual Charges <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
Total annual charges	2,350	2,234
Total rates and annual charges	7,861	7,593

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)

	Actual 2014 \$'000	Actual 2013 \$'000
(b) User charges and fees		
User charges (pursuant to s.502)		
Water supply services	666	441
Sewerage services	75	77
Total user charges	741	518
Fees		
Private Works	38	223
RTA charges (State Roads not controlled by Council)	2,202	3,976
Building services - other	-	-
Planning & Building (regulatory)	60	84
s603 certificates	8	7
Registration Fees	16	11
Caravan parks	361	282
Cemeteries	39	30
Pre-school services	47	43
Home And Community Care/Community Transport	102	91
Medical Centres	882	712
Quarry Charges	-	17
Roxy Theatre	58	45
WOW Fitness	19	-
Other fees	155	51
Total fees	3,987	5,572
Total user charges and fees	4,728	6,090
(c) Interest and Investment revenue (losses) ⁽¹⁾		
Overdue rates and charges	39	39
Cash, cash equivalents and Investments	239	480
Premiums recognised on financial instrument transactions		
- Reduced interest loan from Federal Government	321	-
Total interest and investment revenue (losses) ⁽¹⁾	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)

	Actual 2014 \$'000	Actual 2013 \$'000
(d) Other revenues		
Commissions & agency fees	70	76
Employee related	35	106
Emergency services reimbursements	2	-
Fines	2	3
Insurance claim recoveries	910	73
Medical Centres	68	70
Naroo	33	26
Land Care	-	-
Quarry	-	-
Rental income - other council properties	646	557
Roxy hire	-	-
Sales - general	46	42
Festivals	2	-
Tourism	31	37
Fuel Rebate	-	-
Other - Governance	-	-
Other	430	273
Waste management revenues	34	10
Water supplies	1	5
Sewer Operations	1	1
Total other revenues	2,311	1,279

Note 3 Income from continuing operations (continued)

	Operating		Capital	
	Actual	Actual	Actual	Actual
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
(e) Grants				
General purpose (Untied)				
Financial assistance	2,012	3,489	-	-
Pensioners' rates subsidies:				
- General	41	40	-	-
Special purpose				
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
Total grants	4,503	5,827	1,602	4,005
Comprising:				
- Commonwealth funding	3,348	4,719	821	2,180
- State funding	802	816	691	1,819
- Other funding	353	292	90	6
	4,503	5,827	1,602	4,005
(f) Contributions				
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
Total contributions	1,574	1,334	170	188
Total grants and contributions	6,077	7,161	1,772	4,193

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**

	Actual 2014 \$'000	Actual 2013 \$'000
(a) Employee benefits and on costs		
Salaries and wages	7,969	8,382
Travelling	137	180
Employee leave entitlements	1,957	1,683
Superannuation	1,030	1,029
Workers' compensation insurance	669	381
Fringe Benefits Tax	29	29
Training costs (excluding Salaries)	247	309
Other	195	382
Less: Capitalised costs	(1,041)	(1,740)
Total employee costs expensed	11,192	10,635
Number of FTE employees	165	172
(b) Borrowing Costs		
Interest on Overdrafts	-	-
Interest on Loans	731	715
Amortisation of discounts and premiums:		
- Unwinding discount on reduced interest loan	49	23
- Remediation (Tip & Quarry)	188	188
Less: Capitalised costs	(38)	(14)
Total borrowing costs expensed	930	912
(c) Materials and contracts		
Raw materials and consumables	2,604	1,773
Contractor and consultancy costs		
- Domestic waste management contract	65	-
- Health Services	741	565
- Pools	140	112
- Valuations	28	27
- Other	1,335	2,621
- Consultants	132	72
Remuneration of Auditors ⁽¹⁾	48	68
Legal fees:		
- Other	-	17
Operating Leases:		
- Other	9	9
Total materials and contracts	5,102	5,264

Note 4 Expenses from continuing operations (continued)

⁽¹⁾ 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

(ii) Taxation services

Tax compliance services

Total remuneration for taxation services

(iii) Other services

Remuneration advice

Benchmarking services

Total Remuneration for other services

Total remuneration of Forsyths Chartered Accountants

	34	47
	-	-
	14	14
	48	61
	-	-
	-	-
	-	7
	-	-
	-	7
	48	68

Note 4 Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment

	Deprn Actual 2014 \$'000	Deprn Actual 2013 \$'000	Impairment Actual 2014 \$'000	Impairment Actual 2013 \$'000
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 ⁽¹⁾				

Total depreciation

11,007 11,238

- 1,686

(e) Other expenses

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	-	-		
Total Other Expenses	2,352	2,478		

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**

	Actual 2014 \$'000	Actual 2013 \$'000
Gain (or loss) on disposal of Property		
Proceeds from disposal	24	-
Less: Carrying amount of assets sold	211	32
Gain (or loss) on disposal	(187)	(32)
Gain (or loss) on disposal of Plant and Equipment		
Proceeds from disposal	495	609
Less: Carrying amount of assets sold	592	444
Gain (or loss) on disposal	(97)	165
Gain (or loss) on disposal of Infrastructure Assets		
Proceeds from disposal	-	-
Less: Carrying amount of infrastructure assets	-	95
Gain (or loss) on disposal	-	(95)
Net gain (or loss) from disposal of assets	(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
3,562	4,718

