

# Gunnedah Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2012

---

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



# Gunnedah Shire Council

## General Purpose Financial Statements for the financial year ended 30 June 2012

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors &amp; Management</b>	3
<b>3. Primary Financial Statements:</b>	
- Income Statement	4
- Statement of Comprehensive Income	5
- Balance Sheet	6
- Statement of Changes in Equity	7
- Statement of Cash Flows	8
<b>4. Notes to the Financial Statements</b>	9
<b>5. Independent Auditor's Reports:</b>	
- On the Financial Statements (Sect 417 [2])	74
- On the Conduct of the Audit (Sect 417 [3])	76

---

### Overview

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

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

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

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

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

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

(iv) These financial statements were authorised for issue by the Council on 17/10/12.  
Council has the power to amend and reissue the financial statements.

---

## Gunnedah Shire Council

### General Purpose Financial Statements for the financial year ended 30 June 2012

## Understanding Council's Financial Statements

---

### Introduction

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

### What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2012.

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

### About the Councillor/Management Statement

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

### About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

#### 1. An Income Statement

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

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

#### 2. A Statement of Comprehensive Income

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

#### 3. A Balance Sheet

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

#### 4. A Statement of Changes in Equity

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

#### 5. A Statement of Cash Flows

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

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

### Who uses the Financial Statements ?

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

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

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

## Gunnedah Shire Council

### General Purpose Financial Statements

for the financial 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 Statements have been prepared in accordance with:**

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

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

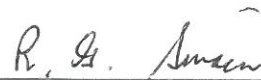
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

**Signed in accordance with a resolution of Council made on 19 September 2012.**



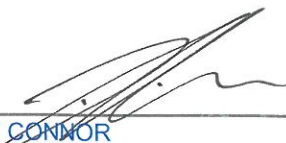
O HASLER  
MAYOR



R G SWAIN  
COUNCILLOR



R E CAMPBELL  
GENERAL MANAGER



D J CONNOR  
RESPONSIBLE ACCOUNTING OFFICER

## Gunnedah Shire Council

## Income Statement

for the financial year ended 30 June 2012

Budget <sup>(1)</sup>				Actual	Actual
2012	\$ '000		Notes	2012	2011
<b>Income from Continuing Operations</b>					
<b>Revenue:</b>					
12,325	Rates & Annual Charges		3a	11,973	11,472
6,197	User Charges & Fees		3b	8,670	8,911
962	Interest & Investment Revenue		3c	2,034	1,800
495	Other Revenues		3d	651	652
9,359	Grants & Contributions provided for Operating Purposes		3e,f	11,359	9,746
6,388	Grants & Contributions provided for Capital Purposes		3e,f	1,592	711
<b>Other Income:</b>					
-	Net gains from the disposal of assets		5	440	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method		19	-	-
<b>35,726</b>	<b>Total Income from Continuing Operations</b>			<b>36,719</b>	<b>33,292</b>
<b>Expenses from Continuing Operations</b>					
11,682	Employee Benefits & On-Costs		4a	12,308	12,292
339	Borrowing Costs		4b	204	222
6,110	Materials & Contracts		4c	8,938	8,453
8,607	Depreciation & Amortisation		4d	8,094	8,531
-	Impairment		4d	159	183
2,299	Other Expenses		4e	2,307	2,198
-	Net Losses from the Disposal of Assets		5	-	494
<b>29,037</b>	<b>Total Expenses from Continuing Operations</b>			<b>32,010</b>	<b>32,373</b>
<b>6,689</b>	<b>Operating Result from Continuing Operations</b>			<b>4,709</b>	<b>919</b>
<b>Discontinued Operations</b>					
-	Net Profit/(Loss) from Discontinued Operations		24	-	-
<b>6,689</b>	<b>Net Operating Result for the Year</b>			<b>4,709</b>	<b>919</b>
6,689	Net Operating Result attributable to Council			4,709	919
-	Net Operating Result attributable to Minority Interests			-	-
<b>301</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>			<b>3,117</b>	<b>208</b>

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

## Gunnedah Shire Council

Statement of Comprehensive Income  
for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		<b>4,709</b>	<b>919</b>
<b>Other Comprehensive Income</b>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	10,302	9,574
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
<b>Total Other Comprehensive Income for the year</b>		<b>10,302</b>	<b>9,574</b>
<b>Total Comprehensive Income for the Year</b>		<b>15,011</b>	<b>10,493</b>
<b>Total Comprehensive Income attributable to Council</b>		15,011	10,493
<b>Total Comprehensive Income attributable to Minority Interests</b>		-	-

## Gunnedah Shire Council

## Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	2,248	1,250
Investments	6b	24,331	18,034
Receivables	7	3,852	5,401
Inventories	8	406	430
Other	8	47	231
Non-current assets classified as "held for sale"	22	-	-
<b>Total Current Assets</b>		<b>30,884</b>	<b>25,346</b>
<b>Non-Current Assets</b>			
Investments	6b	5,707	7,130
Receivables	7	65	73
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	285,311	270,727
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
<b>Total Non-Current Assets</b>		<b>291,083</b>	<b>277,930</b>
<b>TOTAL ASSETS</b>		<b>321,967</b>	<b>303,276</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	2,598	2,050
Borrowings	10	399	429
Provisions	10	3,482	3,600
<b>Total Current Liabilities</b>		<b>6,479</b>	<b>6,079</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	1,382	1,781
Provisions	10	1,662	1,572
<b>Total Non-Current Liabilities</b>		<b>3,044</b>	<b>3,353</b>
<b>TOTAL LIABILITIES</b>		<b>9,523</b>	<b>9,432</b>
<b>Net Assets</b>		<b>312,444</b>	<b>293,844</b>
<b>EQUITY</b>			
Retained Earnings	20	161,006	152,708
Revaluation Reserves	20	151,438	141,136
Council Equity Interest		312,444	293,844
Minority Equity Interest		-	-
<b>Total Equity</b>		<b>312,444</b>	<b>293,844</b>

## Gunnedah Shire Council

Statement of Changes in Equity  
for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
<b>2012</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		152,708	141,136	<b>293,844</b>	-	<b>293,844</b>
a. Correction of Prior Period Errors	20 (c)	3,589	-	<b>3,589</b>	-	<b>3,589</b>
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/11)		<b>156,297</b>	<b>141,136</b>	<b>297,433</b>	-	<b>297,433</b>
<b>c. Net Operating Result for the Year</b>		<b>4,709</b>	-	<b>4,709</b>	-	<b>4,709</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	10,302	<b>10,302</b>	-	<b>10,302</b>
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	<b>10,302</b>	<b>10,302</b>	-	<b>10,302</b>
<b>Total Comprehensive Income</b> (c&d)		<b>4,709</b>	<b>10,302</b>	<b>15,011</b>	-	<b>15,011</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>161,006</b>	<b>151,438</b>	<b>312,444</b>	-	<b>312,444</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
<b>2011</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		140,658	131,562	<b>272,220</b>	-	<b>272,220</b>
a. Correction of Prior Period Errors	20 (c)	11,131	-	<b>11,131</b>	-	<b>11,131</b>
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/10)		<b>151,789</b>	<b>131,562</b>	<b>283,351</b>	-	<b>283,351</b>
<b>c. Net Operating Result for the Year</b>		<b>919</b>	-	<b>919</b>	-	<b>919</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	9,574	<b>9,574</b>	-	<b>9,574</b>
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	<b>9,574</b>	<b>9,574</b>	-	<b>9,574</b>
<b>Total Comprehensive Income</b> (c&d)		<b>919</b>	<b>9,574</b>	<b>10,493</b>	-	<b>10,493</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>152,708</b>	<b>141,136</b>	<b>293,844</b>	-	<b>293,844</b>



## Gunnedah Shire Council

## Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
12,325	Rates & Annual Charges		12,257	11,816
6,197	User Charges & Fees		10,196	10,869
962	Investment & Interest Revenue Received		1,543	1,102
15,747	Grants & Contributions		12,761	10,299
495	Other		2,684	348
<b>Payments:</b>				
(11,681)	Employee Benefits & On-Costs		(12,401)	(12,082)
(6,110)	Materials & Contracts		(10,450)	(11,338)
(158)	Borrowing Costs		(140)	(162)
(2,299)	Other		(2,123)	(3,782)
<b>15,478</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>14,327</b>	<b>7,070</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
5	Sale of Investment Securities		43,265	1,895
-	Sale of Infrastructure, Property, Plant & Equipment		907	593
-	Deferred Debtors Receipts		8	-
<b>Payments:</b>				
-	Purchase of Investment Securities		(47,667)	(16,059)
(16,102)	Purchase of Infrastructure, Property, Plant & Equipment		(9,413)	(5,427)
-	Deferred Debtors & Advances Made		-	(27)
<b>(16,097)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(12,900)</b>	<b>(19,025)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(435)	Repayment of Borrowings & Advances		(429)	(435)
<b>(435)</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(429)</b>	<b>(435)</b>
<b>(1,054)</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>998</b>	<b>(12,390)</b>
13,764	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	1,250	13,640
<b>12,710</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>2,248</b>	<b>1,250</b>
Additional Information:				
	plus: <b>Investments on hand - end of year</b>	6b	30,038	25,164
<b>Total Cash, Cash Equivalents &amp; Investments</b>			<b>32,286</b>	<b>26,414</b>

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2(a)	Council Functions / Activities - Financial Information	28
2(b)	Council Functions / Activities - Component Descriptions	29
3	Income from Continuing Operations	30
4	Expenses from Continuing Operations	35
5	Gains or Losses from the Disposal of Assets	39
6(a)	Cash & Cash Equivalent Assets	40
6(b)	Investment Securities	40
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	42
7	Receivables	44
8	Inventories & Other Assets	45
9(a)	Infrastructure, Property, Plant & Equipment	46
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	47
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	48
10(a)	Payables, Borrowings & Provisions	49
10(b)	Description of (& movements in) Provisions	50
11	Statement of Cash Flows - Additional Information	51
12	Commitments for Expenditure	52
13a	Statements of Performance Measures:	
	(i) Local Government Industry Indicators (Consolidated)	53
	(ii) Local Government Industry Graphs (Consolidated)	54
13b	Statement of Performance Measures - Industry Indicators (by Fund)	55
14	Investment Properties	56 n/a
15	Financial Risk Management	56
16	Material Budget Variations	61
17	Statement of Developer Contributions	63
18	Contingencies and Other Liabilities/Assets not recognised	65
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	67 n/a
20	Equity - Retained Earnings and Revaluation Reserves	67
21	Financial Result & Financial Position by Fund	69
22	"Held for Sale" Non Current Assets & Disposal Groups	71 n/a
23	Events occurring after Balance Sheet Date	71
24	Discontinued Operations	71 n/a
25	Intangible Assets	72 n/a
26	Reinstatement, Rehabilitation & Restoration Liabilities	72
 <b>Additional Council Disclosures</b>		
27	Council Information & Contact Details	73

n/a - not applicable

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies

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

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

##### (a) Basis of preparation

###### (i) Background

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

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

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

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

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

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

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

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

###### (iii) 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.

###### (iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

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

###### (v) Basis of Accounting

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

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

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

###### (vi) Changes in Accounting Policies

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

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

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (vii) Critical Accounting Estimates

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

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated 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 any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

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

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

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

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

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

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

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

#### User Charges, Fees and Other Income

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

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

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

#### Sale of Infrastructure, Property, Plant and Equipment

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

#### Interest and Rents

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

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

#### (c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/12) and **(ii)** all the related operating results (for the financial year ended the 30th June 2012).

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

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

#### (i) The Consolidated Fund

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

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

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

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

#### (ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

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

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

#### (iii) Joint Ventures

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

#### (iv) Associated Entities

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

Such entities are usually termed Associates.

#### (v) County Councils

Council is not a member of any County Councils.

#### (vi) Additional Information

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

#### (d) Leases

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

##### Finance Leases

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

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

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

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

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

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

##### Operating Leases

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

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

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

#### (e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

#### (f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

#### (ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

#### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

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

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

#### (iv) Available-for-sale financial assets

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

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

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

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

#### Financial Assets – Reclassification

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

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

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

single event that is unusual and highly unlikely to recur in the near term.

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

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

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

#### General Accounting & Measurement of Financial Instruments:

##### (i) Initial Recognition

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

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

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

##### (ii) Subsequent Measurement

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

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

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

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

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

#### Impairment

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

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

##### (iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity



## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

##### **(g) Fair value estimation**

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

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

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

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

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

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

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

##### **(h) Receivables**

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

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

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

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

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

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

##### **(i) Inventories**

###### **Raw Materials and Stores, Work in Progress and Finished Goods**

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

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

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

#### Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

##### Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**  
(External/ Valuation)
- **Operational Land** (External/ Valuation)

- **Buildings – Specialised/Non Specialised**  
(External Valuation)

- **Plant and Equipment**  
(as approximated by depreciated historical cost)

- **Roads Assets incl. roads, bridges & footpaths**  
(Internal Valuation)

- **Drainage Assets** (Internal Valuation)

- **Community Land** (External Valuation)

- **Land Improvements**  
(Internal Valuation)

- **Other Structures**  
(External Valuation)

- **Other Assets**  
(Internal Valuation)

##### Initial Recognition

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

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

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

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

##### Subsequent costs

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

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

#### Asset Revaluations (including Indexation)

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

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

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

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

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

Full revaluations are undertaken for all assets on a 5 year cycle.

#### Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

##### Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

##### Plant & Equipment

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

##### Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$2,000

##### Water & Sewer Assets

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

##### Stormwater Assets

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

##### Transport Assets

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

#### Depreciation

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

Land is not depreciated.

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

##### Plant & Equipment

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

##### Other Equipment

- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

<b>Buildings</b>	
- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 80 years
<b>Stormwater Drainage</b>	
- Drains	80 to 100 years
- Culverts	50 to 80 years
<b>Transportation Assets</b>	
- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	60 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years
- Bridge : Other	50 years
- Road Pavements	60 years
- Kerb, Gutter & Paths	40 years
<b>Water &amp; Sewer Assets</b>	
- Dams and reservoirs	80 to 100 years
- Bores	20 to 60 years
- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	80 to 110 years
- Pumps and telemetry	10 to 20 years
<b>Other Infrastructure Assets</b>	
- Bulk earthworks	Infinite

All asset residual values and useful lives are reviewed and adjusted (where 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 – refer Note 1(s) on Asset Impairment.

