

FINANCIAL STATEMENTS

GENERAL PURPOSE REPORTS SPECIAL PURPOSE REPORTS AND SPECIAL SCHEDULES

**YEAR ENDED
30 JUNE 2008**

URALLA SHIRE COUNCIL

General Purpose Financial Reports for the year ended 30th June 2008

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URALLA SHIRE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2008

STATEMENT BY COUNCILLORS AND MANAGEMENT MADE PURSUANT TO SECTION 413 (2)(c) OF THE LOCAL GOVERNMENT ACT 1993 (as amended)

The attached Annual Financial Statements have been drawn up in accordance with

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

To the best of our knowledge and belief, these reports

- Present fairly the Council's financial position and operating result for the year, and
- Accord with Council's accounting and other records

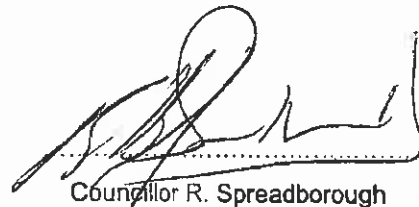
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 27 October 2008



Councillor M. Dusting

MAYOR



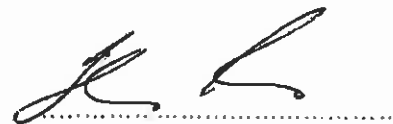
Councillor R. Spreadborough

DEPUTY MAYOR



Mr T. P. O'Connor (Chartered Accountant)

GENERAL MANAGER



Mr T. P. O'Connor (Chartered Accountant)

RESPONSIBLE ACCOUNTING OFFICER

URALLA SHIRE COUNCIL

INCOME STATEMENT for the year ended 30th June 2008

Budget 2008 \$'000		Notes	Actual 2008 \$'000	Actual 2007 \$'000
	INCOME			
	<i>Revenue:</i>			
3,847	Rates & Annual Charges	3	3,700	3,669
1,317	User Charges & Fees	3	2,483	1,364
282	Investment Revenues	3	-	311
292	Other Revenues	3	216	219
7,670	Grants & Contributions - Operating	3	7,155	6,312
-	Grants & Contributions - Capital	3	681	896
-	<i>Other Income:</i>			
-	Profit from Disposal of Assets	5	<u>121</u>	<u>-</u>
<u>13,408</u>	Total Income from Continuing Operations		<u>14,356</u>	<u>12,771</u>
	EXPENSES			
6,050	Employee Costs	4	6,332	6,206
3,894	Materials & Contracts	4	4,289	3,314
139	Borrowing Costs	4	144	173
1,647	Depreciation & Amortisation	4	1,838	1,965
-	Impairment	4	-	-
1,043	Other Expenses	4	1,091	962
-	Interest and investment losses	3	418	-
-	Loss from Disposal of Assets	5	-	14
<u>12,773</u>	Total expenses from Continuing Operations		<u>14,112</u>	<u>12,634</u>
<u>635</u>	NET OPERATING RESULT FOR YEAR		<u>244</u>	<u>137</u>
	Attributable to:			
<u>635</u>	URALLA SHIRE COUNCIL		<u>244</u>	<u>\$ 137</u>
<u>635</u>			<u>\$ 244</u>	<u>\$ 137</u>
<u>635</u>	Net operating result before capital grants and contributions		<u>(437)</u>	<u>(759)</u>

This Statement is to be read in conjunction with the attached Notes.

URALLA SHIRE COUNCIL

BALANCE SHEET as at 30th June 2008

	Notes	Actual 2008 \$'000	Actual 2007 \$'000
CURRENT ASSETS			
Cash & cash equivalents	6	2,216	582
Investments	6	3,078	3,360
Receivables	7	1,168	1,169
Inventories	8	168	143
Other	8	92	65
TOTAL CURRENT ASSETS		<u>6,722</u>	<u>5,319</u>
NON-CURRENT ASSETS			
Receivables	7	106	113
Infrastructure, Property, Plant & Equipment	9	103,118	92,237
TOTAL NON-CURRENT ASSETS		<u>103,224</u>	<u>92,350</u>
TOTAL ASSETS		<u>109,946</u>	<u>97,669</u>
CURRENT LIABILITIES			
Payables	10	2,850	2,040
Borrowings	10	1,047	444
Provisions	10	1,375	1,543
TOTAL CURRENT LIABILITIES		<u>5,272</u>	<u>4,027</u>
NON-CURRENT LIABILITIES			
Borrowings	10	845	1,642
Provisions	10	752	630
TOTAL NON CURRENT LIABILITIES		<u>1,597</u>	<u>2,272</u>
TOTAL LIABILITIES		<u>6,869</u>	<u>6,299</u>
NET ASSETS		<u>\$ 103,077</u>	<u>91,370</u>
EQUITY			
Accumulated Surplus	20	77,132	74,912
Revaluation Reserves	20	25,945	16,458
TOTAL EQUITY		<u>\$ 103,077</u>	<u>91,370</u>

This Statement is to be read in conjunction with the attached Notes

URALLA SHIRE COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 30th June 2008

	Note	2008 \$'000		2007 \$'000	
		Retained Earnings	Asset Reval. Reserve	Retained Earnings	Asset Reval. Reserve
		Total	Total	Total	Total
Balance at beginning of the reporting period		74,912	16,458	68,081	8,208
Transfers to/(from) Asset Revaluation Reserve	20	-	9,487	-	8,250
Transfers to/(from) other reserves	20	-	-	-	-
Income and expenses recognised directly in equity	20	-	-	-	-
Other adjustments		1,976	-	6,694	-
Cash Contributions by Outside Equity Interests	19	-	-	-	-
Cash Distributions to Outside Equity Interests	19	-	-	-	-
Other Adjustments to Outside Equity Interest	18	-	-	-	-
Net movements recognised directly in equity	20	1,976	9,487	6,694	8,250
Net Operating Result for the year		244	-	137	-
Total recognised income and expense for the year		2,220	9,487	6,831	8,250
Balance at end of the reporting period		77,132	25,945	74,912	16,458
<i>Effect of correction of errors in previous years on retained earnings</i>	20	1,976	-	6,694	-
<i>Effect of accounting policy changes on retained earnings</i>		-	-	-	-
<i>Change in associated entities recognised</i>	19	-	-	-	-

This Statement is to be read in conjunction with the attached Notes

URALLA SHIRE COUNCIL

CASH FLOW STATEMENT for the year ended 30th June 2008

Budget 2008 \$'000	Actual 2008 \$'000	Actual 2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
	<i>Notes</i>	
<u>Receipts</u>		
3,847	3,558	3,631
1,317	2,657	1,447
282	362	253
7,670	8,401	6,140
292	153	1,514
<u>Payments</u>		
(6,050)	(6,463)	(6,278)
(3,894)	(4,427)	(3,223)
-	-	-
(139)	(150)	173
(1,043)	(1,278)	(1,273)
2,282	2,813	2,384
Net Cash provided by (or used in) Operating Activities		
	11	
CASH FLOWS FROM INVESTING ACTIVITIES		
<u>Receipts</u>		
-	246	453
-	-	-
-	-	-
-	417	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>Payments</u>		
(1,734)	(1,170)	(2,689)
-	-	-
-	-	-
(125)	(915)	(3,360)
-	-	-
-	-	-
-	-	-
-	-	-
(1,859)	(1,422)	(5,596)
Net Cash provided by (or used in) Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
<u>Receipts</u>		
-	192	-
-	430	128
<u>Payments</u>		
49	(386)	(362)
-	-	-
-	7	(1)
49	243	(235)
472	1,634	(3,447)
Net Cash provided by (or used in) Financing Activities		
472	1,634	(3,447)
Net Increase (Decrease) in cash held		
582	582	4,029
	1	-
	28	-
1,054	2,216	582
Cash Assets at end of reporting period		

This Statement is to be read in conjunction with the attached Notes

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2008

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

1 Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the Local Government Act (1993) and Regulations and the Local Government Code of Accounting Practice and Financial Reporting.

AAS 27

NSW Councils are required to comply with AAS 27 *Financial Reporting by Local Government*, and where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied. Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS equivalent standards will apply. The specific 'not for profit' reporting requirements also apply.

1.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

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

Income is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

User charges and fees

User charges and fees (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs. A provision for doubtful debt is recognised when collection in full is no longer probable.

Sale of plant, property, infrastructure and equipment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Note 1 - Significant Accounting Policies (cont)

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

Interest and rents

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

Sale of plant, property, infrastructure and equipment

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

1.2 Compliance with Australian equivalents to International Financial Reporting Standards

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the NSW Local Government Act 1993 and regulations thereunder and the Local Government Code of Accounting Practice and Financial Reporting.

1.3 Historical Cost Convention

The financial report has been prepared on the accrual basis of accounting and, except where specifically indicated in these Notes, in accordance with the historical cost convention.

1.4 Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or cases where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note. Nothing contained within this report may be taken to be an admission of any liability to any person under any circumstance.

In particular, the valuation of collateralised debt obligations (CDOs) is subject to the difficulties set out in Appendix B to the *Review of NSW Local Government Investments* (Cole Inquiry Report). Valuations were provided by the promoters or distributors of the product, and largely represent an estimate of the market price. The valuations adopted for the purposes of these financial statements is consistent with the information contained within the Cole Inquiry Report and other information subsequently obtained by Council.

2. The Local Government Reporting Entity

Uralla Shire Council is incorporated under the NSW Local Government Act 1993 (as amended) and has its principal place of business at 32 Salisbury Street, Uralla, NSW 2358. These financial statements include the consolidated fund and other entities through which the Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

The following Special Rate funds and Committees established pursuant to the Act are included:

- Uralla Shire Water Supply Fund
- Uralla Shire Sewerage Fund
- McMaugh Gardens

Other joint ventures and associated entities in which Council is involved are included to the extent set out in paragraph 13 below and in Note 19.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Note 1 - Significant Accounting Policies (cont)

2.1 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 monies and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to these monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but subject to the control of other persons have been excluded from these reports. A separate statement of moneys held in the Trust Fund is available for inspection at the Council Office by any person free of charge.

3. Cash Assets and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1993 (as amended) and the Regulations and Determinations made thereunder. Other receivables are generally unsecured and do not bear interest. Loans made to sporting and community groups at concessional interest rates are recognised at their nominal amounts; interest revenues foregone by the Council effectively being a reduction of interest revenue in the period to which it relates.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

4. Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful 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 receivables. 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.

5. Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

6. Investments and other financial assets.

Classification

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Note 1 - Significant Accounting Policies (cont)

than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

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

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

Subsequent measurement

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

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

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Council establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

Policy

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Note 1 - Significant Accounting Policies (cont)

Council has an approved investment policy complying with Section 625 of the Local Government Act *and S212 of the LG (General) Regulations 2005*. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing council funds.

Fair Value estimation.

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Note 1 - Significant Accounting Policies (cont)

7. Infrastructure, Property, Plant & Equipment

7.1 Transitional Provisions

Council has elected not to recognise land under roads in accordance with the deferral arrangements under AASB 1045.

7.2 Recognition

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use".

Crown reserves, and improvements thereon, 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.

Council has title to, and is the registered owner of, 11 rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports. In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

7.3 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year under review are provided in Note 9 to these accounts.

7.4 Valuation

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

- Operational land (External Valuation).
- Buildings – Specialised/Non Specialised (External Valuation).
- Water/Sewerage Networks (Internal Valuation).
- Plant and equipment (as approximated by depreciated historical cost).

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

7.5 Depreciation of Non-Current Assets

Other than land, all assets recognised are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Note 1 - Significant Accounting Policies (cont)

Motor Cars - Sedans	5 years	Dams & Reservoirs	100 years
Trucks and Utilities	5-10 years	Water Mains	80 -100 years
Dozers, Graders, Rollers, Tractors, Backhoes, Loaders	10 years	Water Treatment Plant	70 -100 years
Office Equipment	5-20 years	Meters & Plant	10 years
Furniture & Fittings	5-20 years	Sewerage Treatment Plants	50 -100 years
Library Books	5 years	Sewer Mains & Pump Stations	70 -100 years
Buildings - masonry	50 to 100 years	Roads - Unsealed	30 - 70 years
Buildings - other construction	20 to 40 years	- Sealed	80 -120 years
Playground equipment	5 to 15 years	- Concrete	60 years
Benches, seats, etc	10 to 20 years	Bridges - Timber	40 years
		- Concrete	120 years

7.6 Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation 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 (which is the higher of the *present value of future cash inflows* or *value in use*).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the *value in use* is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable presumption is made that the current replacement cost exceeds the original cost of acquisition.