Gwydir Shire Council

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	-	-	-	-
Total	3,000	-	4,500	-
Financial assets at fair value through Profit and Loss				
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				
	-	-	-	-
Held to maturity investments				
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	3,000	-	4,500	-
Comprising of:				
- Government Bonds				
- Term Deposits	3,000	-	4,500	-
- Bank Bills				
- Equity linked notes				
	3,000	-	4,500	-
Available for sale financial assets				
At beginning of year	-	-	-	-
Adjustment on adoption of AASB132 & 139	-	-	-	-
Additions	-	-	-	-
Disposals (Sale/Redemption)	-	-	-	-
Revaluation adjustment to equity	-	-	-	-
At end of year	-	-	-	-

Gwydir Shire Council

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

	Actual 2014		Actual 2013	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Total cash, cash equivalents and investments	6,562	-	9,218	-
External restrictions	5,722		6,047	
Internal restrictions	840		2,993	
Unrestricted	-		178	
	6,562	-	9,218	-

	Opening Balance	Transfers to restrictions	Transfers from restrictions	Closing balance
	\$'000	\$'000	\$'000	\$'000
External Restrictions Included in liabilities	-	-	-	-
Aged Care Bonds (A)	677	-	537	140
	677	-	537	140
Other				
Specific purpose unexpended grants (C)	270	-	210	60
Water (D)	1,665	-	8	1,657
Sewerage (E)	2,279	361	-	2,640
Domestic Waste Management (F)	1,046	97	-	1,143
Developer contributions (G)	110	30	58	82
Total external restrictions	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.

	Opening Balance	Transfers to restrictions	Transfers from restrictions	Closing balance
	\$'000	\$'000	\$'000	\$'000
Internal Restrictions				
Employee Leave Entitlements	873	-	873	-
Asset Renewal	250	-	250	-
Building Reserves	82	-	82	-
Plant Replacement	272	-	272	-
Other Waste	698	64	-	762
Unexpended Loans	619	-	619	-
Deposits, bonds etc.	199	-	121	78
Carry Over Works	-	-	-	-
Total Internal Restrictions	2,993	64	2,217	840
Total Restrictions	9,040	552	3,030	6,562

Gwydir Shire Council

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

Purpose	Actual 2014		Actual 2013	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Rates and annual charges	548	-	501	-
Interest and extra charges	24	-	62	-
User charges and fees	254	-	272	-
Accrued revenues	954	-	928	-
GST Receivable	259	-	65	-
Government grants and subsidies	-	-	-	-
Sundry Trade Debtors	410	461	380	237
Other - housing	4	39	4	45
Other	83	-	43	-
Total	2,536	500	2,255	282
Less: Provision for doubtful debts				
Sundry Debtors	7	-	7	-
	7	-	7	-
Total	2,529	500	2,248	282
Restricted receivables				
Externally restricted receivables				
Water Supply	290	-	305	-
Sewerage Services	95	-	96	-
Domestic waste management	115	-	109	-
Total externally restricted receivables	500	-	510	-
Unrestricted receivables	2,029	500	1,738	282
Total receivables	2,529	500	2,248	282

Gwydir Shire Council

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

Inventories not expected to be realised within the next 12 months

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Externally restricted inventories and other assets

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

Gwydir Shire Council

**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 ⁽³⁾	-	15,067	4,626	10,441	134	15	-	97	-	-	303	-	15,519	4,723	10,796
- Sewerage Network ⁽³⁾	-	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	6,443	409,013	194,649	220,807	6,865	2,309	803	11,007	-	-	622	4,582	419,867	205,656	218,793

- 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	Fair Value	Accum depn and impairment	Written Down Value	At Cost	Fair Value	Accum depn and impairment	Written Down Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Water Supply								
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
Total water supply	68	19,793	5,164	14,697	-	19,224	4,896	14,328
Sewerage Services								-
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
Total sewerage services	79	12,473	3,092	9,460	-	12,185	2,925	9,260
Domestic Waste Management								
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
Total Domestic Waste	-	2,827	1,460	1,567	-	2,852	1,233	1,619
Total Restrictions	147	35,093	9,716	25,724	-	34,261	9,054	25,207

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
Payables				
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	-
Total payables	2,250	-	1,894	-

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

388

609

Borrowings				
Bank overdraft	-	-	-	-
Loans - Secured ⁽¹⁾	890	11,593	677	9,677
Total borrowings	890	11,593	677	9,677
Provisions ⁽²⁾				
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
Total provisions	3,061	3,612	2,909	3,417

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

2,755

1,491

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

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)

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

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

	Notes	Actual 2014 \$'000	Actual 2013 \$'000
(a) Reconciliation of cash assets			
Total cash and cash equivalents	6a	3,562	4,718
Less: Bank overdraft	10	-	-
Balances as per cash flow statement		3,562	4,718
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income statement		(7,519)	(5,340)
Add:			
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		-	-
		5,216	9,405
Less:			
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
(c) Non-cash financing and investing activities		
Quarry Remediation asset	-	-
Tip Remediation asset	-	-
	-	-
(d) Financing arrangements		
Unrestricted access was available at balance date to the following:		
Bank overdraft facility ⁽¹⁾	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.