#### Disposal and De-recognition

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

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

#### (k) Land

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

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

#### (l) Land under roads

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

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

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

#### (m) Intangible Assets

Council has not classified any assets as Intangible.

#### (n) Crown Reserves

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

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

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

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (o) Rural Fire Service assets

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

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

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

##### (p) Investment property

Council does not classify any land or buildings as Investment Property.

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

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

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

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

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and

revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

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

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

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

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

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated 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.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### 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 affect future financial results.

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

#### **(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

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

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

#### **(s) Impairment of assets**

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as its written down replacement cost.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

#### **(t) Payables**

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

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

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

##### (v) Borrowing costs

Borrowing costs are expensed.

##### (w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

##### (x) Employee benefits

###### (i) Short Term Obligations

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

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

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

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

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

###### (ii) Other Long Term Obligations

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

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

#### (iii) Retirement benefit obligations

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

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

#### Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the "Local Government Superannuation Scheme – Pool B"

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

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

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

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

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

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

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

#### 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.



## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/12.

##### (y) Self insurance

Council does not self insure.

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

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

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

##### Exceptions

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

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

##### (aa) Taxes

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

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

##### Goods & Services Tax (GST)

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

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

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

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

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

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

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

##### (ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

**Council has not adopted any of these standards early.**

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

**Applicable to Local Government with implications:**

**AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7**

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

***Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)***

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

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

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity 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 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 derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

***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 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.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

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

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

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

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

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

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

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

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

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

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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.

#### **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.

#### **Applicable to Local Government but no implications for Council;**

None

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

#### **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 re-measurements 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.

#### **Not applicable to Local Government per se;**

None

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.

#### **(ac) Rounding of amounts**

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

## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

---

##### **(ad) Comparative Figures**

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

##### **(ae) Disclaimer**

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

# Gunnedah Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Governance	1	4	2	351	306	449	(350)	(302)	(447)	-	2	71	58
Administration	85	213	286	5,128	3,636	553	(5,043)	(3,423)	(267)	-	9	5,914	6,672
Public Order & Safety	71	151	135	520	522	838	(449)	(371)	(703)	-	163	1,915	2,117
Health	46	19	25	554	150	208	(508)	(131)	(183)	-	-	339	32
Environment	3,508	2,790	2,521	2,173	2,861	2,458	1,335	(71)	63	393	77	21,221	18,165
Community Services & Education	3,569	3,599	3,236	3,612	3,385	3,829	(43)	214	(593)	3,512	3,135	1,431	1,922
Housing & Community Amenities	601	989	1,024	1,192	1,717	1,232	(591)	(728)	(208)	12	112	6,202	9,136
Water Supplies	2,802	3,465	3,003	1,883	2,290	2,473	919	1,175	530	113	145	45,090	40,696
Sewerage Services	1,693	2,214	1,785	1,461	1,334	1,396	232	880	389	38	41	35,631	27,380
Recreation & Culture	4,697	737	641	3,172	3,358	3,559	1,525	(2,621)	(2,918)	92	51	31,447	27,746
Mining, Manufacturing & Construction	550	6	6	569	680	893	(19)	(674)	(887)	-	-	1,311	1,339
Transport & Communication	5,226	6,565	5,573	7,232	10,198	12,179	(2,006)	(3,633)	(6,606)	1,786	1,493	158,368	158,671
Economic Affairs	1,146	1,768	2,283	1,190	1,573	2,306	(44)	195	(23)	-	-	6,095	5,544
<b>Total Functions &amp; Activities</b>	<b>23,995</b>	<b>22,520</b>	<b>20,520</b>	<b>29,037</b>	<b>32,010</b>	<b>32,373</b>	<b>(5,042)</b>	<b>(9,490)</b>	<b>(11,853)</b>	<b>5,946</b>	<b>5,228</b>	<b>315,035</b>	<b>299,478</b>
General Purpose Income <sup>1</sup>	11,731	14,199	12,772	-	-	-	11,731	14,199	12,772	4,932	3,881	6,932	3,798
<b>Operating Result from Continuing Operations</b>	<b>35,726</b>	<b>36,719</b>	<b>33,292</b>	<b>29,037</b>	<b>32,010</b>	<b>32,373</b>	<b>6,689</b>	<b>4,709</b>	<b>919</b>	<b>10,878</b>	<b>9,109</b>	<b>321,967</b>	<b>303,276</b>

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

## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

##### **PUBLIC ORDER & SAFETY**

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

##### **HEALTH**

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

##### **ENVIRONMENT**

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

##### **COMMUNITY SERVICES & EDUCATION**

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

##### **HOUSING & COMMUNITY AMENITIES**

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

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION & CULTURE**

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

##### **MINING, MANUFACTURING & CONSTRUCTION**

Building control, abattoirs, quarries & pits, other.

##### **TRANSPORT & COMMUNICATION**

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

##### **ECONOMIC AFFAIRS**

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

## Gunnedah Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		2,514	2,551
Farmland		3,413	3,432
Mining		740	469
Business		1,551	1,552
<b>Total Ordinary Rates</b>		<b>8,218</b>	<b>8,004</b>
<b>Special Rates</b>			
Nil			
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		1,585	1,497
Stormwater Management Services		91	88
Water Supply Services		749	744
Sewerage Services		1,330	1,139
<b>Total Annual Charges</b>		<b>3,755</b>	<b>3,468</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>11,973</b>	<b>11,472</b>

Council has used 2010 year valuations provided by the NSW Valuer General in calculating its rates.

# Gunnedah Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		468	432
Water Supply Services		1,402	1,498
Sewerage Services		329	313
Waste Management Services (non-domestic)		22	5
<b>Total User Charges</b>		<b>2,221</b>	<b>2,248</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Planning & Building Regulation		325	331
Private Works - Section 67		997	1,374
Registration Fees		23	34
Regulatory/ Statutory Fees		28	22
Section 149 Certificates (EPA Act)		38	27
Section 603 Certificates		39	39
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>1,450</b>	<b>1,827</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Aerodrome		34	6
Aged Care		86	89
Cemeteries		116	114
Conferences		6	3
Library & Art Gallery		5	3
Noxious Weeds		8	50
Park Rents		33	18
Public Halls		36	12
RMS (formerly RTA) Charges (State Roads not controlled by Council)		3,689	3,427
Saleyards		615	768
Swimming Pools		153	145
Theatre		173	164
Tourism		33	21
Other		12	16
<b>Total Fees &amp; Charges - Other</b>		<b>4,999</b>	<b>4,836</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>8,670</b>	<b>8,911</b>



## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges		124	148
- Interest earned on Investments (interest & coupon payment income)		1,438	1,188
<b>Fair Value Adjustments</b>			
- Fair Valuation movements in Investments (at FV or Held for Trading)		472	464
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>2,034</u></b>	<b><u>1,800</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		124	148
General Council Cash & Investments		1,049	887
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		37	32
- Section 64		70	74
Water Fund Operations		386	317
Sewerage Fund Operations		296	246
Domestic Waste Management operations		72	96
<b><u>Total Interest &amp; Investment Revenue Recognised</u></b>		<b><u>2,034</u></b>	<b><u>1,800</u></b>
<b>(d). Other Revenues</b>			
Rental Income - Other Council Properties		84	93
Fines		6	15
Fines - Parking		10	9
Legal Fees Recovery - Rates & Charges (Extra Charges)		-	9
Legal Fees Recovery - Other		43	49
Commissions & Agency Fees		10	6
Insurance Claim Recoveries		45	-
Sales - General		13	63
Sales - Domestic Waste		107	128
Sales - Events		5	2
Sales - Swimming Pools		116	123
Sales - Theatre		64	51
Sales - Tourism		27	21
Staff Reimbursements		71	56
Other		50	27
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>651</u></b>	<b><u>652</u></b>

## Gunnedah Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	3,082	2,421	-	-
Financial Assistance - Local Roads Component	1,760	1,362	-	-
Pensioners' Rates Subsidies - General Component	90	98	-	-
<b>Total General Purpose</b>	<b>4,932</b>	<b>3,881</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Water	41	45	-	-
- Sewerage	38	41	-	-
- Domestic Waste Management	-	39	-	-
- Other	40	-	-	-
Water Supplies	71	100	-	-
Bushfire & Emergency Services	-	78	-	-
Community Care	3,512	3,133	-	-
Employment & Training Programs	-	11	-	-
Environmental Protection	236	77	-	-
Footpaths & Cycleways	-	-	65	75
Library	61	48	-	-
Noxious Weeds	117	85	-	-
Public Halls	-	30	-	32
Recreation & Culture	31	3	-	-
Saleyards	-	-	30	-
Street Lighting	12	12	-	-
Transport (Roads to Recovery)	544	892	-	-
Transport (Other Roads & Bridges Funding)	916	514	232	-
Other	-	13	-	-
<b>Total Specific Purpose</b>	<b>5,619</b>	<b>5,121</b>	<b>327</b>	<b>107</b>
<b>Total Grants</b>	<b>10,551</b>	<b>9,002</b>	<b>327</b>	<b>107</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	6,978	5,953	233	32
- State Funding	3,573	3,049	94	75
	<b>10,551</b>	<b>9,002</b>	<b>327</b>	<b>107</b>

## Gunnedah Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(f). Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b>				
S 94 - Contributions towards amenities/services	-	-	-	3
S 94A - Fixed Development Consent Levies	-	-	245	279
S 64 - Water Supply Contributions	-	-	693	210
S 64 - Sewerage Service Contributions	-	-	169	10
S 64 - Stormwater Contributions	-	-	33	2
<b>Total Developer Contributions</b>	17 -	-	<b>1,140</b>	<b>504</b>
<b>Other Contributions:</b>				
Community Fund	-	-	100	100
Community Services	4	3	-	-
Emergency Services	106	5	-	-
Flood Management	51	37	-	-
Other Councils - Joint Works/Services	9	8	-	-
Recreation & Culture	2	-	25	-
Roads & Bridges	501	611	-	-
Saleyards	37	31	-	-
Water Supplies (excl. Section 64 contributions)	82	46	-	-
Other	16	3	-	-
<b>Total Other Contributions</b>	<b>808</b>	<b>744</b>	<b>125</b>	<b>100</b>
<b>Total Contributions</b>	<b>808</b>	<b>744</b>	<b>1,265</b>	<b>604</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>11,359</b>	<b>9,746</b>	<b>1,592</b>	<b>711</b>

\$ '000	Actual 2012	Actual 2011
<b>(g). Restrictions relating to Grants and Contributions</b>		
<b>Certain grants &amp; contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the Close of the Previous Reporting Period	3,363	2,523
add: Grants & contributions recognised in the current period but not yet spent:	1,277	1,303
less: Grants & contributions recognised in a previous reporting period now spent:	(216)	(463)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>1,061</b>	<b>840</b>
<b>Unexpended and held as Restricted Assets</b>	<b>4,424</b>	<b>3,363</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	725	905
- Developer Contributions	3,699	2,452
- Other Contributions	-	6
	<b>4,424</b>	<b>3,363</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		9,549	9,516
Travelling		176	157
Employee Leave Entitlements (ELE)		1,419	1,161
Superannuation		1,167	1,318
Workers' Compensation Insurance		579	481
Fringe Benefit Tax (FBT)		80	41
Payroll Tax		39	42
Training Costs (other than Salaries & Wages)		211	281
Other		22	38
<b>Total Employee Costs</b>		<b>13,242</b>	<b>13,035</b>
less: Capitalised Costs		(934)	(743)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>12,308</b>	<b>12,292</b>
Number of "Equivalent Full Time" Employees at year end		<b>163</b>	<b>163</b>
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		<b>170</b>	<b>170</b>
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Overdraft		1	-
Interest on Loans		132	153
Interest on Advances		6	7
<b>Total Interest Bearing Liability Costs</b>		<b>139</b>	<b>160</b>
less: Capitalised Costs		-	-
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>139</b>	<b>160</b>
<b>(ii) Other Borrowing Costs</b>			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	65	62
<b>Total Other Borrowing Costs</b>		<b>65</b>	<b>62</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>204</b>	<b>222</b>

## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		8,512	7,994
Contractor & Consultancy Costs			
- Environmental Consultants		82	20
- Finance		8	10
- Governance		26	5
- Information Technology		12	3
- Parking		67	14
- Planning		76	76
- Sewerage		6	23
- Strategic Planning		5	28
- Water Services		22	35
- Engineering		14	-
- Other		9	-
Auditors Remuneration <sup>(1)</sup>		22	21
Legal Expenses:			
- Legal Expenses: Planning & Development		6	164
- Legal Expenses: Other		17	2
- Legal Expenses: Debt Recovery		54	15
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>(2)</sup>		-	43
<b>Total Materials &amp; Contracts</b>		<b>8,938</b>	<b>8,453</b>
less: Capitalised Costs		-	-
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>8,938</b>	<b>8,453</b>
<b>1. Auditor Remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
<b>(i) Audit and Other Assurance Services</b>			
- Audit & review of financial statements: Council's Auditor		22	21
<b>Total Auditor Remuneration</b>		<b>22</b>	<b>21</b>
<b>2. Operating Lease Payments are attributable to:</b>			
Computers		-	43
		-	<b>43</b>

## Gunnedah Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
Plant and Equipment		19	84	1,591	1,730
Office Equipment		6	7	178	211
Furniture & Fittings		-	12	42	42
Buildings - Non Specialised		126	80	228	228
Buildings - Specialised		8	-	340	331
Other Structures		-	-	139	2
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	3,819	4,278
- Stormwater Drainage		-	-	216	215
- Water Supply Network		-	-	706	687
- Sewerage Network		-	-	747	720
Other Assets					
- Library Books		-	-	4	4
- Other		-	-	34	33
Asset Reinstatement Costs	9 & 26	-	-	50	50
<b>Total Depreciation &amp; Impairment Costs</b>		<b>159</b>	<b>183</b>	<b>8,094</b>	<b>8,531</b>
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>159</b>	<b>183</b>	<b>8,094</b>	<b>8,531</b>

## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		164	148
Bad & Doubtful Debts		11	126
Bank Charges		18	18
Computer Software Charges		125	90
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy		18	18
- NSW Rural Fire Service Levy		154	124
Councillor Expenses - Mayoral Fee		32	31
Councillor Expenses - Councillors' Fees		80	76
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		41	46
Electricity & Heating		631	517
Gas		8	8
Insurance		454	471
Postage		45	42
Printing & Stationery		126	112
Street Lighting		153	139
Telephone & Communications		208	186
Valuation Fees		38	46
Other		1	-
<b>Total Other Expenses</b>		<b>2,307</b>	<b>2,198</b>
less: Capitalised Costs		-	-
<b>TOTAL OTHER EXPENSES</b>		<b>2,307</b>	<b>2,198</b>

## Gunnedah Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal - Property		7	-
less: Carrying Amount of Property Assets Sold / Written Off		(3)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>4</b>	<b>-</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		900	593
less: Carrying Amount of P&E Assets Sold / Written Off		(447)	(569)
<b>Net Gain/(Loss) on Disposal</b>		<b>453</b>	<b>24</b>
<b>Infrastructure</b>			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(17)	(518)
<b>Net Gain/(Loss) on Disposal</b>		<b>(17)</b>	<b>(518)</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		43,265	1,895
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(43,265)	(1,895)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>440</b>	<b>(494)</b>



## Gunnedah Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		713	-	129	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		1,535	-	1,121	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>2,248</b>	<b>-</b>	<b>1,250</b>	<b>-</b>
<b>Investment Securities (Note 6b)</b>					
- Managed Funds		-	-	2,203	-
- Long Term Deposits		24,331	-	15,831	-
- Equity Linked Notes		-	4,765	-	5,288
- NCD's, FRN's (with Maturities > 3 months)		-	942	-	1,358
- Other Long Term Financial Assets		-	-	-	484
<b>Total Investment Securities</b>		<b>24,331</b>	<b>5,707</b>	<b>18,034</b>	<b>7,130</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>26,579</b>	<b>5,707</b>	<b>19,284</b>	<b>7,130</b>

<sup>1</sup> Those Investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, Cash Equivalents & Investments were classified at year end in accordance with AASB 139 as follows:**

**Cash & Cash Equivalents**

a. "At Fair Value through the Profit & Loss"		<b>2,248</b>	<b>-</b>	<b>1,250</b>	<b>-</b>
--	--	--------------	----------	--------------	----------

**Investments**

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	-	5,707	2,203	7,130
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	24,331	-	15,831	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
<b>Investments</b>		<b>24,331</b>	<b>5,707</b>	<b>18,034</b>	<b>7,130</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 6b. Investments (continued)

\$ '000	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	2,203	7,130	2,790	7,746
Revaluations (through the Income Statement)	(12)	484	69	395
Additions	74	93	115	113
Disposals (sales & redemptions)	(2,265)	(2,000)	(771)	(1,124)
<b>Balance at End of Year</b>	<b>-</b>	<b>5,707</b>	<b>2,203</b>	<b>7,130</b>
<b>Comprising:</b>				
- Managed Funds	-	-	2,203	-
- Equity Linked Notes	-	4,765	-	5,288
- NCD's, FRN's (with Maturities > 3 months)	-	942	-	1,358
- Other Long Term Financial Assets	-	-	-	484
<b>Total</b>	<b>-</b>	<b>5,707</b>	<b>2,203</b>	<b>7,130</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	15,831	-	-	-
Additions	47,500	-	15,831	-
Disposals (sales & redemptions)	(39,000)	-	-	-
<b>Balance at End of Year</b>	<b>24,331</b>	<b>-</b>	<b>15,831</b>	<b>-</b>
<b>Comprising:</b>				
- Long Term Deposits	24,331	-	15,831	-
<b>Total</b>	<b>24,331</b>	<b>-</b>	<b>15,831</b>	<b>-</b>
<b>Note 6(b-iii)</b>				
<b>Reconciliation of Investments classified as "Loans &amp; Receivables"</b>				
Nil				
<b>Note 6(b-iv)</b>				
<b>Reconciliation of Investments classified as "Available for Sale"</b>				
Nil				

## Gunnedah Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Total Cash, Cash Equivalents and Investment Securities</b>	<b>26,579</b>	<b>5,707</b>	<b>19,284</b>	<b>7,130</b>
<b>attributable to:</b>				
External Restrictions (refer below)	13,198	5,707	8,486	7,130
Internal Restrictions (refer below)	9,850	-	8,666	-
Unrestricted	3,531	-	2,132	-
	<b>26,579</b>	<b>5,707</b>	<b>19,284</b>	<b>7,130</b>

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

## Details of Restrictions

## External Restrictions - Included in Liabilities

Nil

## External Restrictions - Other

Developer Contributions - General (D)	879	315	-	1,194
Developer Contributions - Water Fund (D)	1,044	737	-	1,781
Developer Contributions - Sewer Fund (D)	529	195	-	724
Specific Purpose Unexpended Grants (F)	905	-	(180)	725
Water Supplies (G)	5,463	888	-	6,351
Sewerage Services (G)	4,507	1,068	-	5,575
Domestic Waste Management (G)	2,283	266	-	2,549
Other	6	-	-	6
<b>External Restrictions - Other</b>	<b>15,616</b>	<b>3,469</b>	<b>(180)</b>	<b>18,905</b>
<b>Total External Restrictions</b>	<b>15,616</b>	<b>3,469</b>	<b>(180)</b>	<b>18,905</b>

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

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

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

## Gunnedah Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	2,513	15	(703)	1,825
Employees Leave Entitlement	1,088	-	(46)	1,042
Aerodrome	596	-	-	596
Business Partnering Program	41	-	(5)	36
Community Facilities Fund	80	140	-	220
Contract Works	189	-	-	189
Flooding Housing	43	-	(43)	-
Future Works	772	1,556	(555)	1,773
Gravel Pit Restoration	160	-	-	160
Land	45	-	-	45
Information Technology	265	-	(158)	107
Parking Areas	83	-	-	83
Roads	1,277	2,403	(1,386)	2,294
Saleyards	1,386	478	(714)	1,150
Storm Water - Contingency	289	-	(130)	159
Strategic Planning	353	-	(179)	174
Tourism	186	-	-	186
Other	84	21	-	105
less: Investment Fair Valuation write downs	(783)	490	-	(293)
<b>Total Internal Restrictions</b>	<b>8,666</b>	<b>5,103</b>	<b>(3,919)</b>	<b>9,850</b>
<b>TOTAL RESTRICTIONS</b>	<b>24,282</b>	<b>8,572</b>	<b>(4,099)</b>	<b>28,755</b>

## Gunnedah Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		777	-	1,061	-
Interest & Extra Charges		196	-	287	-
User Charges & Fees		370	-	671	-
Private Works		306	-	316	-
Contributions to Works		379	-	1,319	-
Accrued Revenues					
- Interest on Investments		433	-	317	-
- Other Income Accruals		2	-	7	-
Deferred Debtors		-	65	-	73
Government Grants & Subsidies		1,491	-	1,301	-
Net GST Receivable		69	-	281	-
<b>Total</b>		<b>4,023</b>	<b>65</b>	<b>5,560</b>	<b>73</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		(19)	-	(19)	-
Interest & Extra Charges		(60)	-	(54)	-
User Charges & Fees		(92)	-	(86)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(171)</b>	<b>-</b>	<b>(159)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>3,852</u></b>	<b><u>65</u></b>	<b><u>5,401</u></b>	<b><u>73</u></b>
<b>Externally Restricted Receivables</b>					
<b>Water Supply</b>					
- Rates & Availability Charges		283	-	586	-
- Other		1	-	1	-
<b>Sewerage Services</b>					
- Rates & Availability Charges		157	-	210	-
- Other		20	-	60	-
<b>Domestic Waste Management</b>		<b>271</b>	<b>-</b>	<b>306</b>	<b>-</b>
<b>Drainage</b>		<b>18</b>	<b>-</b>	<b>19</b>	<b>-</b>
<b>Total External Restrictions</b>		<b>750</b>	<b>-</b>	<b>1,182</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>3,102</b>	<b>65</b>	<b>4,219</b>	<b>73</b>
<b>TOTAL NET RECEIVABLES</b>		<b>3,852</b>	<b>65</b>	<b>5,401</b>	<b>73</b>

**Notes on Debtors above:**

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Gunnedah Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 8. Inventories &amp; Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Stores & Materials		406	-	430	-
<b>Total Inventories</b>		<b>406</b>	<b>-</b>	<b>430</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		47	-	231	-
<b>Total Other Assets</b>		<b>47</b>	<b>-</b>	<b>231</b>	<b>-</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>453</b>	<b>-</b>	<b>661</b>	<b>-</b>
<b>Externally Restricted Assets</b>					
<b>Water</b>					
Stores & Materials		126	-	139	-
<b>Total Water</b>		<b>126</b>	<b>-</b>	<b>139</b>	<b>-</b>
<b>Total Externally Restricted Assets</b>		<b>126</b>	<b>-</b>	<b>139</b>	<b>-</b>
<b>Total Unrestricted Assets</b>		<b>327</b>	<b>-</b>	<b>522</b>	<b>-</b>
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>		<b>453</b>	<b>-</b>	<b>661</b>	<b>-</b>

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 9a. Infrastructure, Property, Plant &amp; Equipment

\$ '000	as at 30/6/2011					Asset Movements during the Reporting Period						as at 30/6/2012				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value							Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	1,051	-	-	-	1,051	347	-	-	-	-	-	1,398	-	-	-	1,398
Plant & Equipment	-	18,923	11,733	-	7,190	3,304	(449)	(1,591)	(19)	-	-	-	19,377	10,942	-	8,435
Office Equipment	-	2,074	1,425	-	649	421	-	(178)	(6)	-	-	-	2,453	1,567	-	886
Furniture & Fittings	-	929	594	-	335	49	-	(42)	-	-	-	-	938	596	-	342
<b>Land:</b>																
- Operational Land	-	6,715	-	-	6,715	60	(2)	-	-	222	-	-	6,995	-	-	6,995
- Community Land	-	3,513	-	-	3,513	-	-	-	-	3,367	-	-	6,880	-	-	6,880
Buildings - Non Specialised	-	17,374	6,429	-	10,945	113	-	(228)	(126)	-	-	-	17,121	6,417	-	10,704
Buildings - Specialised	-	25,952	8,685	-	17,267	-	-	(340)	(8)	-	-	-	25,894	8,975	-	16,919
Other Structures	-	8,021	3,946	-	4,075	31	-	(139)	-	-	-	-	7,931	3,964	-	3,967
<b>Infrastructure:</b>																
- Roads, Bridges, Footpaths	-	244,526	99,164	-	145,362	3,648	(8)	(3,819)	-	-	-	-	248,143	102,960	-	145,183
- Stormwater Drainage	-	21,533	4,774	-	16,759	224	-	(216)	-	-	-	-	21,756	4,989	-	16,767
- Water Supply Network	-	53,935	21,146	-	32,789	593	(8)	(706)	-	-	3,271	-	58,696	22,757	-	35,939
- Sewerage Network	-	54,895	33,030	-	21,865	273	-	(747)	-	-	7,031	-	47,146	18,724	-	28,422
<b>Other Assets:</b>																
- Library Books	-	50	4	-	46	27	-	(4)	-	-	-	-	77	8	-	69
- Other	-	872	151	-	721	323	-	(34)	-	-	-	-	1,196	186	-	1,010
<b>Reinstatement, Rehabilitation &amp; Restoration Assets</b> (refer Note 26)																
- Tip Asset	-	480	22	-	458	-	-	(11)	-	-	-	-	480	33	-	447
- Quarry Asset	-	1,066	79	-	987	-	-	(39)	-	-	-	-	1,066	118	-	948
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>1,051</b>	<b>460,858</b>	<b>191,182</b>	<b>-</b>	<b>270,727</b>	<b>9,413</b>	<b>(467)</b>	<b>(8,094)</b>	<b>(159)</b>	<b>3,589</b>	<b>10,302</b>	<b>1,398</b>	<b>466,149</b>	<b>182,236</b>	<b>-</b>	<b>285,311</b>

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$7,189M) and New Assets (\$2,257M). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

## Gunnedah Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000 Class of Asset	Actual 2012				Actual 2011			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
<b>Water Supply</b>								
WIP	168	-	-	<b>168</b>	308	-	-	<b>308</b>
Plant & Equipment	-	471	158	<b>313</b>	-	468	119	<b>349</b>
Office Equipment	-	23	8	<b>15</b>	-	23	6	<b>17</b>
Land								
- Operational Land	-	137	-	<b>137</b>	-	93	-	<b>93</b>
- Community Land	-	-	-	-	-	7	-	<b>7</b>
Infrastructure	-	58,696	22,757	<b>35,939</b>	-	53,935	21,146	<b>32,789</b>
<b>Total Water Supply</b>	<b>168</b>	<b>59,327</b>	<b>22,923</b>	<b>36,572</b>	<b>308</b>	<b>54,526</b>	<b>21,271</b>	<b>33,563</b>
<b>Sewerage Services</b>								
WIP	127	-	-	<b>127</b>	49	-	-	<b>49</b>
Plant & Equipment	-	209	117	<b>92</b>	-	175	107	<b>68</b>
Office Equipment	-	101	39	<b>62</b>	-	101	30	<b>71</b>
Land								
- Operational Land	-	438	-	<b>438</b>	-	308	-	<b>308</b>
Buildings	-	18	4	<b>14</b>	-	18	3	<b>15</b>
Infrastructure	-	47,146	18,724	<b>28,422</b>	-	54,895	33,030	<b>21,865</b>
<b>Total Sewerage Services</b>	<b>127</b>	<b>47,912</b>	<b>18,884</b>	<b>29,155</b>	<b>49</b>	<b>55,497</b>	<b>33,170</b>	<b>22,376</b>
<b>Domestic Waste Management</b>								
WIP	-	-	-	-	43	-	-	<b>43</b>
Plant & Equipment	-	631	325	<b>306</b>	-	832	342	<b>490</b>
Land								
- Operational Land'	-	706	-	<b>706</b>	-	706	-	<b>706</b>
Buildings	-	773	141	<b>632</b>	-	773	128	<b>645</b>
Other Assets	-	356	23	<b>333</b>	-	100	21	<b>79</b>
<b>Total DWM</b>	<b>-</b>	<b>2,466</b>	<b>489</b>	<b>1,977</b>	<b>43</b>	<b>2,411</b>	<b>491</b>	<b>1,963</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>295</b>	<b>109,705</b>	<b>42,296</b>	<b>67,704</b>	<b>400</b>	<b>112,434</b>	<b>54,932</b>	<b>57,902</b>



## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>Impairment Losses recognised in the Income Statement include:</b>			
Office Equipment - Tourist Office Camera Stolen		-	(1)
Council Chambers - Upgrade/Carpet/Air Conditioner Part of Revaluation		-	(73)
Office Equipment - Laptop Broken		-	(1)
Community Services Airconditioner part of Revaluation		-	(6)
Saleyards Effluent/Pens - Part of Revaluations		-	(92)
Cycleway Lighting - Part of Cycleway Revaluation		-	(8)
Painting - Part of Revaluation		-	(1)
Softfall		-	(1)
Goolhi Hall - Not in Gunnedah Shire		(8)	-
Cohen's Warehouse - Destroyed by Fire - Not Insured		(15)	-
52 Tempest Street - Destroyed by Fire - Not Insured		(111)	-
Gym Centre Equipment - Not Controlled by Council		(8)	-
Hanging System Art Gallery - No Longer Used		(5)	-
Mower Ride-On - No Longer in Use		(2)	-
Pool Shelter - Removed		(1)	-
Filters - Parks & Ovals - Unrepairable		(6)	-
IMB Infoprint 6500 - Donated		(1)	-
Park Furniture		(1)	-
Mower Husqvarna 2042 XP - No Longer Used		(1)	-
<b>Total Impairment Losses</b>		<b>(159)</b>	<b>(183)</b>
<b><u>IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L</u></b>	4(d)	<b><u>(159)</u></b>	<b><u>(183)</u></b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 10a. Payables, Borrowings &amp; Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		2,591	-	2,042	-
Accrued Expenses:					
- Borrowings		7	-	8	-
<b>Total Payables</b>		<b>2,598</b>	<b>-</b>	<b>2,050</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		379	1,327	410	1,706
Government Advances		20	55	19	75
<b>Total Borrowings</b>		<b>399</b>	<b>1,382</b>	<b>429</b>	<b>1,781</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		1,224	-	1,271	-
Long Service Leave		2,114	145	2,208	120
Wages - Time in Lieu		59	-	37	-
Rostered Days Off		85	-	84	-
Sub Total - Aggregate Employee Benefits		3,482	145	3,600	120
Asset Remediation/Restoration (Future Works) <sup>26</sup>		-	1,510	-	1,445
Other		-	7	-	7
<b>Total Provisions</b>		<b>3,482</b>	<b>1,662</b>	<b>3,600</b>	<b>1,572</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>6,479</b>	<b>3,044</b>	<b>6,079</b>	<b>3,353</b>

## (i) Liabilities relating to Restricted Assets

	2012		2011	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Water	6	-	3	-
Sewer	1	-	-	-
Liabilities relating to externally restricted assets	7	-	3	-
<b>Internally Restricted Assets</b>				
Employee Leave Entitlements	-	-	1,052	36
Liabilities relating to internally restricted assets	-	-	1,052	36
<b>Total Liabilities relating to restricted assets</b>	<b>7</b>	<b>-</b>	<b>1,055</b>	<b>36</b>

<sup>1.</sup> Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	2012	2011
<b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	3,182	3,280
Other Liabilities	7	7
	<u>3,189</u>	<u>3,287</u>

#### Note 10b. Description of and movements in Provisions

Class of Provision	2011		2012			Closing Balance as at 30/6/12
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,271	667	(714)	-	-	1,224
Long Service Leave	2,328	249	(318)	-	-	2,259
Other Leave	121	205	(182)	-	-	144
Asset Remediation	1,445	65	-	-	-	1,510
Other	7	-	-	-	-	7
<b>TOTAL</b>	<b>5,172</b>	<b>1,186</b>	<b>(1,214)</b>	<b>-</b>	<b>-</b>	<b>5,144</b>

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

c. Provision for the Replacement of the Community Transport Bus

## Gunnedah Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	2,248	1,250
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>2,248</b>	<b>1,250</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>4,709</b>	<b>919</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		8,094	8,531
Net Losses/(Gains) on Disposal of Assets		(440)	494
Impairment Losses Recognition - I,PP&E		159	183
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(472)	(464)
Unwinding of Discount Rates on Reinstatement Provisions		65	62
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		1,537	(323)
Increase/(Decrease) in Provision for Doubtful Debts		12	101
Decrease/(Increase) in Inventories		24	72
Decrease/(Increase) in Other Assets		184	(201)
Increase/(Decrease) in Payables		549	(1,126)
Increase/(Decrease) in accrued Interest Payable		(1)	(2)
Increase/(Decrease) in Other Liabilities		-	(3)
Increase/(Decrease) in Employee Leave Entitlements		(93)	210
Increase/(Decrease) in Other Provisions		-	(1,383)
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>14,327</b>	<b>7,070</b>

## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Nil			
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		500	500
Credit Cards / Purchase Cards		50	30
<b>Total Financing Arrangements</b>		<b>550</b>	<b>530</b>
<b>Amounts utilised as at Balance Date:</b>			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
<b>Total Financing Arrangements Utilised</b>		<b>-</b>	<b>-</b>

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

#### **(ii) Secured Loan Liabilities**

Loans are secured by a mortgage over future years Rate Revenue only.

#### Note 12. Commitments for Expenditure

##### (a) Capital Commitments (exclusive of GST)

Nil

##### (b) Finance Lease Commitments

Nil

##### (c) Operating Lease Commitments (Non Cancellable)

Nil

##### (d) Investment Property Commitments

Nil

## Gunnedah Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 2011      2010	
<b>Local Government Industry Indicators</b>				
<b>1. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(1)</sup>	<u>16,810</u>	<b>5.12 : 1</b>	5.57	4.02
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	<u>3,283</u>			
<b>2. Debt Service Ratio</b>				
Debt Service Cost	<u>568</u>	<b>1.98%</b>	2.23%	2.52%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>28,700</u>			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>				
Rates & Annual Charges	<u>11,973</u>	<b>32.61%</b>	34.46%	34.48%
Income from Continuing Operations	<u>36,719</u>			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual & Extra Charges Outstanding	<u>894</u>	<b>6.69%</b>	9.60%	13.30%
Rates, Annual & Extra Charges Collectible	<u>13,372</u>			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>				
Asset Renewals <sup>(4)</sup>	<u>7,189</u>	<b>116.14%</b>	84.81%	142.70%
Depreciation, Amortisation & Impairment	<u>6,190</u>			

## Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

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

(4) Asset Renewals represent the replacement &amp;/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Asset Renewals include building and infrastructure assets only.

# Gunnedah Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

<p><b>1. Unrestricted Current Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>3.63</td> </tr> <tr> <td>2010</td> <td>4.02</td> </tr> <tr> <td>2011</td> <td>5.57</td> </tr> <tr> <td>2012</td> <td>5.12</td> </tr> </tbody> </table>	Year	Ratio : 1	2009	3.63	2010	4.02	2011	5.57	2012	5.12	<p><b>Purpose of Unrestricted Current Ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 5.12 : 1</b></p> <p>Council remains in a very healthy situation with regard to the unrestricted current ratio. With a ratio of 5.54 which is similar to the 5.57 of the previous year Council should have no problems meeting its short term obligations as they fall due.</p>
Year	Ratio : 1											
2009	3.63											
2010	4.02											
2011	5.57											
2012	5.12											
<p><b>2. Debt Service Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>3.15%</td> </tr> <tr> <td>2010</td> <td>2.52%</td> </tr> <tr> <td>2011</td> <td>2.23%</td> </tr> <tr> <td>2012</td> <td>1.98%</td> </tr> </tbody> </table>	Year	Ratio %	2009	3.15%	2010	2.52%	2011	2.23%	2012	1.98%	<p><b>Purpose of Debt Service Ratio</b></p> <p>To assess the impact of loan principal &amp; interest repayments on the discretionary revenue of council.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 1.98%</b></p> <p>Council has not taken any new loans over the reporting period. A debt ratio of 1.98% puts Council in a strong position to borrow, if necessary, to fund future Infrastructure renewals.</p>
Year	Ratio %											
2009	3.15%											
2010	2.52%											
2011	2.23%											
2012	1.98%											
<p><b>3. Rates &amp; Annual Charges Coverage Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>36.73%</td> </tr> <tr> <td>2010</td> <td>34.48%</td> </tr> <tr> <td>2011</td> <td>34.46%</td> </tr> <tr> <td>2012</td> <td>32.61%</td> </tr> </tbody> </table>	Year	Ratio %	2009	36.73%	2010	34.48%	2011	34.46%	2012	32.61%	<p><b>Purpose of Rates &amp; Annual Charges Coverage Ratio</b></p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 32.61%</b></p> <p>Council remains close to its preferable long term rates/income split ratio of one third again this financial year. This ratio shows a strong position absent of an over reliance on rating income but still maintaining a strong base from which to fund its expenditure from.</p>
Year	Ratio %											
2009	36.73%											
2010	34.48%											
2011	34.46%											
2012	32.61%											
<p><b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>11.21%</td> </tr> <tr> <td>2010</td> <td>13.30%</td> </tr> <tr> <td>2011</td> <td>9.60%</td> </tr> <tr> <td>2012</td> <td>6.69%</td> </tr> </tbody> </table>	Year	Ratio %	2009	11.21%	2010	13.30%	2011	9.60%	2012	6.69%	<p><b>Purpose of Rates &amp; Annual Charges Outstanding Ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 6.69%</b></p> <p>Council's outstanding collection percentage has been reduced markedly again this financial year. This has been as a result of strengthening Council's revenue policy and procedures, implementation of an automated recovery system and the work of rating staff and an external debt recovery agency.</p>
Year	Ratio %											
2009	11.21%											
2010	13.30%											
2011	9.60%											
2012	6.69%											
<p><b>5. Building &amp; Infrastructure Renewals Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>57.85%</td> </tr> <tr> <td>2010</td> <td>142.70%</td> </tr> <tr> <td>2011</td> <td>84.81%</td> </tr> <tr> <td>2012</td> <td>116.14%</td> </tr> </tbody> </table>	Year	Ratio %	2009	57.85%	2010	142.70%	2011	84.81%	2012	116.14%	<p><b>Purpose of Asset Renewals Ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on Result</b></p> <p><b>2011/12 Ratio 116.14%</b></p> <p>Council's long term objective is to match spending on infrastructure renewals with their systematic deterioration. This requires the renewal ratio to approach 100% over the long term. More detailed information on asset renewal expenditure is available from Council's Strategic Asset Management Plans.</p>
Year	Ratio %											
2009	57.85%											
2010	142.70%											
2011	84.81%											
2012	116.14%											

## Gunnedah Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Water 2012	Sewer 2012	General <sup>1</sup> 2012
<b>Local Government Industry Indicators</b>			
<b>1. Unrestricted Current Ratio</b>			
<u>Current Assets less all External Restrictions<sup>(1)</sup></u>	<b>68.33 : 1</b>	<b>177.00 : 1</b>	<b>5.08 : 1</b>
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>			
prior period:	242.00 : 1	0.00 : 1	5.57 : 1
<b>2. Debt Service Ratio</b>			
<u>Debt Service Cost</u>	<b>0.00%</b>	<b>0.00%</b>	<b>2.37%</b>
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
prior period:	0.00%	0.00%	2.69%
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>			
<u>Rates &amp; Annual Charges</u>	<b>21.47%</b>	<b>60.22%</b>	<b>31.92%</b>
Income from Continuing Operations			
prior period:	23.85%	63.95%	33.80%
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>			
<u>Rates, Annual &amp; Extra Charges Outstanding</u>	<b>20.78%</b>	<b>10.14%</b>	<b>4.34%</b>
Rates, Annual & Extra Charges Collectible			
prior period:	40.69%	14.33%	4.62%
<b>5. Building &amp; Infrastructure Renewals Ratio</b>			
<u>Asset Renewals (Building &amp; Infrastructure assets)</u>	<b>60.34%</b>	<b>46.85%</b>	<b>135.38%</b>
Depreciation, Amortisation & Impairment			
prior period:	114.60%	40.00%	87.13%

## Notes

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



## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 14. Investment Properties

\$ '000

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

#### Note 15. Financial Risk Management

##### Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2012	2011	2012	2011
<b>Financial Assets</b>				
Cash and Cash Equivalents	2,248	1,250	2,248	1,250
Investments				
- "Held for Trading"	5,707	9,333	5,707	9,333
- "Held to Maturity"	24,331	15,831	24,331	15,831
Receivables	3,917	5,474	3,909	5,465
<b>Total Financial Assets</b>	<b>36,203</b>	<b>31,888</b>	<b>36,195</b>	<b>31,879</b>
<b>Financial Liabilities</b>				
Payables	2,598	2,050	2,598	2,030
Loans / Advances	1,781	2,210	1,781	2,210
<b>Total Financial Liabilities</b>	<b>4,379</b>	<b>4,260</b>	<b>4,379</b>	<b>4,240</b>

Fair Value is determined as follows:

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

## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (a) Fair Value Measurements

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

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets & liabilities can be broken up into 3 distinct measurement hierarchies:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

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

The following table presents the financial assets and financial liabilities that have been measured & recognised at fair values:

2012	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Investments				
- "Held for Trading"	-	5,707	-	5,707
<b>Total Financial Assets</b>	<b>-</b>	<b>5,707</b>	<b>-</b>	<b>5,707</b>
2011	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Investments				
- "Held for Trading"	-	9,333	-	9,333
<b>Total Financial Assets</b>	<b>-</b>	<b>9,333</b>	<b>-</b>	<b>9,333</b>