7.7 Borrowing Costs

Interest costs are expensed as they occur.

8 Payables

8.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

8.2 Payments Received in Advance & Deposits

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

8.3 Retirement Home Contributions

Revenue from Accommodation Bonds is recognised monthly, in accordance with the Aged Care Act 1997. The balance of the Accommodation Bond is refunded to the resident within 2 months of the vacancy of the bed and is shown as a payable within the Balance Sheet.

9 Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Note 1 - Significant Accounting Policies (cont)

10. Employee Benefits

10.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119 *Employee Benefits*.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

Weighted average discount rate	6.57% (2007, 6.43%)
Weighted average settlement period	15 years (2007, 15 years)

Council does not make payment for untaken sick leave.

10.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently.

Accumulation Fund Members

The accumulation fund receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation (9% in 2007/08; 9% in 2006/07). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit Members

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. The rate is currently 0.95 times members' contributions (0.95 times members' contributions in 2006/2007). Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

11. Construction Contracts

Construction works undertaken by Council for third parties (principally the Roads & Traffic Authority for works on national and state highways) are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

12. Joint Ventures and Associated Entities

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. This arrangement is based on a resource sharing model where shared costs are distributed to other Councils. The NESAC organisation is not a formal structure, however, each participant agrees to share resources on a charge basis. Debtors for works performed by Uralla Shire and chargeable to other members are included in note 7 and creditors for works performed by other members and chargeable to Uralla Shire are included as creditors in Note 10..

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Note 1 - Significant Accounting Policies (cont)

13. Leases

Lease arrangements have been accounted for in accordance with AASB 117.

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as assets under lease, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

14. GST Implications

In accordance with UIG Interpretation 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to Input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

15. Provision for close down and restoration and for environmental clean up costs – Tips and Quarries

(i) Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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

Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

(ii) Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Note 1 - Significant Accounting Policies (cont)

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.

16. Intangible Assets

Bed Licences

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

The Council has not recorded the bed licenses in the financial report as there is was no fair value on acquisition of these entitlements.

17. 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.

A working party of interested representatives from both State and Local Government is being formed to consider the accounting issues related to the Crown Reserves, with the intention of developing a consistent approach to their recognition and future accounting treatment across both tiers of government.

18. Rural Fire Service assets

Under section 119 of the Rural Fire Services Act 1997, "*all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed*". Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years.

19. Budget Information

The Statement of Financial Performance, Statement of Cash Flows and Note 2 provide budget information of revenues and expenditures by type and for each of the major activities of the Council. Budget figures presented are those approved by Council at the beginning of the financial year and do not include Council approved variations throughout the year. Short explanations of the most significant variations are given in Note 16, and further information of the nature and amount of all variations is available from the Council office upon request.

20. Rounding

In accordance with the Code of Accounting Practice all amounts shown in the Financial Statements are in Australian currency and have been rounded to the nearest thousand dollars.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Note 1 - Significant Accounting Policies (cont)

21. New Accounting Standards & UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2008 reporting period. Councils assessment of the impact of these new standards and interpretations is set out below.

	Title and topic	Issued	Applicable(1)	Impact
(a)	AASB-I 12 Service Concession Arrangements, AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 12, revised UIG 4 Determining whether an Arrangement contains a Lease and revised UIG 129 Service Concession Arrangements: Disclosures	February 2007	1 January 2008	Nil – Council is not party to any Service Concession Arrangements.
(b)	AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8	February 2007	1 January 2009	Nil – The Standard is not applicable to not-for-profit entities.
(c)	Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	June 2007	1 January 2009	Nil – The revised Standard has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Council as the Council already capitalises borrowing costs relating to qualifying assets.
(d)	AASB-I 13 Customer Loyalty Programmes	August 2007	1 July 2008	Nil – Council has no Customer Loyalty Programmes.
(e)	AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	August 2007	1 January 2008	Nil – The Interpretation provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. Council does not recognise any assets in respect of its contributions to defined benefit plans as they cannot be reliably measured. As a result,

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Note 1 - Significant Accounting Policies (cont)

				there is not expected to be any impact on the financial statements.
(f)	Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to <i>Australian Accounting Standards arising from AASB 101</i>	September 2007 and December 2007	1 January 2009	Nil – The revised Standard requires the presentation of a Statement of comprehensive income and makes changes to the Statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If Council has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (Statement of financial position), this one being as at the beginning of the comparative period.
(g)	AASB 1049 Whole of Government and General Government Sector <i>Financial Reporting</i>	October 2007	1 July 2008(2)	Nil – The Standard is not applicable to Local Governments.
(h)	AASB 1050 Administered Items; AASB 1051 Land Under Roads, AASB 1052 Disaggregated Disclosures, revised AASB 1004 Contributions, AASB 2007-9 Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29 and AAS 31 and revised interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities	December 2007	1 July 2008(2)	<ul style="list-style-type: none"> • AASB 1050 is only applicable to Government departments and will have no impact on Council. • AASB 1051 will allow Council to recognise or not recognise land under roads acquired before 30 June 2008. Land under roads acquired after 30 June 2008 must be recognised. This Standard will have a significant impact on the Council's financial statements. • AASB 1052 requires disclosure of financial information by function or activity. Council already provides this information in Note 2(a) so there will be no additional impact on the financial statements. • AASB 1004 requires contributions made to Council to be recognised at fair value when they are controlled and to be appropriately disclosed. Council already accounts for contributions in this manner so there will be no additional impact on the financial statements.

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 2 - FUNCTIONS

	REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES										TOTAL ASSETS HELD (CURRENT & NON-CURRENT)			
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations				GRANTS INCLUDED IN INCOME		2008 \$'000	2007 \$'000
	ORIGINAL BUDGET 2008 \$'000	ACTUAL 2007 \$'000	ACTUAL 2008 \$'000	ORIGINAL BUDGET 2008 \$'000	ACTUAL 2007 \$'000	ACTUAL 2008 \$'000	ORIGINAL BUDGET 2008 \$'000	ACTUAL 2008 \$'000	ACTUAL 2007 \$'000	ACTUAL 2007 \$'000	2008 \$'000	2007 \$'000		
GOVERNANCE														
ADMINISTRATION	355	161	436	442	635	358	(442)	(474)	6	1,733	9,251	5,469		
PUBLIC ORDER & SAFETY	37	47	271	244	217	271	(207)	(170)	278	38	830	236		
HEALTH	5	2	104	88	135	104	(83)	(133)	-	-	-	-		
COMMUNITY SERVICES & EDUCATION	4,278	4,241	4,870	4,448	4,485	4,870	(170)	(244)	3,781	3,328	9,836	5,608		
HOUSING & COMMUNITY AMENITIES	1,012	754	1,316	1,115	1,052	1,316	(103)	(298)	78	11	2,702	1,787		
WATER SUPPLIES	597	514	677	741	787	677	(144)	(273)	13	13	16,917	16,329		
SEWERAGE SERVICES	438	506	414	513	463	414	(75)	43	19	20	7,777	7,391		
RECREATION & CULTURE	65	92	613	500	585	613	(435)	(493)	32	30	5,068	2,231		
FUEL & ENERGY	-	-	-	-	-	-	-	-	-	-	-	-		
MINING, MANUFACTURING & CONSTRUCTION	-	-	2	7	2	2	(7)	(2)	-	-	12	13		
TRANSPORT & COMMUNICATION	1,506	1,643	3,829	3,383	3,773	3,829	(1,877)	(2,130)	339	1,077	56,739	57,795		
ECONOMIC AFFAIRS	366	220	1,222	517	500	1,222	(151)	(280)	-	29	806	810		
TOTALS - FUNCTIONS	8,659	8,180	14,112	12,773	12,634	14,112	(4,114)	(4,287)	4,546	6,279	109,938	97,669		
GENERAL PURPOSE REVENUES	4,749	4,591					4,749	4,591	1,826	-				
TOTALS	13,408	12,771	14,112	12,773	12,634	14,112	635	244	6,372	6,279	109,938	97,669		

The above functions conform to those used by the Australian Bureau of Statistics and provide a basis for comparison with other Councils.

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2008

Note 2 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Governance

Costs relating to Council's role as a component of democratic government, including elections, meetings and associated activities, area representation, and public disclosure and compliance, together with related administration costs.

Administration

Costs not otherwise attributed to functions.

Public Order & Safety

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

Health

Administration and inspection, immunisations, food control, insect & vermin control, noxious plants, health centres, other.

Community Services & Education

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

Housing & Community Amenities

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, 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.

Fuel & Energy - Gas Supplies.

Mining, Manufacturing & Construction

Building control, abattoirs, quarries and pits, other.

Transport & Communication

Roads and streets, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, works undertaken for Roads & Transport Authority, street lighting, other.

Economic Affairs

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

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 3 - INCOME

RATES & ANNUAL CHARGES	2008 \$'000	2007 \$'000
<u>Ordinary Rates</u>		
Residential	951	894
Farmland	1,735	1,655
Business	31	78
	<u>2,717</u>	<u>2,627</u>
<u>Special Rates</u>		
TV Rate	11	11
	<u>11</u>	<u>11</u>
<u>Annual Charges</u>		
Domestic Waste Management	250	253
Water Supply	294	248
Sewerage Services	405	383
Drainage	23	-
Other Waste Management	-	147
	<u>972</u>	<u>1,031</u>
Total Rates & Annual Charges	3,700	3,669
 <u>USER CHARGES & FEES</u>		
<u>User Charges</u>		
Water Supply	262	191
Sewerage Services	28	23
Drainage Services	12	13
Other Waste Management	442	14
Other	1	5
	<u>745</u>	<u>246</u>
<u>Fees</u>		
Private Works	706	199
Tablelands Community Transport	14	14
Sale of scrap metal	88	93
Aged Care	522	441
Town Planning and building	130	127
Tablelands Community Service Option	138	121
Rents	87	50
Cemeteries	16	16
Swimming Pool	16	17
Other	23	40
	<u>1,738</u>	<u>1,118</u>
Total User Charges & Fees	2,483	1,364

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 3 - REVENUES (cont)

	2008 \$'000	2007 \$'000
INVESTMENT REVENUES		
Interest on overdue rates & charges	32	22
Interest on cash assets & investments		
externally restricted		
<i>Sewer Fund</i>	64	7
<i>Water Fund</i>	77	55
internally restricted	-	27
unrestricted	189	21
Premiums recognised on financial instruments	-	179
Gross Investment Revenues	362	311
Fair Value Adjustment		
externally restricted		
<i>Sewer Fund</i>	(327)	-
<i>Water Fund</i>	(328)	-
internally restricted	-	-
unrestricted	(125)	-
Total Investment Revenues	(418)	311
Council's net return on investments during the year has been materially affected by the potential loss in value of certain financial instruments, full details of which have been provided in Note 15.		
OTHER REVENUES		
Other fines	1	3
Insurance Claims	2	15
Commissions & Agency Fees	1	-
Miscellaneous sales	134	134
Other	78	67
Total Other Revenues	216	219

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 3 - INCOME (cont)