**Note 12 Commitments for Expenditure
for the year ended 30 June 2014**

(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

- Buildings⁽¹⁾
- Infrastructure
- Land
- Plant and equipment

Total

1) Building commitments relate to Naroo aged care facility extensions

(b) Finance lease commitments

Commitments under finance leases at the reporting date are payable as follows:

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

Total

Minimum lease payments

Less: Future finance charges

Lease liability

Representing lease liabilities:

- Current
- Non-current

Total

	Actual 2014 \$'000	Actual 2013 \$'000
	860	3,424
	-	-
	-	-
	-	-
Total	860	3,424
	-	-
	-	-
	-	-
Total	-	-
	-	-
	-	-
Lease liability	-	-
	-	-
	-	-
Total	-	-

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
1. Operating Performance Factors					
Total continuing operating revenue ¹ excluding capital grants and contributions - operating expenses	-9,007	-42%	-42%	-30%	-26%
Total continuing operating revenue ¹ excluding capital grants and contributions Current benchmark > 0	21,576				
2. Own source operating revenue Factors					
Total continuing operating revenue ¹ less all grants and contributions	15,499	66.38%	50.92%	46.45%	49.42%
Total operating revenue ¹ inclusive of capital grants and contributions Current benchmark > 60%	23,348				
3. Unrestricted current ratio					
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				
4. Debt Service Cover Ratio Factors					
Operating results ¹ 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				
5. Rates and annual charges outstanding percentage Factors					
Rates and annual charges outstanding	572	7.24%	6.82%	7.71%	10.34%
Rates and annual charges collectible	7,900				
6. Cash expense cover ratio (x12)					
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
1. Operating Performance Factors Total continuing operating revenue ¹ excluding capital grants and contributions - operating expenses Current benchmark > 0	-56%	11%	44%	-7%
2. Own source operating revenue Factors Total continuing operating revenue ¹ less all grants and contributions Current benchmark > 60%	60.46%	98.46%	97.25%	96.65%
3. Unrestricted current ratio Current assets less external restrictions	-0.31	5.75	24.66	11.24
Current liabilities less specific purpose liabilities Current benchmark > 1.5 4. Debt Service Cover Ratio Factors Operating results ¹ before capital excluding interest and depreciation/impairment/amortisation (EBITDA)	1.21	1.47	62.29	11.08
Principal repayments (from the statement of cash flows) + borrowing interest costs (from the income statement) Current benchmark > 2 5. Rates and annual charges outstanding percentage Factors Rates and annual charges outstanding	6.73%	31.18%	13.27%	1842.06%
Rates and annual charges collectible 6. Cash expense cover ratio (x12) Current year's cash and cash equivalents including term deposits	0.26	1.88	37.79	18.42
Payments from cash flow of operating and financing activities Current benchmark > 3				

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
Financial Assets				
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
Total	9,591	11,748	9,591	11,748
Financial Liabilities				
Payables	2,250	1,894	2,250	1,894
Borrowings	12,483	10,354	12,483	10,354
Total	14,733	12,248	14,733	12,248

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% ⁽¹⁾ 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 ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽³⁾ \$'000	Held as restricted asset ⁽²⁾ \$'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	-	-	-	-	-	-	-	-	-	-
Totals	-	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 ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽⁴⁾ \$'000	Held as restricted asset ⁽²⁾ \$'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	-	-	-	-	-	-	-	-	-	-
Totals	-	-	-	-	-	-	-	-	-	-

(c) Contributions not under plans

	Opening Balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽⁴⁾ \$'000	Held as restricted asset ⁽²⁾ \$'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	-	-	-	-	-	-	-	-	-	-
Totals	-	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**

	Notes	Actual 2014 \$'000	Actual 2013 \$'000
(a) Retained earnings			
Movements in retained earnings were as follows:			
At beginning of year		146,186	127,310
Movement in revaluation reserves			
Adjustment to correct prior period errors (Note 20d)	1	-	24,216
Adjustment due opening equity			-
Transfer adjustment for assets disposed of		-	-
Net operating result for the year		(7,519)	(5,340)
At end of year		138,667	146,186
(b) Revaluation reserves			
Plant and equipment revaluation reserve		1,212	1,212
Office Equipment		3	3
Furniture & Fittings revaluation reserve		202	202
Operational Land revaluation reserve		2,218	2,218
Buildings revaluation reserve		3,513	3,513
Specialised Buildings revaluation reserve		10,696	10,696
Other Structures revaluation reserve		101	62
Roads revaluation reserve		49,752	49,752
Stormwater revaluation reserve		258	221
Water Supply assets revaluation reserve		573	270
Sewer assets revaluation reserve		243	-
		68,771	68,149
Movements			
Infrastructure, property, plant and equipment revaluation reserve			
At beginning of year		68,149	65,025
Revaluations (Note 9)		622	3,124
Impairment		-	-
Transfer adjustment for assets disposed of		-	-
At end of year		68,771	68,149
Available-for-sale investments revaluation reserve			
At beginning of year			
Revaluation - gross			
Depreciation transfer - gross			
At end of year		-	-

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.