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

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

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

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2012</b>				
Possible impact of a 10% movement in Market Values	575	575	(575)	(575)
Possible impact of a 1% movement in Interest Rates	206	206	(206)	(206)
<b>2011</b>				
Possible impact of a 10% movement in Market Values	1,132	1,132	(1,132)	(1,132)
Possible impact of a 1% movement in Interest Rates	193	193	(193)	(193)

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (c) Receivables

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

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

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

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

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

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

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

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

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
<b>(i) Ageing of Receivables</b>				
Current (not yet overdue)	-	2,761	-	3,122
Past due by up to 30 days	-	1	-	-
Past due between 31 and 180 days	-	4	-	-
Past due between 181 and 365 days	546	140	513	1,101
Past due by more than 1 year	231	405	548	349
	<u>777</u>	<u>3,311</u>	<u>1,061</u>	<u>4,572</u>
<b>(ii) Movement in Provision for Impairment of Receivables</b>			2012	2011
Balance at the beginning of the year			159	58
+ new provisions recognised during the year			12	124
- amounts already provided for & written off this year			-	(23)
<b>Balance at the end of the year</b>			<u>171</u>	<u>159</u>

## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (d) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2012</b>									
Trade/Other Payables	-	2,598	-	-	-	-	-	2,598	2,598
Loans & Advances	-	399	386	382	33	36	545	1,781	1,781
<b>Total Financial Liabilities</b>	<b>-</b>	<b>2,997</b>	<b>386</b>	<b>382</b>	<b>33</b>	<b>36</b>	<b>545</b>	<b>4,379</b>	<b>4,379</b>
<b>2011</b>									
Trade/Other Payables	-	2,030	-	-	-	-	-	2,030	2,050
Loans & Advances	-	429	399	386	382	33	581	2,210	2,210
<b>Total Financial Liabilities</b>	<b>-</b>	<b>2,459</b>	<b>399</b>	<b>386</b>	<b>382</b>	<b>33</b>	<b>581</b>	<b>4,240</b>	<b>4,260</b>

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

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-	9.5%	-	6.8%
Trade/Other Payables	2,598	0.0%	2,050	0.0%
Loans & Advances - Fixed Interest Rate	1,781	6.6%	2,210	6.6%
	<u>4,379</u>		<u>4,260</u>	

## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 08 June 2011.

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

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

**Note that for Variations\* of Budget to Actual :**

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

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

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates &amp; Annual Charges</b>	<b>12,325</b>	<b>11,973</b>	<b>(352)</b>	(3%)	<b>U</b>
<b>User Charges &amp; Fees</b>	<b>6,197</b>	<b>8,670</b>	<b>2,473</b>	40%	<b>F</b>
This variance is mainly due to the additional works received under the State Roads Maintenance Contract of approximately \$2.6 million over the original budget.					
<b>Interest &amp; Investment Revenue</b>	<b>962</b>	<b>2,034</b>	<b>1,072</b>	111%	<b>F</b>
The main reason for this variance is the continued improvement of unrealised capital gains on council's investment portfolio of approximately \$490,000 and the growth of the portfolio of approximately \$5.8 million over the year.					
<b>Other Revenues</b>	<b>495</b>	<b>651</b>	<b>156</b>	32%	<b>F</b>
Other revenues have increased mainly due to the insurance recoveries on cleanup costs of 2 buildings that were burnt down during the year equates to \$45,000. Additional scrap sales from the Domestic Waste Management was \$57,000 over budget and legal recoveries on overdue rates returned \$45,000.					
<b>Operating Grants &amp; Contributions</b>	<b>9,359</b>	<b>11,359</b>	<b>2,000</b>	21%	<b>F</b>
The Federal Government in June 2012 paid Council our first half year 2012/13 Financial Assistance Grant in advance equating to \$1,975,696.					
<b>Capital Grants &amp; Contributions</b>	<b>6,388</b>	<b>1,592</b>	<b>(4,796)</b>	(75%)	<b>U</b>
Council had budgeted for 2 grants which were both unsuccessful. Firstly, the redevelopment of the swimming pool complex for \$ 3.987 million and the Blackjack Creek Flood Mitigation Works \$1million.					
<b>Net Gains from Disposal of Assets</b>	<b>-</b>	<b>440</b>	<b>440</b>	0%	<b>F</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee Benefits &amp; On-Costs</b>	<b>11,682</b>	<b>12,308</b>	<b>(626)</b>	<b>(5%)</b>	<b>U</b>
<b>Borrowing Costs</b>	<b>339</b>	<b>204</b>	<b>135</b>	<b>40%</b>	<b>F</b>
Borrowing Costs varied due to the effect of the re-estimation of remediation and remaining life as the Waste Management Facility and Councils Quarries. This affected the borrowing cost by \$71,000 at the Waste Facility & \$47,000 at the quarries. Additionally a loan budgeted at the pool for \$243,000 was not taken out.					
<b>Materials &amp; Contracts</b>	<b>6,110</b>	<b>8,938</b>	<b>(2,828)</b>	<b>(46%)</b>	<b>U</b>
This variation is due to the additional work carried out under the State Roads Contract and the increased costs of materials.					
<b>Depreciation &amp; Amortisation</b>	<b>8,607</b>	<b>8,094</b>	<b>513</b>	<b>6%</b>	<b>F</b>
<b>Impairment Expenses</b>	<b>-</b>	<b>159</b>	<b>(159)</b>	<b>0%</b>	<b>U</b>
<b>Other Expenses</b>	<b>2,299</b>	<b>2,307</b>	<b>(8)</b>	<b>(0%)</b>	<b>U</b>
<b>Budget Variations relating to Council's Cash Flow Statement include:</b>					
<b>Cash Flows from Operating Activities</b>	<b>15,478</b>	<b>14,327</b>	<b>(1,151)</b>	<b>(7.4%)</b>	<b>U</b>
<b>Cash Flows from Investing Activities</b>	<b>(16,097)</b>	<b>(12,900)</b>	<b>3,197</b>	<b>(19.9%)</b>	<b>F</b>
Council has moved away from the longer term deposits to a shorter period products due to the prevailing interest rates. Consequently, and along with a larger portfolio council is rolling investments more often.					
<b>Cash Flows from Financing Activities</b>	<b>(435)</b>	<b>(429)</b>	<b>6</b>	<b>(1.4%)</b>	<b>F</b>

# Gunnedah Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 17. Statement of Developer Contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	149	30	-	6	-	-	185	-	(185)	-	-
Parking	108	3	-	4	-	-	115	-	(115)	-	-
Open Space	17	-	-	1	-	-	18	-	(18)	-	-
Community Facilities	20	4	-	1	-	-	25	-	(25)	-	-
<b>S94 Contributions - under a Plan</b>	<b>294</b>	<b>37</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>343</b>	<b>-</b>	<b>(343)</b>	<b>-</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>584</b>	<b>241</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>850</b>				<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>878</b>	<b>278</b>	<b>-</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>1,193</b>				<b>-</b>
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S64 Contributions	1,574	862	-	70	-	-	2,506				
<b>Total Contributions</b>	<b>2,452</b>	<b>1,140</b>	<b>-</b>	<b>107</b>	<b>-</b>	<b>-</b>	<b>3,699</b>	<b>-</b>	<b>(343)</b>	<b>-</b>	<b>-</b>



# Gunnedah Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 17. Statement of Developer Contributions (continued)

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

##### CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	149	30	-	6	-	-	185	-	(185)	-	-
Parking	108	3	-	4	-	-	115	-	(115)	-	-
Open Space	17	-	-	1	-	-	18	-	(18)	-	-
Community Facilities	20	4	-	1	-	-	25	-	(25)	-	-
<b>Total</b>	<b>294</b>	<b>37</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>343</b>	<b>-</b>	<b>(343)</b>	<b>-</b>	<b>-</b>

#### S94A LEVIES - UNDER A PLAN

##### CONTRIBUTION PLAN NUMBER 01

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Community Facilities	584	241	-	25	-	-	850	-	-	-	-
<b>Total</b>	<b>584</b>	<b>241</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>850</b>				<b>-</b>

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

###### (i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

###### (ii) Statewide Limited

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

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

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

###### (iii) StateCover Limited

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

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

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

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

###### (iv) Other Guarantees

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

## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other Liabilities

###### (i) Third Party Claims

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

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

###### (ii) S94 Plans

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

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

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

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

##### ASSETS NOT RECOGNISED:

###### (i) Land Under Roads

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

###### (ii) Infringement Notices/Fines

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

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

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

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

## Gunnedah Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000

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

## Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
<b>a. Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		152,708	140,658
a. Correction of Prior Period Errors	20 (c)	3,589	11,131
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		4,709	919
e. Distributions to/(Contributions from) Minority Interests		-	-
<b>Balance at End of the Reporting Period</b>		<b><u>161,006</u></b>	<b><u>152,708</u></b>
<b>b. Reserves</b>			
<b>(i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		151,438	141,136
<b>Total</b>		<b><u>151,438</u></b>	<b><u>141,136</u></b>
<b>(ii). Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		141,136	131,562
- Revaluations for the year	9(a)	10,302	9,574
<b>- Balance at End of Year</b>		<b><u>151,438</u></b>	<b><u>141,136</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>151,438</u></b>	<b><u>141,136</u></b>

**(iii). Nature & Purpose of Reserves****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

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

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>c. Correction of Error/s relating to a Previous Reporting Period</b>			
<b>Correction of errors disclosed in this year's financial statements:</b>			
Whilst Council was transferring the Land Register from a paper based Record to a Map Information system various assets were previously not recognised. The result error is as follows:			
Operational Land		222	
Community Land		3,367	
Council does not have sufficient and reliable informations that will allow the restatement of information prior to 30/6/2011 (the closing date for the comparative figures in this report.			
As a result, Council has adjusted the GBV's of these assets as at 30/6/2011 to reflect the correct value of gross book value.			
<b>Correction of errors as disclosed in last year's financial statements:</b>			
1. Assets Not Previously Recognised:			
- Roads			342
- Kerb & Gutter			1,126
- Causeways			1,234
- Culverts			8,055
2. Re-assessment of the remaining useful life of assets relative to acc/depreciation in the accounts as part of the transition to fair values:			
Quarries	- decrease to accumulated depreciation		245
Other Assets	- decrease to accumulated depreciation		129
<b>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.</b>			
<b>These amounted to the following Equity Adjustments:</b>			
- Adjustments to Opening Equity - 1/7/10		-	-
(relating to adjustments for the 30/6/10 reporting year end and prior periods)			
- Adjustments to Closing Equity - 30/6/11		3,589	11,131
(relating to adjustments for the 30/6/11 year end)			
<b>Total Prior Period Adjustments - Prior Period Errors</b>		<b>3,589</b>	<b>11,131</b>

#### d. Voluntary Changes in Accounting Policies

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

## Gunnedah Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 21. Financial Result &amp; Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
<b>Continuing Operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from Continuing Operations</b>			
Rates & Annual Charges	776	1,338	9,859
User Charges & Fees	1,519	351	6,800
Interest & Investment Revenue	430	322	1,282
Other Revenues	3	4	644
Grants & Contributions provided for Operating Purposes	213	38	11,108
Grants & Contributions provided for Capital Purposes	674	169	749
<b>Other Income</b>			
Net Gains from Disposal of Assets	-	-	454
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
<b>Total Income from Continuing Operations</b>	<b>3,615</b>	<b>2,222</b>	<b>30,896</b>
<b>Expenses from Continuing Operations</b>			
Employee Benefits & on-costs	819	334	11,155
Borrowing Costs	-	-	204
Materials & Contracts	761	257	7,920
Depreciation & Amortisation	753	768	6,573
Impairment	-	-	159
Other Expenses	261	76	1,970
Interest & Investment Losses	-	-	-
Net Losses from the Disposal of Assets	14	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
<b>Total Expenses from Continuing Operations</b>	<b>2,608</b>	<b>1,435</b>	<b>27,981</b>
<b>Operating Result from Continuing Operations</b>	<b>1,007</b>	<b>787</b>	<b>2,915</b>
<b>Discontinued Operations</b>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
<b>Net Operating Result for the Year</b>	<b>1,007</b>	<b>787</b>	<b>2,915</b>
<b>Net Operating Result attributable to each Council Fund</b>	<b>1,007</b>	<b>787</b>	<b>2,915</b>
<b>Net Operating Result attributable to Minority Interests</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>333</b>	<b>618</b>	<b>2,166</b>

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

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

## Gunnedah Shire Council

Notes to the Financial Statements  
as at 30 June 2012

## Note 21. Financial Result &amp; Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current Assets</b>			
Cash & Cash Equivalents	342	366	1,540
Investments	6,413	4,884	13,034
Receivables	284	177	3,391
Inventories	126	-	280
Other	-	-	47
<b>Total Current Assets</b>	<b>7,165</b>	<b>5,427</b>	<b>18,292</b>
<b>Non-Current Assets</b>			
Investments	1,377	1,049	3,281
Receivables	-	-	65
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	36,572	29,155	219,584
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	-
<b>Total Non-Current Assets</b>	<b>37,949</b>	<b>30,204</b>	<b>222,930</b>
<b>TOTAL ASSETS</b>	<b>45,114</b>	<b>35,631</b>	<b>241,222</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	6	1	2,591
Borrowings	-	-	399
Provisions	-	-	3,482
<b>Total Current Liabilities</b>	<b>6</b>	<b>1</b>	<b>6,472</b>
<b>Non-Current Liabilities</b>			
Payables	-	-	-
Borrowings	-	-	1,382
Provisions	-	-	1,662
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>3,044</b>
<b>TOTAL LIABILITIES</b>	<b>6</b>	<b>1</b>	<b>9,516</b>
<b>Net Assets</b>	<b>45,108</b>	<b>35,630</b>	<b>231,706</b>
<b>EQUITY</b>			
Retained Earnings	24,381	10,086	126,539
Revaluation Reserves	20,727	25,544	105,167
<b>Council Equity Interest</b>	<b>45,108</b>	<b>35,630</b>	<b>231,706</b>
Minority Interests	-	-	-
<b>Total Equity</b>	<b>45,108</b>	<b>35,630</b>	<b>231,706</b>

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

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

## Gunnedah Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

---

\$ '000

---

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

#### Note 23. Events occurring after Balance Sheet Date

---

Events that occur after the reporting date of 30 June 2012, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 17/10/12.