	Notes	OPERATING		CAPITAL	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
GRANTS					
General Purpose (Untied)					
Financial Assistance		1,783	1,689	-	-
Pensioner Rates Subsidies (General)		43	44	-	-
Specific Purpose					
Pensioner Rates Subsidies					
Water Supplies		13	13	-	-
Sewerage Services		19	20	-	-
Domestic Waste Management		11	11	-	-
Bundarra Neighbourhood Aid		45	44	-	-
Economic Development Program		-	25	-	-
Youth		-	40	-	-
Aged Care Facilities		1,066	928	-	102
Other Frail Aged and Disables Services		873	518	18	-
Library		29	28	-	-
Tablelands Community Service Options		1,473	1,562	40	-
Tablelands Community Transport		218	320	-	-
Roads & Bridges		-	968	332	732
Employment & Training Programs		15	-	-	-
Heritage & Cultural Services		-	2	-	-
Community Care Services		40	-	-	-
Bushfire & Emergency Services		55	38	223	-
Other		77	29	-	-
Total Grants & Subsidies		5,760	6,279	613	834
<i>Comprising:</i>					
- Commonwealth funding		3,722	3,101	332	102
- State funding		2,038	3,178	281	732
- Other funding		-	-	-	-
		5,760	6,279	613	834
CONTRIBUTIONS & DONATIONS					
Developer Contributions					
Section 94	17	-	-	53	5
RTA Contributions		895	5	15	-
Section 64		-	-	-	-
Water	17	-	-	-	57
Traineeship contributions		-	14	-	-
Paving		-	1	-	-
Other Councils - Joint Works		447	-	-	-
Other		53	13	-	-
Total Contributions & Donations		1,395	33	68	62
TOTAL GRANTS & CONTRIBUTIONS		7,155	6,312	681	896

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 3 - INCOME (cont)

CONDITIONS OVER GRANTS & CONTRIBUTIONS

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

	2008 \$'000		2007 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
<i>Unexpended at the close of the previous reporting period</i>	743	235	595	173
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>				
<i>Section 94/64 Developer Contributions</i>	-	57	-	-
<i>Roads Infrastructure</i>	337	-	432	-
<i>Heritage & Cultural Services</i>	7	-	-	-
<i>Community Care Services</i>	89	-	120	-
<i>Other</i>	-	-	-	-
<i>Subtotal</i>	<u>433</u>	<u>57</u>	<u>552</u>	<u>0</u>
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>				
<i>Section 94/64 Developer Contributions</i>	-	53	-	62
<i>Roads Infrastructure</i>	206	-	409	-
<i>Heritage & Cultural Services</i>	234	-	9	-
<i>Community Care Services</i>	74	-	282	-
<i>Other</i>	-	-	-	-
<i>Subtotal</i>	<u>514</u>	<u>53</u>	<u>700</u>	<u>62</u>
<i>Unexpended at the close of this reporting period and held as restricted assets</i>	<u>824</u>	<u>231</u>	<u>743</u>	<u>235</u>
<i>Net increase (decrease) in restricted assets in the</i>	<u>81</u>	<u>-4</u>	<u>148</u>	<u>62</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 4 - EXPENSES

EMPLOYEE COSTS	2008 \$'000	2007 \$'000
Salaries and Wages	4,832	4,891
Travelling	1	-
Employee Leave Entitlements	786	817
Superannuation - defined contribution plan contributions	370	318
Superannuation - defined benefit plan contributions	82	115
Workers' Compensation Insurance	197	256
Fringe Benefits Tax	55	17
Training Costs (excluding Salaries)	17	7
Other	142	125
Less: Capitalised and distributed costs	<u>(150)</u>	<u>(340)</u>
Total Operating Employee Costs	<u>6,332</u>	<u>6,206</u>
Total Number of Employees	101	100
(Full time equivalent at end of reporting period)		
BORROWING COSTS		
Interest on Loans	144	130
Unwinding of present value discounts & premiums	-	43
Gross Interest Charges	<u>144</u>	<u>173</u>
Less: Borrowing Costs capitalised	-	-
Total Interest Charges	<u>144</u>	<u>173</u>
MATERIALS & CONTRACTS		
Raw materials & consumables	3,106	2,373
Contractor and consultancy costs	1,158	920
Auditor's Remuneration		
- Audit Services	14	7
Legal Expenses		
- Planning & Development	1	3
- Other Legal Expenses	10	11
Total Materials & Contracts	<u>4,289</u>	<u>3,314</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 4 - EXPENSES (cont)	IMPAIRMENT		DEPRECIATION	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT				
Plant and Equipment	-	-	784	626
Office Equipment	-	-	36	74
Furniture & Fittings	-	-	51	49
Leased Property, Plant & Equipment	-	-	-	-
Land	-	-	-	-
Land Improvements	-	-	-	-
Buildings - non-specialised	-	-	122	117
Buildings - specialised	-	-	-	-
Other Structures	-	-	74	75
Infrastructure				
- roads, bridges & footpaths	-	-	708	686
- stormwater drainage	-	-	15	15
- water supply network not elsewhere included	-	-	50	146
- sewerage network not elsewhere included	-	-	12	161
Other assets				
- heritage collections	-	-	-	-
- library books	-	-	1	1
Future Reinstatement Costs				
- Tips	-	-	31	42
Less: Capitalised and distributed costs	-	-	(46)	(27)
Total Depreciation, Amortisation & Impairment	-	-	1,838	1,965
		2008		2007
		\$'000		\$'000
OTHER EXPENSES				
Mayoral fee		12		9
Councillors' Fees & Allowances		88		60
Councillors' (Incl. Mayor) Expenses		14		21
Insurances		199		202
Street Lighting		63		50
Light, Power & Heating		188		161
Telephone & Communications		108		96
Donations & Contributions to Local & Regional Bodies		241		189
Advertising		12		15
Bank Charges		9		14
Postage and Freight		37		32
Items for Resale		2		-
Printing and Stationery		55		34
Promotion and Publicity		14		11
Valuation fees		13		14
Subscriptions & Publications		56		54
Total Other Expenses		1,091		962

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2008 \$'000	2007 \$'000
DISPOSAL OF INFRASTRUCTURE, PLANT & EQUIPMENT		
Proceeds from disposal	246	453
Less: Carrying amount of assets sold	<u>125</u>	<u>467</u>
Gain (Loss) on disposal	<u>121</u>	<u>(14)</u>
DISPOSAL OF FINANCIAL INSTRUMENTS		
Proceeds from disposal	417	-
Less: Carrying amount of assets sold	<u>417</u>	<u>-</u>
Gain (Loss) on disposal	<u>-</u>	<u>-</u>
TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS	<u>121</u>	<u>(14)</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 6 - CASH ASSETS & INVESTMENT SECURITIES

	2008		2007	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
CASH ASSETS				
Cash on Hand and at Bank	1,210		472	
Deposits at Call	-		-	
Short Term Deposits & Bills, etc	<u>1,006</u>		<u>110</u>	
Total Cash Assets	<u>2,216</u>		<u>582</u>	
<i>Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value.</i>				
INVESTMENT SECURITIES				
Summary				
Financial assets at fair value through profit and loss	1,119	-	2,316	-
Held to maturity investments	<u>1,959</u>	-	<u>1,044</u>	-
Total	<u>3,078</u>	-	<u>3,360</u>	-
Financial assets at fair value through profit and loss				
At beginning of year	2,316	-	-	-
Revaluation to Income Statement	(780)	-	-	-
Additions	-	-	2,316	-
Disposals	<u>(417)</u>	-	-	-
At end of year	<u>1,119</u>	-	<u>2,316</u>	-
Held for trading:				
- CDOs	619	-	1,008	-
- FRNs	<u>500</u>	-	<u>1,308</u>	-
	<u>1,119</u>	-	<u>2,316</u>	-
Held to Maturity Investments				
At beginning of year	1,044	-	1,044	-
Additions	<u>915</u>	-	-	-
At end of year	<u>1,959</u>	-	<u>1,044</u>	-
Comprising:				
- Term Deposits	1,959	-	1,044	-
	<u>1,959</u>	-	<u>1,044</u>	-

The permitted forms of investment in financial instruments of the Council are defined in an order made by the Minister of Local Government on 15 July 2005, and may broadly be described as "Trustee Securities". Deposits and Bills are with, or have been accepted by, banks and credit unions and bear various rates of interest between 3% and 7% (2007 - 3% and 6%). NCDs, CDOs, FRNs and Managed Funds are all with organisations with credit ratings that comply with the Minister's Order and bear various rates of return between 4% and 9% (2007 - 4% and 8%). For further information refer to Note 15 below.

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 6 - CASH ASSETS & INVESTMENT SECURITIES (cont)

RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	2008 \$'000		2007 \$'000	
	Current	Non-Current	Current	Non-Current
Cash & Cash Equivalent Assets	2,216	-	582	-
Investment Securities	3,078	-	3,360	-
TOTAL CASH & INVESTMENT SECURITIES	5,294	-	3,942	-
External Restrictions	3,433	-	3,317	-
Internal Restrictions	1,021	-	625	-
Unrestricted	840	-	-	-
	5,294	-	3,942	-

DETAILS OF MOVEMENTS OF RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	Notes	Opening Balance 30 June 2007 \$'000	Movements		Closing Balance 30 June 2008 \$'000
			Transfers To Restriction \$'000	Transfers From Restriction \$'000	
External Restrictions					
Included in liabilities					
Unexpended Loans		33	-	-	33
Aged Care Bonds		752	433	-	1,185
		785	433	-	1,218
Other					
Developer Contributions	17	235	53	57	231
RTA Contributions		-	-	-	-
Unexpended Grants		743	515	434	824
Water Supply funds		747	-	306	441
Sewerage funds		807	-	88	719
		2,532	568	885	2,215
Total External Restrictions		3,317	1,001	885	3,433

External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (Financial Management) Regulation 1999 and other applicable legislation. Further information relating to Developer Contributions is provided in Note 17 and Unexpended Grants in Note 3. Amounts raised by special rates (eg. Water & Sewer) or for Domestic Waste Management may only be used for those purposes.

Internal Restrictions

Employee Leave Entitlements	557	-	93	464
Plant replacement	68	930	748	250
Carry-over works	-	307	-	307
Total Internal Restrictions	625	1,237	841	1,021

Internal Restrictions arise pursuant to resolutions of Council to set aside reserves of cash resources either relating to liabilities recognised in these reports or to fund future expenditure for the stated purpose. Such reserves are not permitted to exceed the amounts of cash assets and cash investments not otherwise restricted.

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 7 - RECEIVABLES

	2008		2007	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates & Annual Charges	384	-	242	-
Interest & Extra Charges	62	-	10	-
User Charges & Fees	160	-	289	-
Accrued Revenues	202	-	58	-
Other levels of Government	27	-	311	-
Retirement Home Contributions	-	106	-	113
Other	335	-	261	-
Total	<u>1,170</u>	<u>106</u>	<u>1,171</u>	<u>113</u>
Less: Allowance for Doubtful Debts				
User Charges & Fees	2	-	2	-
	<u>1,168</u>	<u>106</u>	<u>1,169</u>	<u>113</u>

Rates, Annual Charges, Interest & Extra Charges

Overdue rates and annual charges (being amounts not paid on or before the due date determined in accordance with the Local Government Act) are secured over the relevant land and are subject to simple interest at a rate of 10.00% (2007: 9.00%). Although Council is not materially exposed to any individual ratepayer, credit risk exposure is concentrated within the Council boundaries in the State of New South Wales.

Deferred Debtors

Loans made to ratepayers under the assisted housing scheme and to local organisations bear interest at rates varying between NIL and 9%. Council is not materially exposed to any individual debtor, and credit risk exposure is concentrated within the Council boundaries in the State of New South Wales.

Other levels of Government

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Government of New South Wales and the Government of Australia.

Retirement Home Contributions

Pursuant to Commonwealth legislation certain intending residents are required to contribute amounts on an interest free basis. The amounts are subject to certain deductions as prescribed by the legislation, the balance being repaid on termination of tenancy. Compliance with these procedures is subject to separate audit in accordance with that Act.

Other Receivables

Amounts due (other than User Charges which are secured over the relevant land) are unsecured and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State of New South Wales.