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**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 ⁽¹⁾	Water	Sewer	Waste
Income from continuing operations				
<i>Revenue:</i>				
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	-
<i>Other Income:</i>				
Net gain from the disposal of assets	-	-	-	-
Total income from continuing operations	19,619	1,557	799	1,374
Expenses from continuing operations				
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	-	-	-
Total expenses from continuing operations	27,560	1,384	447	1,476
Operating result from continuing operations	(7,941)	173	352	(102)
Net operating result for the year	(7,941)	173	352	(102)
Attributable to:				
- Council	(7,941)	173	352	(102)
	(7,941)	173	352	(102)
Net operating result for the year before grants and contributions provided for capital purposes	(9,713)	173	351	(102)

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
Balance Sheet by Fund ⁽²⁾				
ASSETS				
Current Assets				
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	-	-	-	-
Total Current Assets	2,827	1,967	2,737	2,020
Non-current Assets				
Receivables	500	-	-	-
Infrastructure, property, plant and equipment	193,069	14,697	9,460	1,567
Intangible assets	-	-	-	-
Other	-	-	-	-
Total Non-current Assets	193,569	14,697	9,460	1,567
Total Assets	196,396	16,664	12,197	3,587
LIABILITIES				
Current Liabilities				
Payables	2,210	39	-	1
Borrowings	703	177	5	5
Provisions	2,757	126	106	72
Total Current Liabilities	5,670	342	111	78
Non-current Liabilities				
Borrowings	8,913	2,589	6	85
Provisions	595	6	6	3,005
Other	-	-	-	-
Total Non Current Liabilities	9,508	2,595	12	3,090
Total Liabilities	15,178	2,937	123	3,168
Net Assets	181,218	13,727	12,074	419
Retained Earnings	114,035	12,923	11,811	(102)
Revaluation Reserves	67,183	804	263	521
Council equity interest	-	-	-	-
Minority equity interest	-	-	-	-
Total Equity	181,218	13,727	12,074	419

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 his 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 profession 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 ato 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)
Recurring fair value measurements					
Infrastructure, Property, Plant & Equipment					
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)
Land					
Saleable land	3	Market	4,739	-	4,739
Non saleable land	3	Cost	8,120	-	8,120
Total			12,859	-	12,859
Buildings (cost approach)					
Specialised buildings	3	Cost	24,142	3,559	20,583
Total			24,142	3,559	20,583
Buildings (market/income approach)					
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
Total					214,211

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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 30th 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

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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.

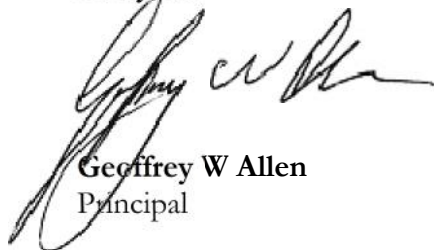
QUALIFIED AUDIT OPINION

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 30th 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

8th 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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Forsyth's Business Services Pty Ltd
ABN 66 182 781 401

**AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30th 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

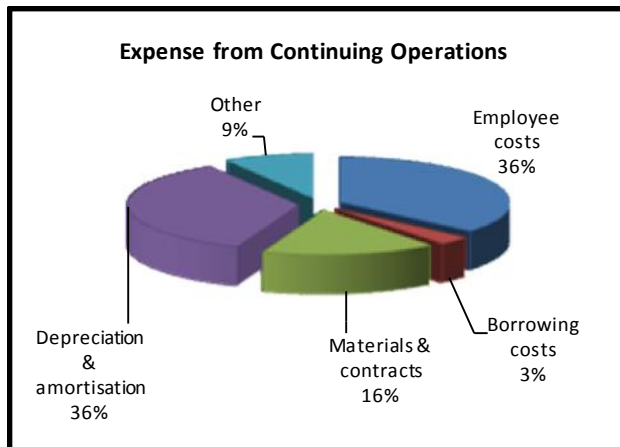
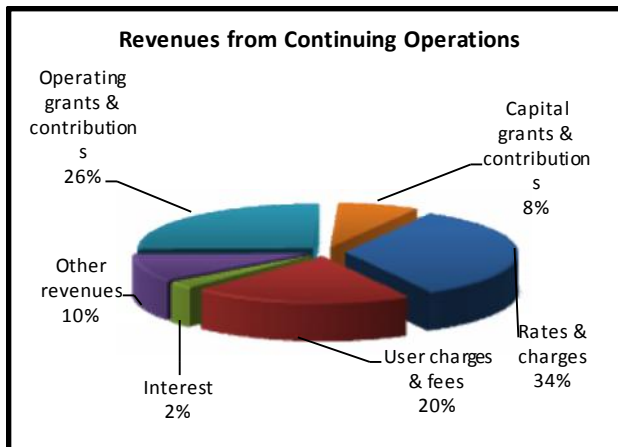
This auditor's report relates to the financial statements of Gwydir Shire Council for the year ended 30 June 2014 included on Gwydir Shire Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of Council's web site. The auditor's 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	Actual	Actual	Variance	
	2014	2014	2013	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
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%
EXPENSES FROM CONTINUING OPERATIONS					
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%
NET OPERATING RESULT FOR YEAR	(6,224)	(7,519)	(5,340)	40.8%	20.8%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(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.