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

##### **(i) Events that have provided evidence of conditions that existed at the Reporting Date**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

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

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

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

The passage of the Clean Air Legislation (Clean Energy Act 2011 and supporting legislation) will have an impact on Council's operating results going forward.

Council expects to pay more for its energy usage including electricity, gas, water and fuel but will be compensated to some extent through additional rate revenue and domestic waste management charges that it proposes to raise.

Council also expects construction materials such as concrete and asphalt to increase in price but is unable to quantify the effect of these increases at the present time.

No financial effects of the Clean Air Legislation have not been brought to account at 30 June 2012.

#### Note 24. Discontinued Operations

---

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



## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 25. Intangible Assets

\$ '000

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

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

#### Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2012	2011
Quarry Sites	2036	1,031	987
Waste Management Tip Sites	2067	479	458
<b>Balance at End of the Reporting Period</b>	10(a)	<b>1,510</b>	<b>1,445</b>

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

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

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

#### Reconciliation of movement in Provision for year:

Balance at beginning of year	1,445	2,766
Effect of a change in discount rates used in PV calculations	-	(1,383)
Amortisation of discount (expensed to borrowing costs)	65	62
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<b>1,510</b>	<b>1,445</b>

#### Amount of Expected Reimbursements

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

## Gunnedah Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 27. Council Information & Contact Details

---

**Principal Place of Business:**

63 Elgin Street  
GUNNEDAH NSW 2380

**Contact Details****Mailing Address:**

PO Box 63  
GUNNEDAH NSW 2380

**Opening Hours:**

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

**Telephone:** 02 6740 2100

**Facsimile:** 02 6740 2119

**Internet:** [www.infogunnedah.nsw.gov.au](http://www.infogunnedah.nsw.gov.au)

**Email:** [council@cinfogunnedah.nsw.gov.au](mailto:council@cinfogunnedah.nsw.gov.au)

**Officers****GENERAL MANAGER**

R E CAMPBELL

**RESPONSIBLE ACCOUNTING OFFICER**

D J CONNOR

**PUBLIC OFFICER**

L E ROWE

**AUDITORS**

UHY HAINES NORTON

**Elected Members****MAYOR**

O HASLER

**COUNCILLORS**

H ALGAYER

S BEHAM

T DUDDY

C FULLER

G GRIFFEN

K MARTIN

L MILLS

S SMITH

**Other Information**

**ABN:** 80 183 655 793

**Gunnedah Shire Council**

**Independent Auditor's Report**

**S417(2) - Report on the General Purpose Financial Statements**

**Report on the Financial Statements**

We have audited the accompanying general purpose financial statements of Gunnedah Shire Council (the Council), which comprises the balance sheet as at 30 June 2012, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the statement by Councillors and Management.

*Responsibility of Council for the financial statements*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget figures disclosed in the income statement, cash flow statement and the original budget disclosures in Notes 2(a) and 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17, 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 councils preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. **UHY Haines Norton - ABN 85 140 758 156 NSWBN 98 133 826**

*Independence*

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

*Auditor's Opinion*

In our opinion,

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



**M.D. Nicholaeff**  
Partner



**UHY Haines Norton**  
Chartered Accountants

Signed at Sydney on 9 October 2012

9 October 2012

The Mayor  
Councillor Owen Hasler  
Gunnedah Shire Council  
PO Box 63  
Gunnedah NSW 2380

Dear Councillor Hasler

**Report on the Conduct of the Audit  
Year Ended 30 June 2012**

We are pleased to advise completion of our audit of the General and Special Purpose Financial Statements for Gunnedah Shire Council for the year ended 30 June 2012, in accordance with Section 415 of the Local Government Act, 1993 ("the Act"); and that our audit opinion provided under Section 417(2) of the Act has been issued to Council. The following report on the conduct of the audit is issued in compliance with Section 417(3) of the Act.

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

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

We have ensured that the accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

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

## 1. Statement of Comprehensive Income

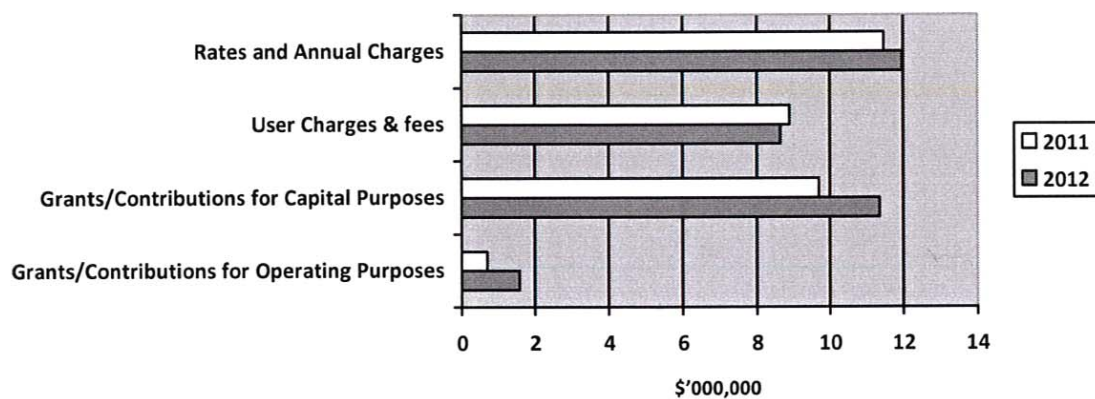
### 1.1 Movement in results over prior year

Council's Net Operating Result before Grants and Contributions provided for capital purposes indicates a surplus of \$3,117,000 for the year ended 30 June 2012 compared to \$208,000 for the year ended 30 June 2011.

The Net Operating Result after Grants and Contributions for capital purposes has increased \$3,790,000 to \$4,709,000 (2011: \$919,000).

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

### 1.2 Movement in Revenue Items 2011-2012 (\$m)

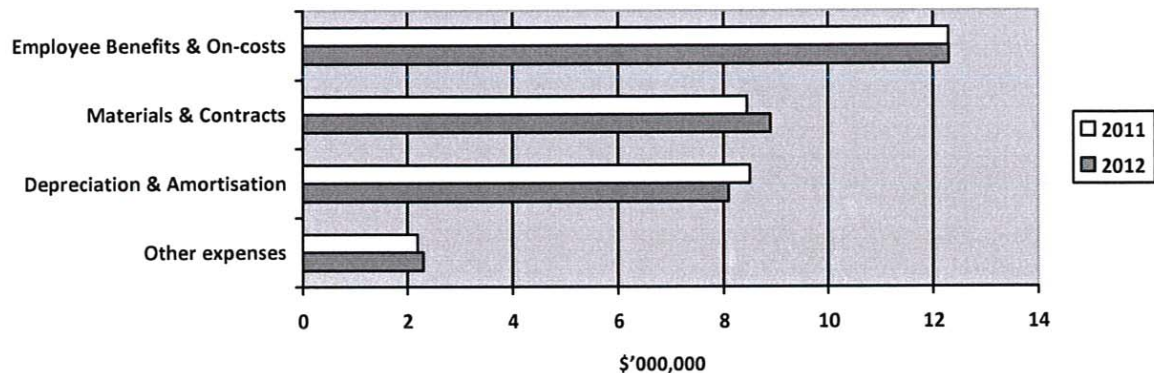


Rates and annual charges have increased by \$501,000. The increase in rate income is in line with the permissible rate increase and special variations granted by the Minister for Local Government. Continued growth in the area has also contributed to the increase.

Grants and Contributions provided for operating purposes has increased \$1,613,000 or 16.6% compared to the prior year; the increase mainly relates to the first instalment of the 2012/13 Financial Assistance Grant from the Federal Government of \$1,975,696 received in June 2012.

Grants and Contributions provided for capital purposes has increased \$881,000 or 123% compared to the prior year, mainly resulting from additional developer contributions.

### 1.3 Movement in Expense Items 2011-2012 (\$m)



Materials and contracts expense has increased compared to the prior year by \$485,000 or 5.7%, resulting from increased activity relating to the State Roads building project.

Depreciation and amortisation has decreased by \$437,000 (5.1%) compared to the prior year. The decrease mainly relates to the roads, bridges and footpaths assets.

## 2. Statement of Financial Position

### 2.1 Cash and Investments

During the year, the council's net assets increased by \$18,600,000 to \$312,444,000. The major movements within the balance sheet were:

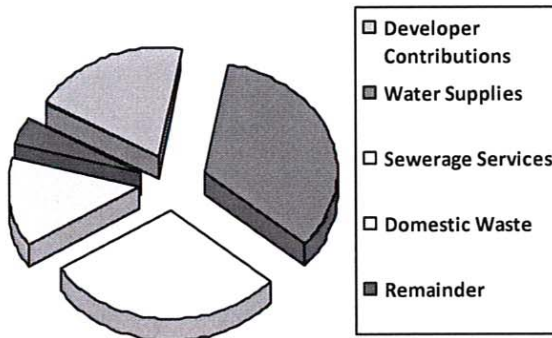
- an increase of \$6,297,000 in current investments, and
- an increase of \$14,584,000 in the value of infrastructure, property, plant and equipment.

The increase in infrastructure assets is due to the revaluation of the water and sewer infrastructure assets. A net increment of \$10,302,000 was recognised in the Asset Revaluation Reserve. Community Land not previously recognised of \$3,589,000 also contributed to the increase.

### 2.2 Liquidity

Per Note 6(c)	2012	2011
	\$'000	\$'000
<b>Total cash and Investments</b>	<b>32,286</b>	<b>26,414</b>
<b>Less:</b>		
Items restricted by external regulation	18,905	15,616
<b>Less:</b>		
Items restricted internally by Council to cover long term projects and commitments	9,850	8,666
<b>Unrestricted Cash and Investments</b>	<b>3,531</b>	<b>2,132</b>

As shown above, per note 6(c) to the financial statements, the sum of current and non-current cash and investments totals \$32,286,000. Of this amount, 58.5% is subject to external restrictions, 30.5% is subject to internal restrictions agreed upon by Council for designated purposes (which may be altered at the discretion of the Council), and the unrestricted balance of 11% represents funds available to cover non-budgeted discretionary expenditure and short-term cash flow requirements.



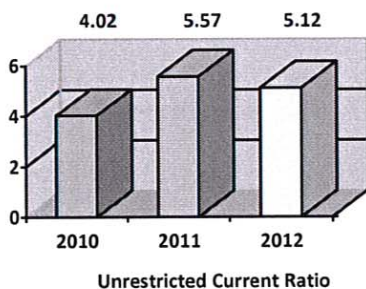
Alongside is the composition of those cash and investments that are restricted in use to their designated purpose through externally imposed requirements. Like internally restricted assets, these are unable to be used to meet day-to-day liquidity needs.

### 2.3 Infrastructure, property, plant and equipment

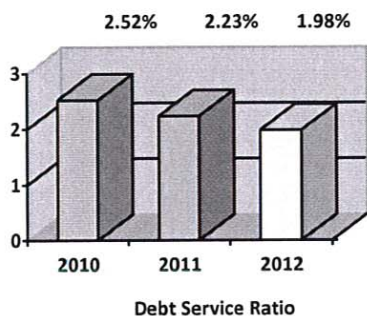
The valuation at 'fair value' of Council's infrastructure, property, plant and equipment is now in the second round. This year Water and Sewer infrastructure assets were revalued. The revaluation process resulted in a net increase of \$10,302,000 to equity.

### 3. Performance Indicators

A review of key indicators is presented below to demonstrate the Council's performance for the year ended 30 June 2012.

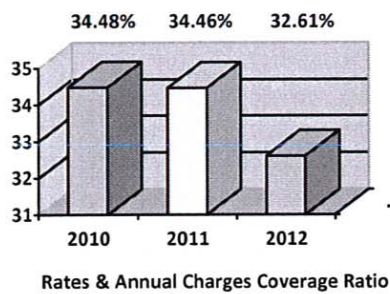


The unrestricted current ratio is used to assess the adequacy of available current assets and Council's ability to satisfy its obligations in the short term after taking into account any external restrictions over the use of the current assets. A ratio to 5.12 indicates Council's ability to adequately meet its current liabilities.



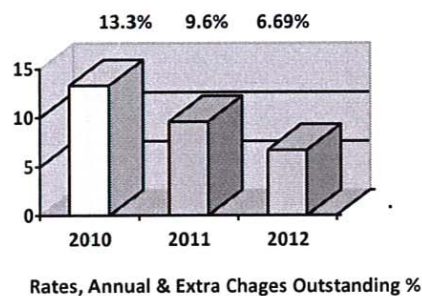
The debt service ratio is an indication of the cost of meeting loan and interest repayments as a percentage of revenue from ordinary activities, excluding specific purpose grants and contributions. Having not taken on any new loans over the reporting period, Council now has less dependency on untied funds to service debt.



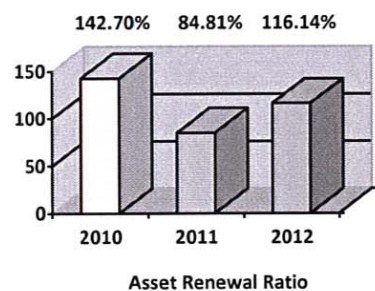


This ratio measures the extent to which Council is dependent upon revenue from rates and annual charges as a proportion of total revenue. For the year ended 30 June 2012, Council's rate and annual charges coverage ratio was 32.61%. The decrease compared to the prior years is a result of the increased grant funding recognised for the year ended 30 June 2012.

Taking into account the 2012/13 financial assistance grant received of \$1,975,000 the ratio is consistent with prior years.



The rates and annual charges outstanding percentage assesses the impact of uncollected rates and annual charges on liquidity and the adequacy of debt recovery efforts. This percentage has decreased to 6.69% over the 2012 financial year, indicating that debtors are being collected at a faster rate than in the prior year.