AGGREGATE ASSET ARISING FROM EMPLOYEE BENEFITS

	<u>0</u>		<u>0</u>	
RESTRICTED RECEIVABLES				
Water Supply	218	-	412	-
Sewerage Services	73	-	129	-
Domestic Waste Management	34	-	45	-
Other	-	106	-	113
Total Restrictions	<u>325</u>	<u>106</u>	<u>586</u>	<u>113</u>
Unrestricted Receivables	843	-	583	-
Total Receivables	<u>1,168</u>	<u>106</u>	<u>1,169</u>	<u>113</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 8 - INVENTORIES & OTHER ASSETS

	2008 \$'000		2007 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
INVENTORIES				
Stores & Materials	168	-	143	-
Total Inventories	<u>168</u>	<u>-</u>	<u>143</u>	<u>-</u>
 <i>Inventories not expected to be realised within the next 12 months.</i>				
	-	-	-	-
<i>Aggregate write-downs and other losses recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.</i>				
OTHER ASSETS				
Prepayments	92	-	65	-
Total Other Assets	<u>92</u>	<u>-</u>	<u>65</u>	<u>-</u>
 RESTRICTIONS EXIST IN RESPECT OF THE FOLLOWING:				
Inventories				
Other Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 9 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2007 \$'000						2008 \$'000					
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Capital Work-in-progress	-	-	-	3,187	683	-	(784)	-	-	6,239	(3,278)	2,960
Plant & Equipment	6,498	-	(3,311)	3,187	683	(126)	(784)	-	-	6,239	(3,278)	2,960
Office Equipment	588	-	(514)	74	28	-	(36)	-	-	616	(550)	66
Furniture & Fittings	785	-	(501)	284	32	-	(51)	-	-	817	(553)	264
Leased Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Land	-	-	-	1,018	-	-	-	2,084	-	3,102	-	3,102
- Operational Land	-	-	-	1,018	-	-	-	-	-	666	-	666
- Community Land	-	-	-	666	-	-	-	-	-	17	-	17
- non deprec land improv'ts	-	-	-	17	-	-	-	-	-	-	-	-
- land under roads	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	-	-	-	-	-	-	-	8,305	-	15,680	(683)	15,007
Buildings - non-specialised	8,320	-	(2,538)	6,782	43	-	(122)	-	-	15,680	(683)	15,007
Buildings - specialised	-	-	-	-	-	-	-	-	-	-	-	-
Other Structures	2,002	-	(1,008)	994	37	-	(74)	-	-	2,039	(1,063)	956
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
- Roads, bridges, footpaths	49,031	-	(11,240)	37,791	536	-	(708)	-	-	49,567	(11,948)	37,619
- Bulk earthworks (non-deprec.)	18,860	-	-	18,860	-	-	-	-	-	18,860	-	18,860
- Stormwater drainage	889	-	(255)	634	-	-	(15)	-	-	889	(270)	619
- Water Supply Network	-	15,768	(578)	15,190	4	-	(50)	757	-	16,539	(658)	15,901
- Sewerage Network	-	7,071	(889)	6,382	30	-	(12)	319	-	7,456	(737)	6,719
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
- Heritage Collections	35	-	(6)	30	-	-	-	-	-	36	(6)	30
- Library Books	-	-	-	-	-	-	-	-	-	-	-	-
- Other	19	-	(6)	13	-	-	(1)	-	-	18	(6)	12
Future Reinstatement Costs	-	-	(105)	315	36	-	(31)	-	-	456	(136)	320
- Tips	420	-	-	315	36	-	(31)	-	-	456	(136)	320
- Quarries	-	-	-	-	-	-	-	-	-	-	-	-
- Other remediation assets	-	-	-	-	-	-	-	-	-	-	-	-
Totals	90,148	22,839	(20,750)	92,237	1,429	(126)	(1,884)	11,465	-	123,027	(19,909)	103,118
Asset acquisitions were apportioned between:												
- Building & Infrastructure Renewals				536								
- Building & Infrastructure New Assets				77								
- Other Assets				816								

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 9 (cont) - RESTRICTED PROPERTY, PLANT & EQUIPMENT

	2008 \$'000				2007 \$'000			
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
Water Supply								
Plant & Equipment	-	5	(5)	-	8	-	(4)	4
Land	-	234	-	234	67	-	-	67
- Operational	-	1	-	1	2	-	-	2
- non depreciable land improv'	-	335	(22)	313	310	-	(104)	206
Buildings	-	16,559	(658)	15,901	-	15,768	(578)	15,190
Water Supply Infrastructure	7	-	(2)	5	-	-	-	-
- Other	7	-	(2)	5	-	-	-	-
Total Water Supply	7	17,134	(687)	16,454	387	15,768	(686)	15,469
Sewerage Services								
Land	-	169	-	169	41	-	-	41
Land Improvements - depreciab	-	6	-	6	-	-	-	-
Buildings	-	100	(2)	98	124	-	(28)	96
Other Structures	40	-	(15)	25	40	-	(14)	26
Sewerage Infrastructure	-	7,456	(737)	6,719	-	7,072	(689)	6,383
- Roads, bridges, footpaths	-	42	(4)	38	42	-	(3)	39
Total Sewerage Services	40	7,773	(758)	7,055	247	7,072	(734)	6,585
Domestic Waste Management								
Plant & Equipment	-	13	(5)	8	13	-	(4)	9
Land	-	80	-	80	83	-	-	83
- Operational	-	-	-	-	147	-	(74)	73
Other Structures	147	-	(87)	60	25	-	(14)	11
- Other	25	-	(15)	10	-	-	-	-
Total Domestic Waste	172	93	(107)	158	268	-	(92)	176
TOTAL RESTRICTIONS	219	25,000	(1,552)	23,667	902	22,840	(1,512)	22,230

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 10 - LIABILITIES

	2008 \$'000		2007 \$'000	
	Current	Non-Current	Current	Non-Current
PAYABLES				
Goods & Services	676	-	679	-
Payments received in advance	65	-	121	-
Accrued Expenses	299	-	305	-
Alliance Private Works	623	-	183	-
Retirement Home Contributions	1,185	-	752	-
Other	2	-	-	-
Total Payables	<u>2,850</u>	<u>-</u>	<u>2,040</u>	<u>-</u>

Current payables not expected to be settled within the next 12 months.

698

627

BORROWINGS

Bank Overdraft	-	-	-	-
Loans				
- Secured	1,047	845	444	1,642
Total Borrowings	<u>1,047</u>	<u>845</u>	<u>444</u>	<u>1,642</u>

All interest bearing liabilities are secured over the future revenues of the Council.

PROVISIONS

Annual Leave	539	-	503	-
Sick Leave	72	-	105	-
Long Service Leave	608	330	779	278
Reinstatement, Remediation, etc. (see also Note 21)	129	422	129	352
Other	27	-	27	-
Total Provisions	<u>1,375</u>	<u>752</u>	<u>1,543</u>	<u>630</u>

Current payables not expected to be settled within the next 12 months.

736

1,357

Movements In Provisions	Employee Benefits 2008 \$'000	Insurance Losses 2008 \$'000	Reinstatement, etc. 2008 \$'000	Other 2008 \$'000
	Opening Balance	1,865	-	481
Add Additional amounts recognised	218	-	-	-
Unwinding of present value discount	-	-	34	-
(Less) Payments	(332)	-	-	-
Add (Less) Remeasurement Adjustments	-	-	36	-
Closing Balance	<u>1,549</u>	<u>-</u>	<u>551</u>	<u>27</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

NOTE 10 - LIABILITIES (cont)

Provision for Insurance Losses

At any time Council may be involved in defending a number of separate actions arising from various causes, further details of which are given in Note 18. Council makes provision for the best estimate of the probable costs it will incur in defending such actions, and records a contingent liability for the balance of potential losses.

Provision for Reinstatement, rehabilitation & restoration liabilities

Council is required by law to reinstate/ rehabilitate the areas of certain tips and quarries for roadmaking materials when it ceases to use each facility. Engineering estimates have been made based on current reinstatement standards and discounted to its present value over the estimated remaining life of each facility at the rates applicable to government securities.

	2008 \$'000		2007 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
AGGREGATE LIABILITY ARISING FROM EMPLOYEE BENEFITS				
	<u>1,219</u>	<u>330</u>	<u>1,387</u>	<u>278</u>
LIABILITIES relating to RESTRICTED ASSETS				
<u>Water Supplies</u>				
Payables	3	-	-	-
Subtotal	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Sewerage Services</u>				
Payables	46	-	46	-
Interest Bearing Liabilities	-	15	-	15
Subtotal	<u>46</u>	<u>15</u>	<u>46</u>	<u>15</u>
<u>Other</u>				
Payables	1,185	-	125	627
Interest Bearing Liabilities	2	86		94
Provisions	221	83		
Subtotal	<u>1,408</u>	<u>169</u>	<u>125</u>	<u>721</u>
TOTAL	<u>1,457</u>	<u>184</u>	<u>171</u>	<u>736</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

	2008 \$'000	2007 \$'000
Total Cash Assets (Note 6)	2,216	582
Less: Bank Overdraft (Note 10)	-	-
Balances per Statement of Cash Flows	2,216	582

**(b) Reconciliation of Change in Net Assets to Cash
from Operating Activities**

Net Operating Result from Income Statement	244	137
Add: Depreciation, Amortisation & Impairment	1,884	1,965
Unwinding of present value discounts & premiums	34	76
Increase in other provisions	36	53
Decrease in receivables	1	-
Decrease in inventories	-	8
Decrease in other assets	-	251
Increase in trade creditors	386	133
Increase in accrued expenses payable	-	303
Increase in other payables	2	-
Loss on Sale of Assets	-	14
Investment Revaluations	780	-
	3,367	2,940
Less: Decrease in provision for doubtful debts	-	-
Decrease in employee benefits provisions	116	72
Increase in receivables	-	458
Increase in inventories	25	-
Increase in other assets	27	-
Decrease in trade creditors	-	-
Decrease in accrued expenses payable	6	-
Gain on Sale of Assets	121	-
Non-cash Capital Grants and Contributions	259	26
Net Cash provided by (or used in) operations	2,813	2,384

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 11 (cont) - RECONCILIATION TO CASH FLOW STATEMENT

	2008 \$'000	2007 \$'000
(c) Non-Cash Financing and Investing Activities		
Acquisition of assets by means of:		
- PWD Construction	-	-
- Bushfire Grants	223	-
- Developer Contributions received in kind	-	-
- Non-cash issues of Shares in Other Companies	-	-
- Estimated future reinstatement, etc costs	36	26
- Other	-	-
	259	26
- Finance Leases	-	-
- Land taken over for non-payment of Rates	-	-
	259	26

(d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank Overdrafts		
Total Facilities	100	100
Corporate Credit Cards	25	25

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are variable while the rates for loans are fixed for the period of the loan.

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 12 - COMMITMENTS FOR EXPENDITURE

	2008 \$'000	2007 \$'000
(a) Other Expenditure Commitments		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	119	19
Library Services	134	137
Tourism Services	98	63
Microsoft Licencing Program	15	15
	<u>366</u>	<u>234</u>
These expenditures are payable:		
Not later than one year	153	107
Later than one year and not later than 5 years	213	127
Later than 5 years	-	-
	<u>366</u>	<u>234</u>

Commitments for other Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.

(b) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities, payable:

Not later than one year	145	157
Later than one year and not later than 5 years	435	-
Later than 5 years	-	-
	<u>580</u>	<u>157</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

	<u>Amounts</u>	<u>2008 Indicators</u>	2007	2006	2005
Unrestricted Current Ratio					
<u>Unrestricted Current Assets*</u>	\$2,964	1.24:1	0.64:1	0.82:1	1.33:1
Current Liabilities not relating to Restricted Assets	\$2,381				
 Debt Service Ratio					
<u>Net Debt Service Cost</u>	\$517	6%	7%	5%	5%
Operating Revenue	\$8,346				
 Rate & Annual Charges Coverage Ratio					
<u>Rates & Annual Charges Revenues</u>	\$3,700	26%	29%	30%	30%
Total Revenues	\$14,356				
 Rates & Annual Charges Outstanding Percentage					
<u>Rates & Annual Charges Outstanding</u>	\$446	11.19%	6.45%	5.67%	4.40%
Rates & Annual Charges Collectible	\$3,984				
 Building & Infrastructure Renewals Ratio					
<u>Asset renewals</u>	\$536	0.59:1	0.74:1	<i>New ratio introduced 2008 - no comparatives available.</i>	
Depreciation, Amortisation, Impairment	\$907				

Detailed methods of calculation of these Indicators is defined in the Code.