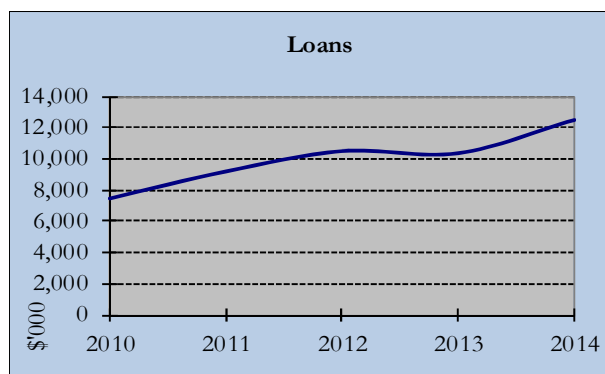
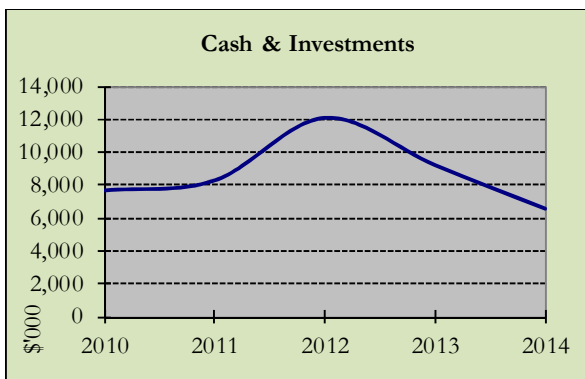
The continuing deficits, excluding capital grants for 2014, 2013 and 2012 (as well as the budgeted deficit), highlight Council's difficulty in funding depreciation and therefore Council's ability to manage its infrastructure in the longer term.

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 30th June 2014. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2014	2013	Variance
CURRENT ASSETS			
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%
TOTAL CURRENT ASSETS	9,551	11,820	-19.2%
CURRENT LIABILITIES			
Payables	2,250	1,894	18.8%
Borrowings	890	677	31.5%
Provisions	3,061	2,909	5.2%
TOTAL CURRENT LIABILITIES	6,201	5,480	13.2%
NET CURRENT ASSETS	3,350	6,340	-47.2%
NON-CURRENT ASSETS			
Receivables	500	282	77.3%
Infrastructure, Property Plant & Equipment	218,793	220,807	-0.9%
TOTAL NON-CURRENT ASSETS	219,293	221,089	-0.8%
NON-CURRENT LIABILITIES			
Provisions	3,612	3,417	5.7%
Borrowings	11,593	9,677	19.8%
TOTAL NON-CURRENT LIABILITIES	15,205	13,094	16.1%
NET ASSETS	207,438	214,335	-3.2%



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
Net Current Assets	1,625	2,626	1,941	(2,842)	3,350
Plus: Employee Entitlements Payable >12mths	-	-	-	3,143	3,143
Total Funds before Restrictions	1,625	2,626	1,941	301	6,493
LESS: Restricted Cash & Investments (Included in Revenue)					
Developer Contributions (unexpended)	-	-	-	82	82
Unexpended Grants	-	-	-	60	60
Aged care bonds	-	-	-	140	140
	-	-	-	282	282
NET FUNDS AVAILABLE	1,625	2,626	1,941	19	6,211
LESS Internal Restrictions	-	-	762	78	840
Net Funds After All Restrictions	1,625	2,626	1,179	(59)	5,371

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 depreciation 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	%
CASH INFLOWS			
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%
TOTAL RECEIPTS	29,587	32,708	-9.5%
CASH OUTFLOWS			
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%
TOTAL PAYMENTS	30,743	34,322	-10.4%
TOTAL CASH MOVEMENT	(1,156)	(1,614)	-28.4%
Cash and cash equivalents	3,562	4,718	-24.5%
Investments	3,000	4,500	-33.3%
Total Cash & Investments on Hand	6,562	9,218	-28.8%

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*.

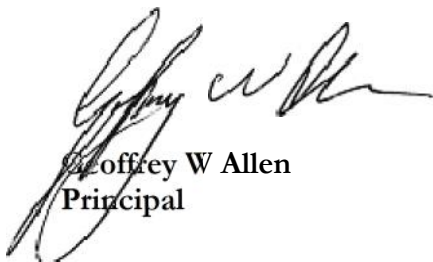
Matters of a technical nature have been documented in a management letter to the General Manager.