This ratio assesses the rate at which assets are being renewed against the rate at which they are being depreciated. A ratio of less than one (100%) is prima facie indicative that Council's asset base is depreciating at a faster rate than which it is being renewed.

## 4. Statement of Cash Flows

### 4.1 Cash flows from operating activities

Net cash provided from operating activities amounted to \$14,327,000 in 2012 compared to \$7,070,000 in the prior year.

The factors impacting on the movements are outlined in the commentary on the Statement of Comprehensive Income.

### 4.2 Cash flows from investing activities

Net cash used in investing activities amounted to \$12,900,000 for the year ended 30 June 2012 compared to \$19,025,000 for the prior year.

This is largely due to the purchase of investment securities of \$47,667,000 and the acquisition of property, plant and equipment of \$9,413,000, mostly offset through the sale of investment securities of \$43,265,000.

### 4.3 Cash flows from financing activities

Net cash used in financing activities amount to \$429,000 for the year ended 30 June 2011, which is consistent with a total of \$435,000 at the 2011 year end.


### 5. Legislative compliance

We advise that there are no material deficiencies in the accounting records or financial reports that have come to our attention during the conduct of the audit and that Gunnedah Shire Council's accounting records have been kept in accordance with the requirements of both the Act and the Local Government Code of Accounting Practice and Financial Reporting.

### 6. Reporting to Management

A management letter highlighting matters arising from our audit will be prepared and issued where it is considered necessary or appropriate. Matters raised in said letter are not of a nature that is significant towards the formation of our audit opinion.

The Council's accounts and records inspected by us have been kept in an accurate and conscientious manner. We thank the General Manager, Finance Manager and their staff for the co-operation and courtesy extended to us during the course of our audit.



**M.D. Nicholaeff**  
Partner



**UHY Haines Norton**  
Chartered Accountants

Signed at Sydney on 9 October 2012

# Gunnedah Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2012

---

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



# Gunnedah Shire Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2012

Contents	Page
<b>1. Statement by Councillors &amp; Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
- Income Statement of Water Supply Business Activity	3
- Income Statement of Sewerage Business Activity	4
- Income Statement of Other Business Activities	n/a
- Balance Sheet of Water Supply Business Activity	5
- Balance Sheet of Sewerage Business Activity	6
- Balance Sheet of Other Business Activities	n/a
<b>3. Notes to the Special Purpose Financial Statements</b>	7
<b>4. Auditor's Report</b>	16

---

### Background

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

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

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

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

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

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

---

## Gunnedah Shire Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2012

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 19 September 2012.**



O HASLER  
MAYOR



R G SWAIN  
COUNCILLOR



R E CAMPBELL  
GENERAL MANAGER



D J CONNOR  
RESPONSIBLE ACCOUNTING OFFICER

## Gunnedah Shire Council

## Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
<b>Income from continuing operations</b>			
Access charges	776	772	755
User charges	1,519	1,704	2,039
Fees	-	-	-
Interest	430	360	423
Grants and contributions provided for non capital purposes	213	191	97
Profit from the sale of assets	-	-	-
Other income	3	-	-
<b>Total income from continuing operations</b>	<b>2,941</b>	<b>3,027</b>	<b>3,314</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	819	763	529
Borrowing costs	-	-	-
Materials and contracts	761	326	525
Depreciation and impairment	753	742	708
Water purchase charges	-	-	-
Loss on sale of assets	14	198	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	261	449	370
<b>Total expenses from continuing operations</b>	<b>2,608</b>	<b>2,478</b>	<b>2,132</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>333</b>	<b>549</b>	<b>1,182</b>
Grants and contributions provided for capital purposes	674	210	73
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>1,007</b>	<b>759</b>	<b>1,255</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>1,007</b>	<b>759</b>	<b>1,255</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(100)	(165)	(355)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>907</b>	<b>594</b>	<b>900</b>
plus Opening Retained Profits	23,338	22,579	21,324
plus/less: Prior Period Adjustments	36	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	100	165	355
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
<b>Closing Retained Profits</b>	<b>24,381</b>	<b>23,338</b>	<b>22,579</b>
<b>Return on Capital %</b>	<b>0.9%</b>	<b>1.6%</b>	<b>3.6%</b>
<b>Subsidy from Council</b>	<b>775</b>	<b>1,200</b>	<b>487</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	907	594	900
less: Capital grants and contributions (excluding developer contributions)	19	-	-
<b>Surplus for dividend calculation purposes</b>	<b>926</b>	<b>594</b>	<b>900</b>
<b>Potential Dividend calculated from surplus</b>	<b>463</b>	<b>297</b>	<b>450</b>

## Gunnedah Shire Council

## Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
<b>Income from continuing operations</b>			
Access charges	1,338	1,146	1,074
User charges	351	317	195
Liquid Trade Waste charges	-	-	-
Fees	-	-	-
Interest	322	277	387
Grants and contributions provided for non capital purposes	38	51	42
Profit from the sale of assets	-	-	-
Other income	4	1	-
<b>Total income from continuing operations</b>	<b>2,053</b>	<b>1,792</b>	<b>1,698</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	334	370	459
Borrowing costs	-	-	-
Materials and contracts	257	192	230
Depreciation and impairment	768	739	789
Loss on sale of assets	-	-	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	76	157	56
<b>Total expenses from continuing operations</b>	<b>1,435</b>	<b>1,458</b>	<b>1,534</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>618</b>	<b>334</b>	<b>164</b>
Grants and contributions provided for capital purposes	169	-	8
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>787</b>	<b>334</b>	<b>172</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>787</b>	<b>334</b>	<b>172</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(185)	(100)	(49)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>602</b>	<b>234</b>	<b>123</b>
plus Opening Retained Profits	9,169	8,835	8,663
plus/less: Prior Period Adjustments	130	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	185	100	49
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
<b>Closing Retained Profits</b>	<b>10,086</b>	<b>9,169</b>	<b>8,835</b>
<b>Return on Capital %</b>	<b>2.1%</b>	<b>1.5%</b>	<b>0.7%</b>
<b>Subsidy from Council</b>	<b>265</b>	<b>832</b>	<b>-</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	602	234	123
less: Capital grants and contributions (excluding developer contributions)	-	10	-
<b>Surplus for dividend calculation purposes</b>	<b>602</b>	<b>244</b>	<b>123</b>
<b>Potential Dividend calculated from surplus</b>	<b>301</b>	<b>122</b>	<b>61</b>

## Gunnedah Shire Council

## Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	342	75
Investments	6,413	4,610
Receivables	284	587
Inventories	126	139
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>7,165</b>	<b>5,411</b>
<b>Non-Current Assets</b>		
Investments	1,377	1,822
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	36,572	33,563
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>37,949</b>	<b>35,385</b>
<b>TOTAL ASSETS</b>	<b>45,114</b>	<b>40,796</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	6	3
Interest bearing liabilities	-	-
Provisions	-	-
<b>Total Current Liabilities</b>	<b>6</b>	<b>3</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>6</b>	<b>3</b>
<b>NET ASSETS</b>	<b>45,108</b>	<b>40,793</b>
<b>EQUITY</b>		
Retained earnings	24,381	23,338
Revaluation reserves	20,727	17,455
Council equity interest	45,108	40,793
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>45,108</b>	<b>40,793</b>



## Gunnedah Shire Council

## Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	366	304
Investments	4,884	3,391
Receivables	177	270
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>5,427</b>	<b>3,965</b>
<b>Non-Current Assets</b>		
Investments	1,049	1,341
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	29,155	22,376
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>30,204</b>	<b>23,717</b>
<b>TOTAL ASSETS</b>	<b>35,631</b>	<b>27,682</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	1	-
Interest bearing liabilities	-	-
Provisions	-	-
<b>Total Current Liabilities</b>	<b>1</b>	<b>-</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1</b>	<b>-</b>
<b>NET ASSETS</b>	<b>35,630</b>	<b>27,682</b>
<b>EQUITY</b>		
Retained earnings	10,086	9,169
Revaluation reserves	25,544	18,513
Council equity interest	35,630	27,682
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>35,630</b>	<b>27,682</b>

## Gunnedah Shire Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2012

#### Contents of the Notes accompanying the Financial Statements

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

## Gunnedah Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared Business Activities

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

##### Category 1

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

##### a. Water Supply Service

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

##### b. Sewerage Service

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

#### Monetary Amounts

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

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

#### (i) Taxation Equivalent Charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector

## Gunnedah Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Significant Accounting Policies (continued)

businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

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

##### Notional Rate Applied %

###### Corporate Income Tax Rate – 30%

Land Tax – The first **\$396,000** of combined land values attracts **0%**. From \$396,001 to \$2,421,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$678,000.

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

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

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

##### Income Tax

An income tax equivalent has been applied on the profits of the business.

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

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

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

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

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

##### Local Government Rates & Charges

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

##### Loan & Debt Guarantee Fees

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

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

##### (ii) Subsidies

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

Subsidies occur where council provides services on a less than cost recovery basis. This option is

## Gunnedah Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Significant Accounting Policies (continued)

exercised on a range of services in order for council to meet its community service obligations.

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

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

#### (iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

**Written Down Value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.03% at 30/6/12.

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

#### (iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either (i) 50% of this surplus in any one year, or (ii) the number of water supply or sewerage assessments at 30 June 2012 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

## Gunnedah Shire Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

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

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

2012

##### 1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	13,614
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	-

##### 2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	463,050
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	136,140
(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 & 30 June 2010	2,420,800

2012 Surplus	926,100	2011 Surplus	594,300	2010 Surplus	900,400
		2011 Dividend	-	2010 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	136,140
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

##### 3. Required outcomes for 6 Criteria

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

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	YES
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	YES
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

## Gunnedah Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2012Note 2. Water Supply Business  
Best Practice Management disclosure requirements (continued)

---

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2012


---

## National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	3,185
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	64.27%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	35,939
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,836
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	520
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	1.63%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

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

## Gunnedah Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2012Note 3. Sewerage Business  
Best Practice Management disclosure requirements

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

2012

**1. Calculation and Payment of Tax-Equivalents**

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

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	11,568
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	-

**2. Dividend from Surplus**

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	300,800
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	115,680
(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 & 30 June 2010	968,200

2012 Surplus	601,600	2011 Surplus	243,800	2010 Surplus	122,800
		2011 Dividend	-	2010 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	115,680
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

**3. Required outcomes for 4 Criteria**

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

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges (a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	NO



## Gunnedah Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2012Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

---

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2012


---

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

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	1,900
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	28,422
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	667
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	386
<b>NWI F18</b>	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	1.59%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

---

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

<b>NWI F3</b>	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	5,085
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.57%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	906
<b>NWI F19</b>	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	1.61%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

## Gunnedah Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2012Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

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

2012

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

<b>NWI F22</b>	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	<input type="text" value="-17.87%"/>
<b>NWI F23</b>	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest		<input type="text" value="&gt; 100"/>
	Earnings before Interest & Tax (EBIT): <input type="text" value="1,060"/>		
	Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)		
	Net Interest: <input type="text" value="- 752"/>		
	Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		
<b>NWI F24</b>	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	<input type="text" value="1,794"/>
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	<input type="text" value="80"/>

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

**Gunnedah Shire Council  
Independent Audit Report  
Report on the Special Purpose Financial Report**

We have audited the accompanying special purpose financial report, of Gunnedah Shire Council (the Council) for the year ended 30 June 2012, which comprises the Statement by Councillors and Management, Income statement by business activities, balance sheet by business activities and accompanying Notes to the financial statements. Our responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

*Council's Responsibility for the Financial Report*

The Council is responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the financial reporting requirements of the council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy Reporting. The Council's responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report 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 report 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. 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 report.

The special purpose financial report has been prepared for distribution to the Council and the Department 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 report to which it relates to any person other than the Council or Department of Local Government, or for any purpose other than that for which it was prepared.

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

*Independence*

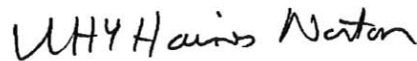
In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.

*Auditor's Opinion*

In our opinion, the financial report of Gunnedah Shire Council (the Council) presents fairly, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial statements, and the Local Government Code of Accounting Practice and Financial Reporting.



**M.D. Nicholaeff**  
Partner



**UHY Haines Norton**  
Chartered Accountants

Signed at Sydney on 9 October 2012

# Gunnedah Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2012

---

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



# Gunnedah Shire Council

## Special Schedules

for the financial year ended 30 June 2012

### Contents

Page

#### Special Schedules<sup>1</sup>

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	5
- Special Schedule No. 4	Water Supply - Balance Sheet	9
- Special Schedule No. 5	Sewerage Service - Income Statement	10
- Special Schedule No. 6	Sewerage Service - Balance Sheet	14
- Notes to Special Schedules No. 3 & 5		15
- Special Schedule No. 7	Condition of Public Works	16
- Special Schedule No. 8	Financial Projections	19

<sup>1</sup> Special Purpose Schedules are not audited.