URALLA SHIRE COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 14 - INVESTMENT PROPERTY

Council does not hold investment properties

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 15 - FINANCIAL RISK MANAGEMENT

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. All financial instruments are denominated in Australian dollars, and hence currency risk does not apply. Since August 2007 Council has been caught in the world credit crisis that has subsequently increased the credit and liquidity risk significantly.

Financial risk management is carried out by Council's Finance section in accordance with policies approved by Council and in accordance with statutory requirements, and seeks to attain diversification, and maximise revenue while protecting the corpus of the funds invested. To manage interest rate risk Council invested in a range of approved fixed income securities and term deposits. Investment in fixed income securities required specialist skills and access to information not available to Council's staff. To manage the financial risks Council outsourced the portfolio administration to Grange Securities who evaluate and select investment securities other than term deposits through an individually managed portfolio contract.

Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial Assets				
Cash and Cash Equivalents	2,216	582	2,216	582
Receivables	1,274	1,282	1,274	1,282
Financial assets at fair value through profit & loss	1,119	2,316	1,119	2,316
Available-for-sale financial assets	1,959	1,044	1,959	1,044
Held-to-maturity investments	-	-	-	-
	<u>6,568</u>	<u>5,224</u>	<u>6,568</u>	<u>5,224</u>
Financial Liabilities				
Payables	2,850	2,040	2,850	2,040
Borrowings	1,892	2,086	1,892	2,086
	<u>4,742</u>	<u>4,126</u>	<u>4,742</u>	<u>4,126</u>

Fair value is estimated as follows:

* Cash & equivalents, receivables & payables - due to the short-term nature, face value (carrying value) approximates fair value.

* Held-to-maturity investments and borrowings - anticipated future cash flows discounted by current market interest rates applicable to assets and liabilities with similar risk profiles.

* Financial assets at fair value through profit & loss, and available-for-sale - based on quoted market prices (where a liquid market exists) or independent valuation. Particular difficulties were experienced in assessing fair value of CDOs, and these have been reported in Note 1.

Cash and cash Equivalents

Financial assets at fair value through profit & loss

Available-for-sale financial assets

Held-to-maturity investments

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The Credit crisis has affected Council's liquidity through the inability to liquidate many of the CDO securities and the FRN's at a reduced market price.

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 these changes are caused by factors specific to individual financial instruments or their issuers or factors affecting similar instruments traded in a market.

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

Another risk associated with cash and investments is credit risk - the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

The investment portfolio is managed in accordance with Council's policy which complies with the Local Government Act & Regulations, and the Minister's Order. The investment policy is reviewed regularly, and monthly reports provided to Council in accordance with section 625 of the Act.

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 15 - FINANCIAL RISK MANAGEMENT (cont)

Council updated its policy in April 2008 to align with the Cole report recommendations. Council also took action to appoint a new Independent advisor to assist in managing out the existing CDO and FRN securities held.

The investment portfolio is managed so as to provide adequate liquidity at all times, particularly during the periods between the quarterly receipt of rates instalments and grants. In addition, Council has access to overdraft facilities set out in Note 12. Funds held in the Grange Individually Managed Portfolio when the credit crisis started has negatively affected liquidity due to the loss of the secondary market. Council had previously been able to sell securities in an active secondary market with minimal impact on capital for long dated securities. With current market conditions Council has limited option but to hold the CDO contracts until maturity. Current Fair Value of securities are based on alternative pricing valuations and are not necessarily prices that can be attained on the open market.

Council's portfolio is invested in products that are subject to price risk, principally CDOs. Council viewed the loss in market value - which has been recognised in these reports - as deriving principally from a lack of liquidity in the market. Council has determined to retain these financial instruments on a long term basis, and reviewing its liquidity projections quarterly so to confirm with this strategy. Council expects to recoup the majority of the amounts of principal and interest over the life of the investment, but with a deterioration in the quality of the securities over the financial year have engaged legal and financial specialists to assist council in managing the increased default risk. Council has some CDO's that are at a higher risk of defaulting but no advice that they have formally defaulted has been received and council continues to receive regular interest payments.

Due to the lack of market activity and reluctance of Institutions to disclose information, reliable CDO valuations have been very difficult to obtain. Council sort valuations from different sources applying different methodologies. The method used for valuation was through seeking bids from financial institutions first, and where there were no bids available then a process of determining a valuation based on asset prices and future discounted cashflow were applied. These valuations were then compared to Lehmans Mid price valuation which were calculated using a proprietary Lehman Brothers model. This proprietary pricing model is consistent with best market practice. The model uses as key inputs:

- credit spreads on each of the names in the portfolio
- maturity
- the correlation between the various names in the portfolio

These inputs are sourced from the Inter-dealer market where they are traded regularly. The model then creates as an output, the CDO mid price valuation. The overall variation between using the methods was less than 1% which provided a high level of confidence in the eventual written down value of the investments.

The remainder of Council's investment portfolio consists of deposits at fixed and variable interest rates, generally for periods of less than 120 days. Whilst these are subject to interest rate risk, this is minimised by the short term of the financial assets held.

Interest Sensitivity Analysis	2008	2007
	\$'000	\$'000
Impact of a 30% movement in price of investments (for assets subject to price risk only)		
- Equity	923	1,008
- Income Statement	923	1,008
 Impact of a 1% change in interest rates on cash & investments		
- Equity	31	34
- Income Statement	31	34

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 15 - FINANCIAL RISK MANAGEMENT (cont)

Receivables

Credit risk on receivables for rates, annual charges and service charges made under section 502 is minimised as these are secured over the subject land. The security extends to interest levied for late payment.

Other receivables are subject to a range of credit risk minimisation procedures as appropriate, varying from credit checks to specific security pledges. Council is not materially exposed to any individual debtor, and credit risk exposure is concentrated within the Council boundaries in the State of New South Wales. There are no material receivables that have been subject to re-negotiation of repayment terms.

Council receives regular summary reports of receivables due, and detailed reports where appropriate.

Problems with Data conversion of accounts in 2006/2007 into the new NESAC computer system and a period where the debt collection role was not filled in 2007/2008 has resulted in higher level of outstanding debt. These issues have been rectified and councils debt collection policies are being applied to reduce the outstanding debt.

At reporting date, all amounts receivable were reviewed, and adequate allowance made for amounts considered doubtful.

	2008 \$'000	2007 \$'000
Percentage of Rates & Annual Charges		
- Current	73%	65%
- Overdue	27%	35%

Payables

Borrowings

Payables and borrowings are subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as they fall due. The investment portfolio is managed so as to provide adequate liquidity at all times, particularly during the periods between the quarterly receipt of rates instalments and grants. In addition, Council has access to overdraft facilities set out in Note 11.

Liquidity Sensitivity Table

The contractual undiscounted cash flows of Council's payables and borrowings are shown below:

	2008 '000	Due			Total Contractual 	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		2,152	698	-	2,850	2,850
Borrowings		88	1,804	-	1,892	1,892
		2,240	2,502	-	4,742	4,742
	2007 '000	Due			Total Contractual Cash Flows	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		1,413	627	-	2,040	2,040
Borrowings		362	1,336	388	2,086	2,086
		1,775	1,963	388	4,126	4,126

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 15 - FINANCIAL RISK MANAGEMENT (cont)

Borrowings are also subject to interest rate risk - the risk that changes in interest rates could adversely affect funding costs. Council manages this risk by generally borrowing long term, commonly at rates fixed for the duration of the loan. Bank overdraft and less than 10% of borrowings are at variable rates; the associated interest rate risk is not considered material.

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

	2008		2007	
	Wtd ave interest rate	Balance	Wtd ave interest rate	Balance
Overdraft		-		-
Loans - fixed interest rate	7.11%	<u>1,892</u>	7.00%	<u>2,086</u>
		<u>1,892</u>		<u>2,086</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2008

Note 16 - SIGNIFICANT VARIATIONS FROM ORIGINAL BUDGET

Council's original budget comprised part of the Management Plan adopted by Council on Monday 25 June 2007 (Resolution 279/07). The original projections on which the budget was based have been affected by decisions and new grant programs initiated by State and Federal Governments, by the weather, and by decisions made by the Council.

This Note sets out the principal variations between the original Budget and Actual results for the Statement of Financial Performance.

Further information of the nature and amount of all variations is available from the Council office upon request.

INCOME STATEMENT

1	Revenue from Ordinary Activities	Favourable \$948k	7.1%
1.1	User Charges & Fees	Favourable \$1,080 k	82.0%
	Private works were budgeted at \$303 k and resulted in \$706 k an unanticipated increase of \$403 k. Other Waste Management Charges of \$442, were budgeted for in Annual Charges as \$427 k, however the charges are accounted for in these financial statements as user charges and fees.		
1.2	Investment revenues	(unadjusted) Unfavourable \$282 k	100.0%
		(adjusted) Favourable \$ 80 k	28.4%
	The placement of Council's long term funds into an Individually Managed Portfolio and the increased utilisation of investment in overnight funds resulted in an increase of \$80 k in investment income over the budget. However the funds in the Individually Managed Portfolio were invested by Grange Securities, on behalf of Council, in structured credit financial instruments, which while providing an initial increase in investment income, have suffered a potential loss of principal for which a write down of \$780 k has been made in the current year resulting in the Interest and Investment Losses of \$418 k Disclosed in Expenses.		
1.3	Grants and Contributions	Unfavourable \$515 k	6.7%
	The original budget included Roads to Recovery Grants of \$265 k in Rural Sealed Roads and \$490 k in Rural Unsealed Roads. The actual amount received of \$332 k has been accounted for as a Capital Grant.		
	Council received additional unbudgeted grants during the year. These additional grants included \$77 k for environmental projects and \$13 k for Tablelands Community Support Options.		
2	Expenditure for Ordinary Activities	Unfavourable \$1,336 k	10.5%
2.1	Materials and Contracts	Unfavourable \$315 k	8.1%
	The additional Private Works of \$403 k included \$119 k of material and contracts which exceeded the budget allocation by \$109K. Increases in fuel and steel costs have greatly exceeded the 3.5% estimate used when calculating the budget in early 2007.		
2.2	Depreciation and Amortisation	Unfavourable \$191 k	11.6%
	The depreciation estimate of \$1,647 k was affected by the revaluation of water and sewer assets in the prior year and a change in the depreciation basis for Plant and Equipment.		

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Note 16 - Significant Variations from Original Budget (cont)

2.3	Other expenses	Unfavourable \$125 k	11.9%
	Council contributes to Regional bodies, in particular the Rural Fire Service. The Rural Fire Service increased its charge by greater than the 3.5% that Council had allowed in its budget. During the year increases in electricity charges, insurances and telecommunications also exceeded the anticipated and budgeted for increases.		
2.4	Interest and Investment Losses	Unfavourable \$418 k	100.0%
	This is was a totally unexpected cost to Council when the budget was approved on 25 June 2007. The effect of the Global Credit Crisis since August 2007 could not have been anticipated at that time. The 780 k provided for the write down of Council's investments in structured investments exceeds the interest actually received by Council during the year ended 30 June 2008 by \$418 k.		
3	Revenue from Capital Grants and Contributions		
		Favourable \$681k	100.0%
3.1	Capital Grants	Favourable \$613 k	100.0%
	The Roads to Recovery Grant of \$322 was budgeted as operational income. Unanticipated grants of \$281 k were received from the Rural Fire Service, \$40 k for Tablelands Community Support Options Program and \$18 k for Kamilaroi Aged and Disabled Services.		
3.2	Capital Contributions	Favourable \$68 k	100.0%
	Unbudgeted capital contributions were received during the year for Section 94 contributions of \$53 k and \$15 k from the Roads and Traffic Authority.		
4	Cash Flow Variations		
		Favourable \$1162 k	246.2%
4.1	From Investing Activities	Favourable 937 k	50.4%
	The net expenditure on infrastructure, property and plant was a favourable \$564 k. which was assisted by a further \$246 k in sales.		
4.2	From Financing Activities	Favourable 198 k	504.0%
	The loan repayments exceeded budget by \$148 k. This over budget amount was offset by loan proceeds in excess of budget of \$143 k.		