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

*"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

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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**

	Actual 2014 \$'000	Actual 2013 \$'000
Income from continuing operations		
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
Total revenues from continuing operations	1,557	1,378
Expenses from continuing operations		
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
Total expenses from continuing operations	1,401	1,465
Surplus (deficit) from continuing operations before capital amounts	156	(87)
Grants and contributions provided for capital purposes	-	3
Surplus (deficit) from continuing operations after capital amounts	156	(84)
Less Corporate Taxation Equivalent (30%) [based on result before capital]	47	-
Surplus (deficit) after tax	109	(84)
Opening retained profits	12,750	11,509
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	-	-
Closing retained profits	12,923	12,750
Return on Capital %	2.62%	1.10%
Subsidy from Council	-	-
Calculation of Dividend Payable		
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
Income from continuing operations		
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
Total revenues from continuing operations	798	826
Expenses from continuing operations		
Employee benefits and on-costs	219	250
Borrowing costs	1	1
Materials and contracts	104	84
Depreciation & impairment ¹	84	1,895
Debt guarantee fee (if applicable)	-	-
Other expenses	39	35
Total expenses from continuing operations	447	2,265
Surplus (deficit) from continuing operations before capital amounts	351	(1,439)
Grants and contributions provided for capital purposes	1	3
Surplus (deficit) from continuing operations after capital amounts	352	(1,436)
Less Corporate Taxation Equivalent (30%) [based on result before capital]	106	-
Surplus (deficit) after tax	246	(1,436)
Opening retained profits	11,458	6,532
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	-	
Closing retained profits	11,811	11,458
Return on Capital %	3.72%	-15.53%
Subsidy from Council		
Calculation of Dividend Payable		
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	-

¹ 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
Income from continuing operations		
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	-
Total revenues from continuing operations	1,374	1,222
Expenses from continuing operations		
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
Total expenses from continuing operations	1,476	1,148
Surplus (deficit) from continuing operations before capital amounts	(102)	74
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from continuing operations after capital amounts	(102)	74
Less Corporate Taxation Equivalent (30%) [based on result before capital]	-	22
Surplus (deficit) after tax	(102)	52
Opening retained profits	-	274
Taxation equivalent payments	-	-
Debt guarantee fees	-	-
Corporate taxation equivalent	-	22
Adjustment for previous period error	-	(348)
Closing retained profits	(102)	-
Return on Capital %	-6.00%	15.26%
Subsidy from Council		
Calculation of Dividend Payable		
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
Income from continuing operations		
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	-	-
Total revenues from continuing operations	1,510	1,116
Expenses from continuing operations		
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
Total expenses from continuing operations	1,422	1,605
Surplus (deficit) from continuing operations before capital amounts	88	(489)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from continuing operations after capital amounts	88	(489)
Less Corporate Taxation Equivalent (30%) [based on result before capital]	26	-
Surplus (deficit) after tax	62	(489)
Opening retained profits	1,213	2,382
Taxation equivalent payments	-	-
Debt guarantee fees	3	10
Corporate taxation equivalent	26	-
Equity Adjustment	-	-
Adjustment for previous period error	-	(690)
Closing retained profits	1,304	1,213
Return on Capital %	4.59%	-16.09%
Subsidy from Council	-	-
Calculation of Dividend Payable		
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

	Actual 2014 \$'000	Actual 2013 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents and investments	1,657	1,665
Receivables	290	305
Inventories	20	19
Total current assets	1,967	1,989
Non Current Assets		
Infrastructure, property, plant and equipment	14,697	14,328
Total non-current assets	14,697	14,328
Total assets	16,664	16,317
LIABILITIES		
Current liabilities		
Payables	39	40
Interest bearing liabilities	177	124
Provisions	126	139
Total current liabilities	342	303
Non-current liabilities		
Interest bearing liabilities	2,589	2,759
Provisions	6	4
Total non-current liabilities	2,595	2,763
Total liabilities	2,937	3,066
Net assets	13,727	13,251
EQUITY		
Retained earnings	12,923	12,750
Reserves	804	501
Council equity interest	-	
Total equity	13,727	13,251

Gwydir Shire Council

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

	Actual 2014 \$'000	Actual 2013 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents and investments	2,640	2,279
Receivables	95	96
Inventories	2	2
Total current assets	2,737	2,377
Non Current Assets		
Infrastructure, property, plant and equipment	9,460	9,260
Total non-current assets	9,460	9,260
Total assets	12,197	11,637
LIABILITIES		
Current liabilities		
Payables	-	-
Interest bearing liabilities	5	6
Provisions	106	139
Total current liabilities	111	145
Non-current liabilities		
Interest bearing liabilities	6	11
Provisions	6	4
Total non-current liabilities	12	15
Total liabilities	123	160
Net assets	12,074	11,477
EQUITY		
Retained earnings	11,811	11,457
Reserves	263	20
Council equity interest		
Total equity	12,074	11,477

Gwydir Shire Council

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

	Actual 2014 \$'000	Actual 2013 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents and investments	1,905	1,744
Receivables	115	109
Inventories	-	-
Total current assets	2,020	1,853
Non Current Assets		
Infrastructure, property, plant and equipment	1,567	1,619
Total non-current assets	1,567	1,619
Total assets	3,587	3,472
LIABILITIES		
Current liabilities		
Payables	1	-
Interest bearing liabilities	5	5
Provisions	72	12
Total current liabilities	78	17
Non-current liabilities		
Interest bearing liabilities	85	90
Provisions	3,005	2,844
Total non-current liabilities	3,090	2,934
Total liabilities	3,168	2,951
Net assets	419	521
EQUITY		
Retained earnings	(102)	-
Reserves	521	521
Total equity	419	521