---

#### Background

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

## Gunnedah Shire Council

## Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>306</b>	<b>4</b>	<b>-</b>	<b>(302)</b>
<b>Administration</b>	<b>3,636</b>	<b>213</b>	<b>-</b>	<b>(3,423)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	412	106	-	(306)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	94	25	-	(69)
Other	16	20	-	4
<b>Total Public Order &amp; Safety</b>	<b>522</b>	<b>151</b>	<b>-</b>	<b>(371)</b>
<b>Health</b>	<b>150</b>	<b>19</b>	<b>-</b>	<b>(131)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	213	130	-	(83)
Other Environmental Protection	390	253	-	(137)
Solid Waste Management	1,754	2,283	-	529
Street Cleaning	257	-	-	(257)
Drainage	-	-	-	-
Stormwater Management	247	93	31	(123)
<b>Total Environment</b>	<b>2,861</b>	<b>2,759</b>	<b>31</b>	<b>(71)</b>
<b>Community Services and Education</b>				
Administration & Education	226	9	-	(217)
Social Protection (Welfare)	301	297	-	(4)
Aged Persons and Disabled	2,704	3,220	-	516
Children's Services	154	73	-	(81)
<b>Total Community Services &amp; Education</b>	<b>3,385</b>	<b>3,599</b>	<b>-</b>	<b>214</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	122	116	-	(6)
Public Conveniences	-	-	-	-
Street Lighting	160	12	-	(148)
Town Planning	1,435	516	345	(574)
Other Community Amenities	-	-	-	-
<b>Total Housing and Community Amenities</b>	<b>1,717</b>	<b>644</b>	<b>345</b>	<b>(728)</b>
<b>Water Supplies</b>	<b>2,290</b>	<b>2,772</b>	<b>693</b>	<b>1,175</b>
<b>Sewerage Services</b>	<b>1,334</b>	<b>2,045</b>	<b>169</b>	<b>880</b>

## Gunnedah Shire Council

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

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	290	71	-	(219)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	1,024	273	-	(751)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	77	13	-	(64)
Sporting Grounds and Venues	494	9	-	(485)
Swimming Pools	734	270	-	(464)
Parks & Gardens (Lakes)	739	76	25	(638)
Other Sport and Recreation	-	-	-	-
<b>Total Recreation and Culture</b>	<b>3,358</b>	<b>712</b>	<b>25</b>	<b>(2,621)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	85	6	-	(79)
Other Mining, Manufacturing & Construction	595	-	-	(595)
<b>Total Mining, Manufacturing and Const.</b>	<b>680</b>	<b>6</b>	-	<b>(674)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	1,589	130	233	(1,226)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	2,246	878	-	(1,368)
Sealed Rural Roads (SRR) - Regional	239	553	-	314
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	2,396	451	-	(1,945)
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	105	-	-	(105)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	30	-	3	(27)
Footpaths	108	-	65	(43)
Aerodromes	197	35	-	(162)
Other Transport & Communication	3,288	4,217	-	929
<b>Total Transport and Communication</b>	<b>10,198</b>	<b>6,264</b>	<b>301</b>	<b>(3,633)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	8	-	-	(8)
Other Economic Affairs	1,565	1,740	28	203
<b>Total Economic Affairs</b>	<b>1,573</b>	<b>1,740</b>	<b>28</b>	<b>195</b>
<b>Totals – Functions</b>	<b>32,010</b>	<b>20,928</b>	<b>1,592</b>	<b>(9,490)</b>
<b>General Purpose Revenues<sup>(2)</sup></b>		<b>14,199</b>		<b>14,199</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	-	-		-
<b>NET OPERATING RESULT<sup>(1)</sup></b>	<b>32,010</b>	<b>35,127</b>	<b>1,592</b>	<b>4,709</b>

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



Gunnedah Shire Council

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

for the financial year ended 30 June 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-							-	-
Treasury Corporation	-	-	-							-	-
Other State Government	-	-	-							-	-
Public Subscription	-	-	-							-	-
Financial Institutions	410	1,706	2,116	-	410			132	379	1,327	1,706
Other	-	-	-							-	-
<b>Total Loans</b>	<b>410</b>	<b>1,706</b>	<b>2,116</b>	<b>-</b>	<b>410</b>	<b>-</b>	<b>-</b>	<b>132</b>	<b>379</b>	<b>1,327</b>	<b>1,706</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	19	75	94	-	19	-	-	6	20	55	75
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Debt</b>	<b>19</b>	<b>75</b>	<b>94</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>20</b>	<b>55</b>	<b>75</b>
<b>Total Debt</b>	<b>429</b>	<b>1,781</b>	<b>2,210</b>	<b>-</b>	<b>429</b>	<b>-</b>	<b>-</b>	<b>138</b>	<b>399</b>	<b>1,382</b>	<b>1,781</b>

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

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

## Gunnedah Shire Council

## Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>A Expenses and Income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	467	243
b. Engineering and Supervision	395	357
<b>2. Operation and Maintenance expenses</b>		
<b>- Dams &amp; Weirs</b>		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
<b>- Mains</b>		
c. Operation expenses	-	-
d. Maintenance expenses	544	495
<b>- Reservoirs</b>		
e. Operation expenses	-	-
f. Maintenance expenses	9	8
<b>- Pumping Stations</b>		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	235	209
i. Maintenance expenses	160	138
<b>- Treatment</b>		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	9	9
l. Maintenance expenses	1	17
<b>- Other</b>		
m. Operation expenses	10	35
n. Maintenance expenses	6	22
o. Purchase of water	-	-
<b>3. Depreciation expenses</b>		
a. System assets	706	685
b. Plant and equipment	48	57
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	18	203
d. Tax Equivalents Dividends (actually paid)	-	-
<b>5. Total expenses</b>	<b>2,608</b>	<b>2,478</b>

## Gunnedah Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	675	672
b. Usage charges	1,214	1,363
<b>7. Non-residential charges</b>		
a. Access (including rates)	101	100
b. Usage charges	304	341
<b>8. Extra charges</b>	-	-
<b>9. Interest income</b>	430	360
<b>10. Other income</b>	4	-
<b>11. Grants</b>		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	42	45
c. Other grants	71	100
<b>12. Contributions</b>		
a. Developer charges	692	213
b. Developer provided assets	-	-
c. Other contributions	82	43
<b>13. Total income</b>	<b>3,615</b>	<b>3,237</b>
<b>14. Gain (or loss) on disposal of assets</b>	-	-
<b>15. Operating Result</b>	<b>1,007</b>	<b>759</b>
<b>15a. Operating Result (less grants for acquisition of assets)</b>	1,007	759

## Gunnedah Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	-	31
b. New Assets for Growth	94	36
c. Renewals	389	663
d. Plant and equipment	37	91
<b>17. Repayment of debt</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>18. Transfer to sinking fund</b>	-	-
<b>19. Totals</b>	<b>520</b>	<b>821</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	-	-
<b>21. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>22. Transfer from sinking fund</b>	-	-
<b>23. Totals</b>	-	-
<b>C Rates and charges</b>		
<b>24. Number of assessments</b>		
a. Residential (occupied)	4,058	4,051
b. Residential (unoccupied, ie. vacant lot)	35	50
c. Non-residential (occupied)	435	433
d. Non-residential (unoccupied, ie. vacant lot)	10	12
<b>25. Number of ETs for which developer charges were received</b>	152 ET	48 ET
<b>26. Total amount of pensioner rebates (actual dollars)</b>	\$ 42,128	\$ 81,101

## Gunnedah Shire Council

## Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>27. Annual charges</b>			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy <b>from</b> residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy <b>to</b> non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy <b>to</b> large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
<b>28. Developer charges</b>			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2011/12 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>29. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (27b +27c + 27d + 28b)</b>			<input type="text" value="-"/>
* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.			
However, disclosure of cross-subsidies is <b>not</b> required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.			

## Gunnedah Shire Council

## Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>30. Cash and investments</b>			
a. Developer charges	-	1,781	1,781
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	-	6,351	6,351
<b>31. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	283	-	283
c. Other (including User Charges)	1	-	1
<b>32. Inventories</b>	126	-	126
<b>33. Property, plant and equipment</b>			
a. System assets	-	35,939	35,939
b. Plant and equipment	-	633	633
<b>34. Other assets</b>	-	-	-
<b>35. Total assets</b>	<u>410</u>	<u>44,704</u>	<u>45,114</u>
<b>LIABILITIES</b>			
<b>36. Bank overdraft</b>	-	-	-
<b>37. Creditors</b>	6	-	6
<b>38. Borrowings</b>			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>39. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>40. Total liabilities</b>	<u>6</u>	<u>-</u>	<u>6</u>
<b>41. NET ASSETS COMMITTED</b>	<u>404</u>	<u>44,704</u>	<u>45,108</u>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			24,380
<b>43. Asset revaluation reserve</b>			20,728
<b>44. TOTAL EQUITY</b>			<u>45,108</u>
<b>Note to system assets:</b>			
<b>45. Current replacement cost</b> of system assets			58,696
<b>46. Accumulated current cost</b> depreciation of system assets			(22,757)
<b>47. Written down current cost</b> of system assets			<u>35,939</u>

## Gunnedah Shire Council

## Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>A Expenses and Income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	126	73
b. Engineering and Supervision	75	167
<b>2. Operation and Maintenance expenses</b>		
<b>- Mains</b>		
a. Operation expenses	-	-
b. Maintenance expenses	152	123
<b>- Pumping Stations</b>		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	58	49
e. Maintenance expenses	39	31
<b>- Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	-	-
g. Chemical costs	3	5
h. Energy costs	13	17
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	165	164
<b>- Other</b>		
l. Operation expenses	-	23
m. Maintenance expenses	36	67
<b>3. Depreciation expenses</b>		
a. System assets	747	720
b. Plant and equipment	21	19
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalent Dividends (actually paid)	-	-
<b>5. Total expenses</b>	<b>1,435</b>	<b>1,458</b>

## Gunnedah Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	1,316	1,146
<b>7. Non-residential charges</b>		
a. Access (including rates)	-	-
b. Usage charges	351	312
<b>8. Trade Waste Charges</b>		
a. Annual Fees	22	5
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
<b>9. Extra charges</b>	-	-
<b>10. Interest income</b>	322	277
<b>11. Other income</b>	4	1
<b>12. Grants</b>		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	38	41
c. Other grants	-	-
<b>13. Contributions</b>		
a. Developer charges	169	10
b. Developer provided assets	-	-
c. Other contributions	-	-
<b>14. Total income</b>	<u>2,222</u>	<u>1,792</u>
<b>15. Gain (or loss) on disposal of assets</b>	-	-
<b>16. Operating Result</b>	<u>787</u>	<u>334</u>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	787	334



## Gunnedah Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	43	-
b. New Assets for Growth	36	49
c. Renewals	273	235
d. Plant and equipment	34	4
<b>18. Repayment of debt</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>19. Transfer to sinking fund</b>	-	-
<b>20. Totals</b>	<b>386</b>	<b>288</b>
<b>Non-operating funds employed</b>		
<b>21. Proceeds from disposal of assets</b>	-	-
<b>22. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>23. Transfer from sinking fund</b>	-	-
<b>24. Totals</b>	<b>-</b>	<b>-</b>
<b>C Rates and charges</b>		
<b>25. Number of assessments</b>		
a. Residential (occupied)	3,439	3,423
b. Residential (unoccupied, ie. vacant lot)	35	50
c. Non-residential (occupied)	382	380
d. Non-residential (unoccupied, ie. vacant lot)	-	-
<b>26. Number of ETs for which developer charges were received</b>	78 ET	5 ET
<b>27. Total amount of pensioner rebates (actual dollars)</b>	\$ 70,429	\$ 74,186

## Gunnedah Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies  
for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
<b>a.</b> Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
<b>b.</b> Cross-subsidy <b>to</b> non-residential customers (page 45 of Guidelines)			<input type="text"/>
<b>c.</b> Cross-subsidy <b>to</b> trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
<b>a.</b> Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>b.</b> Total cross-subsidy in sewerage developer charges for 2011/12 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>30. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (28b + 28c + 29b)</b>			<input type="text" value="-"/>

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

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

## Gunnedah Shire Council

## Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	-	724	724
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	-	5,575	5,575
<b>32. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	157	-	157
c. Other (including User Charges)	20	-	20
<b>33. Inventories</b>	-	-	-
<b>34. Property, plant and equipment</b>			
a. System assets	-	28,422	28,422
b. Plant and equipment	-	733	733
<b>35. Other assets</b>	-	-	-
<b>36. Total Assets</b>	<u>177</u>	<u>35,454</u>	<u>35,631</u>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>	-	-	-
<b>38. Creditors</b>	1	-	1
<b>39. Borrowings</b>			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>40. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>41. Total Liabilities</b>	<u>1</u>	<u>-</u>	<u>1</u>
<b>42. NET ASSETS COMMITTED</b>	<u>176</u>	<u>35,454</u>	<u>35,630</u>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			10,086
<b>44. Asset revaluation reserve</b>			25,544
<b>45. TOTAL EQUITY</b>			<u>35,630</u>
<b>Note to system assets:</b>			
<b>46. Current replacement cost</b> of system assets			47,146
<b>47. Accumulated current cost</b> depreciation of system assets			(18,724)
<b>48. Written down current cost</b> of system assets			<u>28,422</u>

# Gunnedah Shire Council

## Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2012

---

### Administration <sup>(1)</sup>

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

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

### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

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

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

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

### Notes:

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

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







## Gunnedah Shire Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2012

\$'000	Actual <sup>(1)</sup> 11/12	Forecast 12/13	Forecast 13/14	Forecast <sup>(3)</sup> 14/15	Forecast <sup>(3)</sup> 15/16
<b>(i) OPERATING BUDGET</b>					
Income from continuing operations	36,719	31,396	34,410	37,150	38,660
Expenses from continuing operations	32,010	21,154	33,209	35,040	36,776
<b>Operating Result from Continuing Operations</b>	<b><u>4,709</u></b>	<b><u>10,242</u></b>	<b><u>1,201</u></b>	<b><u>2,110</u></b>	<b><u>1,884</u></b>
<b>(ii) CAPITAL BUDGET</b>					
New Capital Works <sup>(2)</sup>	2,257	693	1,998	1,640	1,510
Replacement/Refurbishment of Existing Assets	7,189	9,146	16,789	11,028	17,575
<b>Total Capital Budget</b>	<b><u>9,446</u></b>	<b><u>9,839</u></b>	<b><u>18,787</u></b>	<b><u>12,668</u></b>	<b><u>19,085</u></b>
<b>Funded by:</b>					
– Loans	-	-	11,000	-	5,000
– Asset sales	440	-	-	-	-
– Reserves	4,468	1,104	3,206	3,700	2,269
– Grants/Contributions	358	302	298	1,202	1,209
– Recurrent revenue	4,180	8,433	4,283	7,766	10,607
– Other	-	-	-	-	-
	<b><u>9,446</u></b>	<b><u>9,839</u></b>	<b><u>18,787</u></b>	<b><u>12,668</u></b>	<b><u>19,085</u></b>

**Notes:**

(1) From 11/12 Income Statement.

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

(3) If Council has only adopted 3 years of projections then only show 3 years.

(4) Financial Projections should be in accordance with Council's Integrated Planning &amp; Reporting framework.