The contributions of Retirement Home Bonds (net contributions and draw down amounts) of \$430 k were not included in the original budget.

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 17 - STATEMENT OF CONTRIBUTION PLANS

SUMMARY OF CONTRIBUTIONS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDE D DURING YEAR	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIB S	EST. WORKS OUT- STANDIN	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH						
		\$'000	\$'000						
Roads	140	33	-	-	-	173	-	173	-
Traffic Facilities	4	-	-	-	-	4	-	4	-
Community facilities	20	20	-	-	-	40	60	100	-
Other	14	-	-	-	-	14	-	14	-
Subtotal S94 under plans	178	53	-	-	-	231	60	291	-
Sec 64 Contributions	57	-	-	-	57	-	-	-	-
Total Contributions	235	53	-	-	57	231			

Note: The above summary of contribution plans represents the total of Council's Individual contribution plans. Individual plan details are shown below.

CONTRIBUTION PLAN - DCP ZONE #1 @RURAL - INVERGOWRIE

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDE D DURING YEAR	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIB S	EST. WORKS OUT- STANDIN	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH						
		\$'000	\$'000						
Roads	49	-	-	-	-	49	-	49	-
Traffic Facilities	4	-	-	-	-	4	-	4	-
Community facilities	20	20	-	-	-	40	60	100	-
Other	9	-	-	-	-	9	-	9	-
Total	82	20	-	-	-	102	60	162	-

CONTRIBUTION PLAN - DCP ZONE #1 @RURAL

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDE D DURING YEAR	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIB S	EST. WORKS OUT- STANDIN	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH						
		\$'000	\$'000						
Other	5	-	-	-	-	5	-	5	-
Total	5	-	-	-	-	5	-	5	-

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 17 - STATEMENT OF CONTRIBUTION PLANS (cont)

CONTRIBUTION PLAN - DCP ROAD MAINTENEANCE ROYALTIES

PURPOSE	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDE D DURING YEAR \$'000	HELD AS RESTR- ICTED ASSET \$'000	EST. FUTURE CONTRIB S \$'000	EST. WORKS OUT- STANDIN \$'000	EST. OVER/ (UNDER) FUNDING \$'000
		CASH \$'000	NON-CASH \$'000						
Roads	91	33	-	-	-	124	-	124	-
Total	91	33	-	-	-	124	-	124	-

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2008

Note 18 - CONTINGENCIES AND ASSETS AND LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position but knowledge of those items is considered relevant to user of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. POTENTIAL INSURANCE LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

1.1. HIH Insurance

During the period 1995 - 1997 portion of Council's public risk insurance cover was insured or re-insured with a member of the HIH Insurance group of companies.

At reporting date, there are no known claims outstanding from that period.

2. STATECOVER MUTUAL LTD

Council has been a member of Statecover Mutual Ltd; a corporation formed for the purchase and management of workers compensation insurances on behalf of its members, since 1 July 2004.

Statecover has issued shares with no par value and may make calls on its members to meet trading losses and to comply with prudential requirements. There is no recognised market for the sale of Statecover shares.

Council is of the opinion that there is insufficient certainty of recovery of capital contributed \$30,621.55 (2006: \$30,621.55; 2005: \$20,396.30) to qualify for recognition as an asset. There was no call (2006 \$10,225.25; 2005 \$20,396.30) made in respect of the Council's shares for the current reporting period.

3. LEGAL EXPENSES

Council is the planning consent authority for its area under the Environmental Planning and Assessment Act (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal to the Land and Environment Court. It is the Court's normal practice that parties bear their own legal costs. At the date of these reports, Council had no notice of any appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

4. RURAL FIRE FIGHTING ASSETS

Council has title to, and is the registered owner of, 11 rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports.

In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2007

Note 18 – Contingencies and Assets and Liabilities not Recognised in the Statement of Financial Position (cont)

5. SUPERANNUATION – Defined Benefits Schemes

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. The rate since 1 July 2005 the rate has been 95% of member's contributions plus 1.25% of superable salary. Employees also make contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefit, as defined in the Trust Deed, as they accrue.

Council has an ongoing obligation to share in the future experience of the Scheme. Favourable or unfavourable variations may arise should the experience of the Scheme differ from the assumptions made by the Scheme's actuary in estimating the Scheme's accrued benefits liability. The Scheme's liability for accrued benefits was determined by reference to expected future salary levels and by application of a market-based risk-adjusted discount rate and relevant actuarial assumptions. It was determined that the net assets of the Scheme were more than sufficient to meet the accrued benefits of the Scheme's defined benefit category members.

The Local Government Superannuation Scheme – Pool B (the scheme) is a defined benefit plan that has been deemed to be a 'multi-employer fund' for the purpose of AASB 119. Sufficient information is not available to account for the scheme as a defined benefit plan because the assets to the Scheme are pooled together for all Councils. The amount of employer contributions recognised as an expense for the year ending 30 June 2008 was \$81,474. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 19th June 2007 and covers the period ended 30 June 2006. The valuation found that the schemes assets were \$3,291.1 million and its past service liabilities \$2,980.3 million giving it a surplus of \$310.8 million. The existence of this surplus has resulted in Councils contributing in 2006/07 at half the normal level of contributions. The financial position is monitored annually.

6. CENTRAL NORTHERN LIBRARIES

The Uralla Shire Council is a member of the Central Northern Libraries Group. This group operates under the Central Northern Library Regional Library Agreement made on 1 July 2005 and administered by the Tamworth Regional Council on behalf of the six members. Clause 7.1 of the Agreement states "Tamworth Regional Council shall own the assets acquired from Central Northern Regional Library's budget subject to the 'reimbursement rights' held by each of the Delegating Councils as provided by this clause."

Clause 7.3 states "Upon the termination of this agreement, a proportion of the assets identified in the asset register shall be distributed to the Delegating Councils. The method for determining the asset distribution to each Delegating Council is specified in Schedule 4 of this Agreement." Schedule 4 determines that the distribution of the net assets shall be apportioned in the ratio of the contributions made in the three preceding years or the current life of the existing agreement. The net assets of the Central Northern Regional Library at 30 June 2008 was not available. Council expects the net assets of the library to be in line with the previous years results (\$868,287 – 2007) and the percentage of contribution by the Uralla Shire Council is 6.65%.

URALLA SHIRE COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 19 - JOINT VENTURES & ASSOCIATED ENTITIES

Council does not have any material Joint Ventures

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 20 - REVALUATION RESERVES & RETAINED EARNINGS

	2008 \$'000	2007 \$'000
<i>Infrastructure, Property, Plant & Equipment</i>		
Balance at beginning of reporting period	16,458	8,208
Add: Revaluation increments transferred to the reserve relating to:		
Land		
- Council owned (freehold)	2,084	-
Buildings	6,327	-
Water Infrastructure	757	7,168
Sewerage Infrastructure	319	1,082
Subtotal	9,487	8,250
Less: Revaluation decrements transferred from the reserve relating to:		
Land	-	-
Subtotal	-	-
Balance at end of reporting period	25,945	16,458

URALLA SHIRE COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 20 - REVALUATION RESERVES & RETAINED EARNINGS (CONT)

<i>Retained Earnings</i>	2008 \$'000	2007 \$'000
As previously reported (beginning of year)	74,912	68,081
Transfers from asset revaluation reserve (IPP&E)	-	-
Correction of errors - see below	1,976	6,694
Effect of accounting policy changes (see Note 1)	-	-
Change in associated entities recognised (see Note 19)	-	-
Net operating result for the year	<u>244</u>	<u>137</u>
At end of year	<u>77,132</u>	<u>74,912</u>

Correction of errors in previous years

- (i) In previous years Council had not consistently reviewed the estimates of usefulives of certain assets. In the course of the revaluations carried out in the current reporting period, it was found that the combined effect resulted in a significant reduction in the depreciation that had previously been charged.

It was found to be impracticable to calculate the distortion occurring in each of the previous years, and the adjustment has been made to current year balances.

- Water Infrastructure	-	3,700
- Sewerage Infrastructure	-	2,994
- Buildings	<u>1,976</u>	-

- (ii) In the course of the revaluations carried out in the current reporting period, it was found that enumber of buildings had not previously been recognised.

An estimate has been made of the depreciation that should have been charged in the previous year had they been correctly recognised at the appropriate time, and the comparative amounts have been adjusted accordingly.

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URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

NOTE 21 - REINSTATEMENT, REHABILITATION AND RESTORATION LIABILITIES

Tip remediation

Council is required by law to restore the present tip site at Uralla to parkland/farmland at the end of its useful life in 2017. The projected cost of this restoration is \$551K, based on feasibility and engineering studies and has been discounted to its present value at 4.5% per annum being the estimated consumer price index.

	2008 \$'000	2007 \$'000
At beginning of year	481	429
Amounts capitalised to Tip asset		
-New distributions	-	-
-Revised cost	36	27
-Revised life	-	-
-Revised discount rate	-	-
Amortised of discount - expensed to borrowing costs	34	25
At end of year	<u>551</u>	<u>481</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 23 - EVENTS OCCURRING AFTER BALANCE SHEET DATE

On Tuesday 9th September 2008 Council was advised by Lehman Brothers Australia that the conservatorship of Fannie Mae and Freddie Mac was a Credit Event. This event affects the majority of Council's Collateralised Debt Obligations (CDOs) investments by reducing the number of credit events now available before principal is impacted and in some CDOs may reduce some coupon payments by an estimated 20%.

The final impact of this Credit event and the Lehman Brothers Bankruptcy on Council's investment portfolio is still being evaluated.

On Monday Morning 15th September 2008 New York Time Lehman Brothers Holding Inc filed for Chapter 11 bankruptcy protection. The US bankruptcy code gives debtor's (Lehman) protection from creditors while they attempt to reorganise the business. On Friday 26 September 2008 the Australian branch of Lehman Brothers went into voluntary Administration. The affect of this on Council's Collateralised Debt Obligations (CDOs) investments remain uncertain and any recovery in these CDOs will be subject to the liquidation process.

Clients of Lehman Brothers may be affected several different ways depending on whether Lehman's were the Arranger or Issuer of the Security. Each CDO has its own legal structure and Council has engaged legal and financial advice to assist with any claims against Lehman's as they restructure and liquidate certain assets.

On Friday 26th September 2008 Washington Mutual was seized by regulators and placed into receivership. Deposits, Assets and Certain Liabilities were acquired by J P Morgan. It is expected that the collapse of Washington Mutual will be deemed another credit event however formal advice has not been received to date.

INDEPENDENT AUDIT REPORT

S417(2) – Report on the general purpose financial report

Qualified audit opinion

In our opinion except for the effects on the financial statements of the matter referred to in the paragraph below titled Basis for qualified Auditor's Opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial report:
 - (i) has been presented in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position, 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.

This opinion must be read in conjunction with the rest of our audit report.

Basis for Qualified Auditor's Opinion

Since July 2007, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other Managed Funds.

At 30 June 2008, Uralla Shire Council's investment portfolio totalled \$3.1 million and included securities totalling \$1.1 million that have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

At 30 June 2008, Uralla Shire Council's investment portfolio included CDO securities totaling \$0.6 million. Many of these securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from issuers and/or evaluation models for which there is limited market evidence available to verify their reasonableness in the current economic environment. Further, the ongoing volatility of financial markets creates greater uncertainty in the valuation process and determination of future cash flows that can be attributed to these securities.

These circumstances have resulted in our inability to obtain sufficient appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of \$0.6 million of Council's total investment portfolio. The maximum impact on the operating surplus and net assets is the carrying amount of these investments.

Scope and summary of our role

The financial report and Council's responsibility

The financial report comprises the Balance Sheet, Income Statement, Cash Flow Statement, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993 for Uralla Shire Council (the Council), for the year ended 30 June 2008.

The Council is responsible for the preparation and true and fair presentation of the financial report in accordance with the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement, Cash Flow Statement and the Original Budget disclosures in Notes 2(a) and 16 to the financial statements and accordingly, we express no opinion on them. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1993, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of its operations and cash flows.

Forsyths

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

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

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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.