Gwydir Shire Council

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

	Actual 2014 \$'000	Actual 2013 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents and investments	-	415
Receivables	60	22
Aged Care Bonds	140	677
Total current assets	200	1,114
Non Current Assets		
Investments		
Receivables	380	147
Inventories		
Infrastructure, property, plant and equipment	4,380	2,386
Investments accounted for using equity method		
Investment property		
Other		
Total non-current assets	4,760	2,533
Total assets	4,960	3,647
LIABILITIES		
Current liabilities		
Interest bearing liabilities	147	32
Aged Care Bonds	431	677
Total current liabilities	578	709
Non-current liabilities		
Payables		-
Interest bearing liabilities	2,961	1,608
Non interest bearing liabilities	117	117
Total non-current liabilities	3,078	1,725
Total liabilities	3,656	2,434
Net assets	1,304	1,213
EQUITY		
Retained earnings	1,304	1,213
Reserves	-	-
Council equity interest	-	-
Total equity	1,304	1,213

Gwydir Shire Council

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

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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 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
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National Water Initiative (NWI) Financial Performance Indicators

NWI F4	Residential Revenue from Usage Charges (Water) <i>= 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]</i>	%	75.00
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NWI F1	Total Revenue (Water) <i>= Total Revenue (w13) + Gain/loss on Disposal of Assets (w14) - Grants for Acquisition of Assets (w11a) - Interest Income (w9)</i>	\$ ('000)	1,495
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NWI F20	Capital Works Grants (Water) <i>= Grants for Acquisition of Assets (w11a)</i>	\$ ('000)	-
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NWI F13	Economic Real of Return (Water) <i>= [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)</i>	%	6.22
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NWI F6	Operating Cost (OMA) (Water) <i>= Management Expenses (w1) + Operation and Maintenance Expenses (w2)</i>	\$ ('000)	671
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NWI F9	Total Cost (Water) <i>= Operating Cost (NWI F6) + Current Cost Depreciation (w3a +w3b)</i>	\$ ('000)	824
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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 & 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

= *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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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 30th 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 30th 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

8th December 2014
92 Rusden Street Armidale

Gwydir Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2014

*"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

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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
Governance	172	-	-	172
Administration	4,071	1,599	-	2,472
Public Order and Safety				
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
Total Public Order & Safety	947	321	44	582
Health	1,089	1,075	-	14
Environment				
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
Total Environment	1,843	1,626	-	217
Community Services & Education				
Administration & Education	604	515	-	89
Social protection (welfare)	81	102	-	(21)
Aged Persons & Disabled	1,334	1,881	-	(547)
Childrens Services	67	61	-	6
Total Community Services & Education	2,086	2,559	-	(473)
Housing & Community Amenities				
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
Total Housing & Community Amenities	489	280	-	209

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
Water Supplies	1,084	1,557	-	(473)
Sewerage Services	320	798	1	(479)
Recreation and Culture				
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)
Total Recreation & Culture	1,726	269	144	1,313
Fuel & Energy	-	-	-	-
Mining, Manufacturing & Construction				
Building Control	-	39	-	(39)
Other Mining, Manufacturing & Construction	589	9	-	580
Total Mining, Manufacturing & Construction	589	48	-	541
Transport and Communications				
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
Total Transport & Communications	15,672	3,532	1,463	10,677

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
Economic Affairs				
Camping Areas & Caravan Parks	364	375	-	(11)
Other Economic Affairs	415	72	-	343
Total Economic Affairs	779	447	-	332
Totals - Functions	30,867	14,111	1,652	15,104
General Purpose Revenues (1)				7,586
Net operating result for the year (2)				7,519
Net operating result for the year (2)				7,519

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
Loans (by source)											
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
Total Loans	677	9,677	10,354	3,377	1,248	-	-	731	890	11,593	12,483
Total long term debt	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	-	-	-
Totals	-	-	-
Total long term debt	-	-	-

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**

	Actual 2014 \$'000	Actual 2013 \$'000
A Expenses and Income		
Expenses		
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
l. Maintenance expenses	16	28
Treatment		
j. Operation expenses (excluding chemical costs)	13	11
k. Chemical Costs	56	47
l. 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	1,448	1,465
Income		
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 Total Income	1,557	1,381
14 Gain or (loss) on disposal of assets		
15 Operating result	109	(84)
15a Operating result (less grants for acquisition of assets)	109	(87)

Gwydir Shire Council

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

	Actual 2014 \$'000	Actual 2013 \$'000
B Capital transactions		
Non-operating expenditures		
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	-	-
19 Totals	303	306
Non-operating funds employed		
20 Proceeds from the disposal of assets		
21 Borrowings utilised		
a. Loans	-	-
22 Transfer from sinking fund	-	-
23 Totals	-	-
C Rates and charges		
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
	1,757	1,601
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
D Best practice annual charges and developer charges		
27 Annual Charges		
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)		_____
		-
28 Developer charges		
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		-
29 Disclosure of cross-subsidies		_____
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
ASSETS			
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			
Total assets	1,967	14,697	16,664
LIABILITIES			
36			
Bank overdraft	-	-	-
37			
Creditors	38	-	38
38			
Borrowings			
a. Loans	177	2,590	2,767
39			
Provisions			
c. Other	126	6	132
40			
Total Liabilities	341	2,596	2,937
41			
Net assets committed	1,626	12,101	13,727
EQUITY			
42			
Accumulated Surplus			12,923
Asset revaluation reserve			804
44			
Total equity			13,727
Note to system assets:			
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**

	Actual 2014 \$'000	Actual 2013 \$'000
A Expenses and Income		
Expenses		
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		
f. 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	553	2,265
Income		
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 Total Income	799	829
15 Gain or loss on disposal of assets		
16 Operating result	246	(1,436)
16a Operating result (less grants for acquisition of assets)	245	(1,439)

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 Capital transactions		
Non-operating expenditures		
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	-	-
20 Totals	32	343
Non-operating funds employed		
21 Proceeds from the disposal of assets	-	-
22 Borrowings utilised		
a. Loans	-	-
23 Transfer from sinking fund	-	
24 Totals	-	-
C Rates and Charges		
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
	1,436	1,258
26 Number of ET's for which developer charges were received		
27 Total amount of pensioner rebates	39	21

Gwydir Shire Council

Special Schedule No. 5 (continued) Sewerage - Cross-subsidies for the year ended 30 June 2014

	Yes/No	Amount
D Best practice annual charges and developer charges		
28 Annual Charges		
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)		-
29 Developer charges		
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		-
30 Disclosure of cross-subsidies		
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.

Gwydir Shire Council

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

ASSETS

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

36 Total assets

LIABILITIES

- 38 Creditors
- 39 Borrowings
 - a. Loans
- 40 Provisions
 - c. Other

41 Total Liabilities

42 Net assets committed

EQUITY

- 43 Accumulated Surplus
- 44 Asset revaluation reserve
- 45 **Total equity**

Note to system assets:

- 46 Current replacement cost of system assets
- 47 Accumulated current cost depreciation of system assets
- 48 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⁽¹⁾ (item 1a of Special Schedules 3 and 5) comprises the following:

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

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

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

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^(2+A36) (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⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b 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 \$'000	Required annual maintenance \$'000	2013/14 Actual Maintenance \$'000	WDV \$'000	Asset in Condition as a % of WDV				
						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%				
	Subtotal	134	949	1,362	47,750					
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 & Slopes	358	31	54	181	63%	6%	14%	17%	
	Subtotal	36,801	7,419	7,103	117,229					
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%				
	Subtotal	465	211	423	10,796	%				
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%			
	Subtotal	3,637	201	273	8,946					
Stormwater Drainage	Infrastructure	22	-	91	1377			100%		
Open Space/Recreational Assets	Swimming Pools	-	13	-	65	100%				
	Other open space/recreat ional assets									
Total classes	Total – all assets	41,068	8,880	9,252	188,136					

* 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
Building and Infrastructure Renewals Ratio				
Asset renewals (building and infrastructure)	7,040	0.74	0.42	0.35
Depreciation, amortisation and impairment (building and infrastructure)	9,508			
Infrastructure Backlog				
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			
Asset Maintenance Ratio				
Actual asset maintenance	9,252	1.04	0.95	0.68
Required asset maintenance	8,880			
Capital Expenditure Ratio				
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
Building and infrastructure renewals ratio				
Asset renewals (building and infrastructure)	0.82	0.02	0.63	0.00
Depreciation, amortisation and impairment (building and infrastructure)				
Infrastructure Backlog				
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				
Asset Maintenance ratio				
Actual asset maintenance	0.92	2.00	1.36	0.00
Required asset maintenance				
Capital expenditure ratio				
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

	2014 (1) \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000
Recurrent budget						
Income from continuing operations	23,348	23,698	25,334	26,471	27,179	27,800
Expenses from continuing operations	30,867	31,825	32,439	33,397	34,289	36,088
Operating result from continuing operations	(7,519)	(8,127)	(7,105)	(6,926)	(7,110)	(8,288)
Capital budget						
New capital works (2)	2,309	161	133	666	718	2
Funded by:						
- Loans	3,377	1	-	-	-	-
- Asset sales	803	-	-	-	-	-
- Reserves	-	-	-	-	-	-
- Grants/Contributions	1,772	-	-	-	-	-
- Recurrent revenue	(3,643)	160	133	666	718	2
- Other	-	-	-	-	-	-
	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
Notional General Income Calculation⁽¹⁾		
Last year notional income yield	5,408	5,576
Plus/minus adjustments ⁽²⁾	-	8
Notional General Income	-	5,584
Permissible Income Calculation		
Special variation ⁽³⁾	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	-	-
Sub total	118	128
Plus or minus last year's Carry Forward total	8	8
Less valuation objections claimed in previous year	-	-
Sub total	8	8
Total Permissible Income	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 ⁽⁴⁾	-	-
Less unused catch up ⁽⁵⁾	-	-
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 1910.
3. The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustments.
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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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

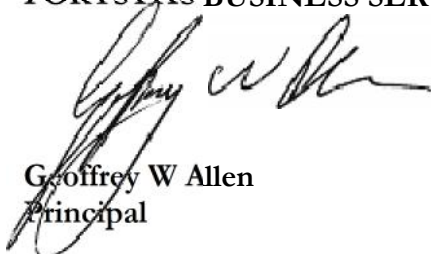
In our opinion Special Schedule No. 9 of Gwydir Shire Council for the year ending 30 June 2015 is properly drawn up in all material respects, in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

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 8th December 2014