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

Independence

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

Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul R Cornall
Principal

31 October 2008
111 Faulkner Street Armidale

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

31 Oct 08

The Mayor
Uralla Shire Council
PO Box 106
URALLA 2358

Armidale

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Armidale NSW 2350

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Forsyths Business Services Pty Ltd
ABN 66 182 761 401

Dear Mr Mayor,

AUDIT OF ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

We are pleased to report that we have completed the audit of Council's records for the year ended 30th June 2008 and have reported on the general purpose financial report and special purpose financial report as required by the provisions of Section 417(2) of the Local Government Act 1993.

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

Audit Objectives

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

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

Scope of the Audit

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



The Council is responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Council, and that complies with Accounting Standards in Australia, in accordance with the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

We conducted an independent audit of the financial report in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Cash Flow Statement and the Original Budget disclosures in Notes 2(a) and 16 to the financial statements and accordingly, we express no opinion on them. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1993, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of its operations and cash flows.

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

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

We have issued our qualified audit opinion as required by Section 417(2) of the Local Government Act 1993 on the basis of the foregoing comments.

Additional Reporting Requirements

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

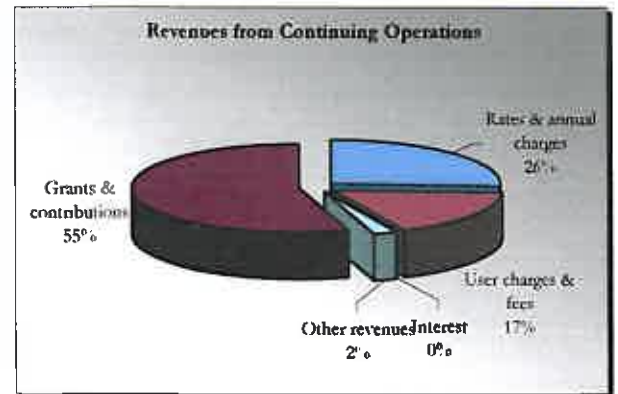


The Income Statement for the year ended 30th June 2008 discloses the following operating result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2008	2008	2007	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	3,847	3,700	3,670	0.8%	-3.8%
User charges & fees	1,317	2,483	1,363	82.2%	88.5%
Interest	282	0	311	0.0%	0.0%
Other revenues from ordinary activities	292	216	219	-1.4%	-26.0%
Grants & contributions for operating purposes	7,670	7,155	6,312	13.4%	-6.7%
Grants & contributions For capital purposes	0	681	896	-24.0%	0.0%
Gain from sale of assets	0	121	0	0.0%	0.0%
Total income from continuing operations	13,408	14,356	12,771	12.4%	7.1%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	6,050	6,332	6,206	2.0%	4.7%
Borrowing costs	139	144	173	-16.8%	3.6%
Materials and contracts	3,894	4,289	3,314	29.4%	10.1%
Depreciation & amortisation	1,647	1,838	1,965	13.4%	11.6%
Other expenses from ordinary activities	1,043	1,091	962	-6.5%	4.6%
Loss from disposal of assets	0	0	14	0.0%	0.0%
Invstment losses	0	418	0	0.0%	0.0%
Total Expenses from continuing operations	12,773	14,112	12,634	11.7%	10.5%
OPERATING RESULT FROM CONTINUING OPERATIONS	635	244	137	78.1%	-61.6%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	635	(437)	(759)	-42.4%	-168.8%

Council achieved a deficit before capital amounts of \$437,000 compared to the deficit in 2007 of \$759,000.

Operating revenue, excluding capital grants, increased as a result of higher user charges and fees (private works and waste management charges, which was also reclassified from rates and annual charges compared to 2007) and grants and contributions for operating purposes including RTA contributions of \$890,000 and NESAC joints works of \$447,000.



The increase in expenses includes costs related to materials and contracts (due to an increase in RTA works activity and higher fuel and steel costs) and the net loss on investments of \$418,000. The global credit crisis had a major impact on credit linked products such as CDO's and FRN's. Council expects to hold most of these investments until maturity but events subsequent to balance date have increased the risk of investment defaults, especially with the collapse of Lehman Brothers and the structure of the investments. At the date of this report it is uncertain which investments may not recover but it is expected some of the book losses will convert to actual losses in the coming two years.

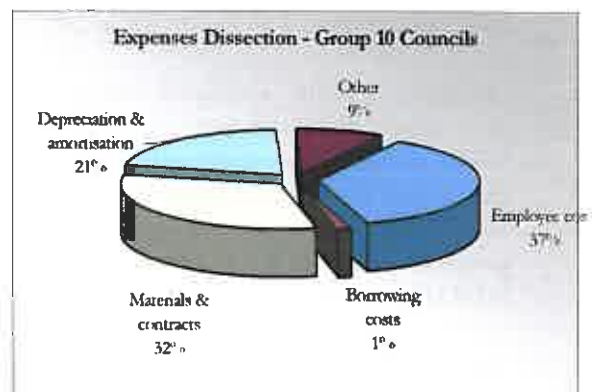
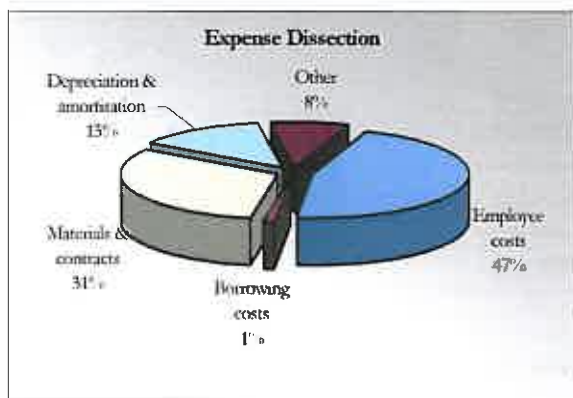


The budget amounts included above are those adopted in the original budget and exclude re-votes from the previous year and variations to the budget during the year. The actual operating surplus for the year of \$244,000 compares with the original budget surplus of \$635,000. The major variations between the actual results and the original budget are as follows:

- User charges and fees (favourable \$1.2m) – Private works revenues were better than planned and waste management charges of \$442,000 were included in the original budget under rates and annual charges.
- Interest revenue – (unfavourable \$282,000) - Council made a net loss on investments shown in expenses with investment returns netted against this figure.
- Interest and Investment losses – (unfavourable \$418,000) - Council did not budget for investment devaluations nor predict the magnitude of the credit crisis and market volatility. The investment loss of \$780,000 was offset by investment returns of \$362,000.
- Materials and contracts (unfavourable \$395,000) – Increase due to higher RTA and user charges activity noted above as well as increases in raw material prices (especially fuel and steel).

It is pleasing to note that, had Council not incurred the investment loss, that it would have achieved its budgeted result. As mentioned in previous reports, it is still critical for Council to focus on strong budget surpluses to rebuild its financial reserves.

Below is a comparison of expense dissections for the Council for 2008 compared to the Group 10 council average (2006 data).

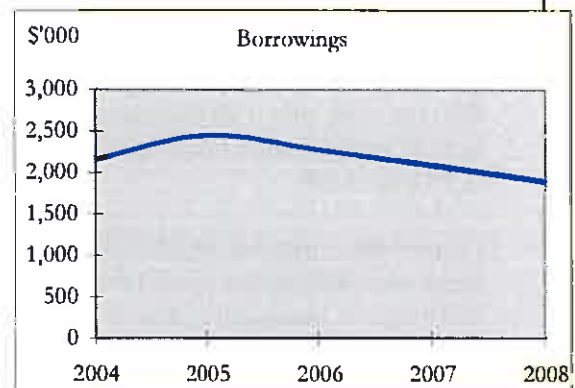
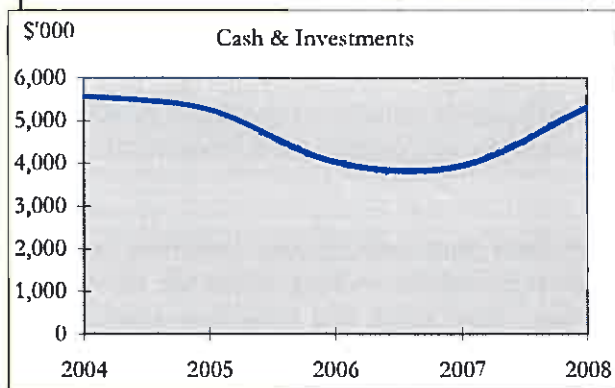


There is a significant variation in the levels of employee costs and depreciation compared to the Group 10 average. We believe this is due to Council having a lower level of depreciation expense than other Councils in the group (as it has a smaller level of infrastructure compared to the other Group 10 Councils) together with the additional employee costs associated with sponsoring Community Service.



The following schedule of assets and liabilities has been extracted from the Balance Sheet as at 30th June 2008. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES			
	2008	2007	Variance
	\$'000	\$'000	%
CURRENT ASSETS			
Cash and cash equivalents	2,216	582	280.8%
Investments	3,078	3,360	-8.4%
Receivables	1,168	1,169	-0.1%
Inventories	168	143	17.5%
Other	92	65	41.5%
TOTAL CURRENT ASSETS	6,722	5,319	26.4%
CURRENT LIABILITIES			
Payables	2,850	2,040	39.7%
Borrowings	1,047	444	135.8%
Provisions	1,375	1,543	-10.9%
TOTAL CURRENT LIABILITIES	5,272	4,027	30.9%
NET CURRENT ASSETS	1,450	1,292	12.2%
NON-CURRENT ASSETS			
Receivables	106	113	-6.2%
Infrastructure, Property Plant & Equipment	103,118	92,237	11.8%
TOTAL NON-CURRENT ASSETS	103,224	92,350	11.8%
NON-CURRENT LIABILITIES			
Provisions	752	630	19.4%
Borrowings	845	1,642	-48.5%
TOTAL NON-CURRENT LIABILITIES	1,597	2,272	-29.7%
NET ASSETS	103,077	91,370	12.8%



Net current assets increased by \$158,000 or 12% mainly due to an increase cash balances arising from improved cash flow performance in 2008 compared the a cash loss in 2007.



The significant increase in infrastructure, property, plant and equipment of \$10.9m is mainly due to the rise in values from the revaluation of operational land and buildings assets in 2008, causing an adjustment to correct over depreciation in prior years for these assets and increases in replacement value since the last revaluation.

NET CURRENT ASSETS

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

	Water \$'000	Sewerage \$'000	Dom Waste \$'000	McMaugh Gardens	General \$'000	Total \$'000
Current Assets	659	792	34	1,185	4,052	6,722
Current Liabilities	3	46	-	1,408	3,815	5,272
Net Current Assets	656	746	34	(223)	237	1,450
Add Liabilities > 12 Months	-	-	-	698	736	1,434
Total Funds before Restrictions	656	746	34	475	973	2,884
LESS: Restricted Cash & Investments (Included in Revenue)						
Developer Contributions	-	-	-	-	231	231
Specific Purpose Grants & Contributions	-	-	-	-	824	824
	-	-	-	-	1,055	1,055
NET FUNDS AVAILABLE	656	746	34	475	(82)	1,829
LESS Internal Restrictions	-	-	-	-	1,021	1,021
Net Funds After All Restrictions	656	746	34	475	(1,103)	808

The above table demonstrates that after excluding McMaugh Gardens Hostel, the general function of working capital balance is in deficit and unable to support the internal restrictions it has created as at 30 June 2008. Also, the balance of funds in McMaugh Gardens is in deficit and therefore there is no cash reserves outside of the cash needed to cover bonds commitments to fund its own operations.

We also note, that if all the current liabilities Council believed would not expected to be settled in the next 12 months were called upon, that Council would have no general fund reserves to cover them as at 30 June 2008.

Council has restricted \$1,021,000 in cash to partly fund plant replacements, carry-over projects and employee entitlements provisions. However, as there is negative working capital, we are of the view that there is inadequate cash to meet both working capital needs and fund these restrictions. As mentioned in the past report, Council should consider reversing the restrictions.

Councils 2009 budget provides for a cash surplus for the General Fund. However, this surplus will only be achieved by Council continuing to limit its capital expenditure and also reviewing some of its services and community support activities.



We believe that Council should have a positive unrestricted working funds balance in the general function of at least \$500,000. On current trends, Council will still be behind this benchmark by the end of the 2009 financial year if the value of its investments continues to decline, including the strong probability some of the “paper” losses for investments will crystallise in the coming 2 years.

We again recommend that Council continues to review the current and 2010 Management Plan to consider further savings and ensure that future budgets achieve surpluses that will allow the rebuilding of the unrestricted working capital position. Further, Council will need to remain vigilant in controlling its expenditure and retaining its revenue sources for the remainder of the 2009 financial year.

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

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2008	2007	2006	2005
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	1.24	0.64	0.82	1.33
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	6.0%	7.0%	6.0%	7.0%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	26.0%	29.0%	29.0%	30.0%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	11.2%	6.5%	5.7%	4.4%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	0.59	0.74		

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants & contributions. This ratio is before setting aside cash to fund internal restrictions relative to the general function. While the ratio has increased from 0.64 to 1.24, for reasons outlined earlier in this report, the ratio continues to be below that required. An unrestricted ratio of 1.24 indicates that for every \$1 of current liabilities as at 30 June 2008, which is expected to be paid out within the following twelve months, Council has only 1.24 to meet this commitment. As a comparison, Category 10 Councils in 2006 had an average unrestricted ratio of 2.8.

The debt service ratio of 6% has decreased slightly. We note the ratio is higher than the average for similar sized Councils of 3.7% (2006 data).

The outstanding rates ratio continues to rise compared to prior years due to continued disruptions in collections. The cause of these problems arose from changes in accounting software and NESAC implementation issues. Council needs to increase its focus on collection activities in the coming year.



The asset renewals ratio is a new ratio established by the Department of Local Government from the 2007 year. The ratio is to assist readers of the financial statements to assess Council's performance with renewing its infrastructure assets against the level of infrastructure asset deterioration (as represented by depreciation expense). We advise that due to a lack of a definition in the accounting code for what is an asset "renewal" that we cannot comment on the accuracy of the ratio disclosed in the financial statements. Further, this ratio is a new requirement and there is no historic trends to assess how Council is performing in this area in the longer term. With the revaluation of infrastructure program over the coming years the accuracy of this ratio is also expected to improve.

Based on the above context, the ratio seems to indicate that Council expended less on asset renewals compared to the estimated asset deterioration in the same period. In essence, Council's overall infrastructure condition, in financial terms, reduced across Council in the past 2 years. In the longer term Council should aim to have an asset renewal ratio of at least 1.1.

With Council's performance indicators being below benchmarks and the low working capital position within the general function (before internal restrictions), the overall financial standing of Council remains poor and requires continued attention.

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

CASH MOVEMENTS	Actual	Actual	Variance
	2008	2007	
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	14,769	12,985	13.7%
Proceeds from Assets Sales	246	453	-45.7%
Net receipt of retirement home bonds	437	128	241.4%
Proceeds from investments	417	0	0.0%
Proceeds from Borrowings	192	0	0.0%
TOTAL RECEIPTS	16,061	13,566	18.4%
CASH OUTFLOWS			
Operating Payments	11,956	10,601	12.8%
Purchase of investments	915	3,360	-72.8%
Purchase of Assets	1,170	2,689	-56.5%
Repayment of Loans	386	362	6.6%
Net repayment of retirement home bonds	0	1	0.0%
TOTAL PAYMENTS	14,427	17,013	-15.2%
TOTAL CASH MOVEMENT	1,634	-3,447	-147.4%
Total Cash & Investments on Hand	5,294	3,942	34.3%

Cash outflows for Purchase of Assets included road and bridge construction totalling \$0.5m. This compares to the \$0.7 m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No.7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring road and bridges to a "satisfactorily" standard is \$3.6m. This is considerably less than the average for most rural Councils, so should not place a significant burden on Council during a period where rebuilding of working capital and reserves should take priority.



However, it is also important to note that the deferral of some plant and equipment replacements (due to a lack of sufficient funds in a plant replacement reserve) and continued deferral of infrastructure renewal (reflected in the poor asset renewal ratio and a need to keep capital expenditure to a minimum to rebuild reserves) will continue to place a strain on Council's resources for the longer term.

Council will be reviewing its depreciation useful lives for infrastructure assets (roads and bridges) in the 2009 financial year as required by the Accounting Code. This will provide more certainty regarding the level of depreciation expense and Council will be able to obtain a better understanding of its abilities to fund infrastructure in the longer term.

SPECIAL PURPOSE REPORTS

Council is required to report the financial results of identified Business Units in accordance with National Competition Policy guidelines. The reports are known as Special Purpose Financial Reports and are subject to audit. Council has identified Water, Sewerage, private works and McMaugh Gardens Hostel as Category 2 Business Units.

WATER SUPPLY FUNCTION

The Special Purpose Financial Reports disclose that the Water Supply function recorded an operating deficit (before capital funding) of \$337,000 after allowing for depreciation of \$50,000. The deficit was mainly due to the functions share of investment losses of some \$328,000.

The Net Current Asset position records a positive balance of \$656,000. This surplus plus the fact that it has minimal debt, indicates a sound financial position to meet operational requirements given the size of the function and the water infrastructure condition (per unaudited Special Schedule 7) being of "satisfactory" standard.

SEWERAGE SERVICES

This function recorded an operating deficit (before capital funding) of \$217,000 after allowing for depreciation of \$16,000. The deficit was mainly due to the functions share of investment losses of some \$327,000.

The Net Current Assets position show a surplus of \$746,000. Given the size of the operations, the minimal level of debt and the sewer infrastructure condition (per unaudited Special Schedule 7) being of "satisfactory" standard, the sewerage function is in a sound financial position.

MCMAUGH GARDENS HOSTEL

The Special Purpose Financial Reports disclose that McMaugh Gardens Hostel recorded an operating deficit of \$365,000, excluding capital grant income, for the 2008 year compared to the deficit of \$147,000 in the prior year. This result is after depreciation expense of \$38,000.

The net current asset position is a deficit of \$223,000 after allowing for resident's bonds amounting to \$1,185,000. Therefore the Hostel as at 30 June 2008 had no cash reserves to fund its operations, outside of bond commitments. Council needs to focus on cost control at the Hostel to improve its financial position and reduce its impact on Council's general fund.



SUBSEQUENT EVENTS AND OUTLOOK FOR 2009

Note 23 to the accounts records "Events occurring after Balance Sheet Date". This note makes reference to further turmoil that has occurred in global credit markets since the 30 June 2008. Based on available information, this event has had a further impacted on the market value of investments. The most significant market impacts occurred in September and October 2008 to date. Further, Lehman Brothers filed for bankruptcy protection during September 2008. It is unclear at the date of this report the ultimate affect on the investment's Council holds with Lehman's. There have also been several credit events which increases the risk of default due to the structure of the investments, where the more credit events that occur the higher the risk of loss of principal.

At the time of this report it is impossible to assess the impact on the value of investments, due to the lack of market evidence. We however, believe that some "book" losses recorded to date will convert to actual losses in the coming two years.

GENERAL

Limitation of audit opinion

Since July 2007, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other Managed Funds.

At 30 June 2008, Council's investment portfolio totalled \$3.1 million and included securities totaling \$1.1 million that have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

At 30 June 2008, Council's investment portfolio included CDO securities totalling \$0.6 million. Many of these securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from issuers and/or evaluation models for which there is limited market evidence available to verify their reasonableness in the current economic environment. Further, the ongoing volatility of financial markets creates greater uncertainty in the valuation process and determination of future cash flows that can be attributed to these securities.

These circumstances have resulted in our inability to obtain sufficient appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of \$0.6 million of Council's total investment portfolio. The maximum impact on the operating surplus and net assets is the carrying amount of these investments.

We have therefore qualified our audit opinion in relation to CDO investment valuations for the 2008 financial statements.

***Accounting system control issues***

Council introduced new accounting computer applications during the 2007 financial year, which included new software (especially Finance One and GEAC Pathway) and new hardware systems. To ensure there was a common software platform for NESAC and due to perceived pressure to commence NESAC by the Department of Local Government, a short timeframe was imposed to implement all the new software in July and August 2006. The implementation was not as successful as anticipated in terms of control over accounting transaction processing and control over IT change management processes.

All of the above factors contributed to significant problems in processing transactions on a timely basis and not allowing timely completion of reconciliations of critical general ledger balances. The 2007/08 monthly reconciliations were eventually completed late in the 2008 financial year and up to date as at 30 June 2008.

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

Reporting obligations under the Local Government Act

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

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

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

Yours faithfully

Forsyths Business Services Pty Ltd

A handwritten signature in black ink, appearing to read 'P.R. Cornall'.

Paul R Cornall
Principal

URALLA SHIRE COUNCIL
Special Purpose Financial Reports
for the year ended 30th June 2008

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URALLA SHIRE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2008

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 drawn up in accordance with the Local Government Code of Accounting Practice and Financial Reporting and the

- NSW Government Policy Statement "*Application of National Competition Policy to Local Government*"
- Department of Local Government guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*".
- The Department of Energy, Utilities and Sustainability "*Best Practice Management of Water Supply and Sewerage*" guidelines.

To the best of our knowledge and belief, these reports

- Present fairly the financial position and operating result for each of Council's declared Business Units for the year, and
- Accord with Council's accounting and other records

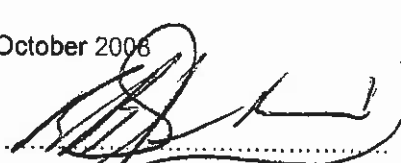
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 27 October 2008



Councillor M. Dusting

MAYOR



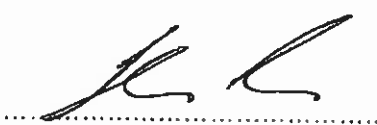
Councillor R. Spreadborough

DEPUTY MAYOR



Mr T.P. O'Connor (Chartered Accountant)

GENERAL MANAGER



Mr T.P. O'Connor (Chartered Accountant)

RESPONSIBLE ACCOUNTING OFFICER

URALLA SHIRE COUNCIL

INCOME STATEMENT
WATER SUPPLY BUSINESS ACTIVITY
for the year ended 30th June 2008

	Notes	2008 '000	2007 '000	2006 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges		313	248	291
User Charges		262	195	186
Fees		-	3	16
Interest Received		83	55	79
Grants & Contributions - Operating		13	13	31
TOTAL		<u>671</u>	<u>514</u>	<u>603</u>
EXPENSES FROM CONTINUING OPERATIONS				
Employee Costs		376	427	262
Materials & Contracts		254	228	63
Borrowing Costs		-	-	6
Depreciation & Amortisation		50	150	152
Loss on Investments		328	-	114
TOTAL		<u>1,008</u>	<u>805</u>	<u>597</u>
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS				
		(337)	(291)	6
SURPLUS (DEFICIT) BEFORE TAX				
Grants & Contributions - Capital		-	-	-
		(337)	(291)	6
SURPLUS (DEFICIT) FOR YEAR				
Corporate Taxation Equivalent	1	-	-	2
		(337)	(291)	4
Add: Accumulated Surplus brought forward				
<i>Adjustments for amounts unpaid</i>		8,738	5,329	5,324
Fair value adjustments		86	3,700	-
Corporate Tax Equivalent retained	1	-	-	2
Less: Dividends Paid	1	-	-	-
ACCUMULATED SURPLUS		<u>8,487</u>	<u>8,738</u>	<u>5,329</u>
RATE OF RETURN ON CAPITAL	1	NIL	Nil	0.24%
NOTIONAL SUBSIDY FROM COUNCIL	1	N/A	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
<i>Surplus after tax</i>		-337	-291	0
<i>Less: Capital grants & contribs from LWUs</i>		13	13	0
<i>Surplus for dividend calculation purposes</i>		<u>0</u>	<u>0</u>	<u>0</u>
<i>Dividend calculated from surplus</i>		0	0	0

This Statement is to be read in conjunction with the attached Notes.

URALLA SHIRE COUNCIL

INCOME STATEMENT
SEWERAGE BUSINESS ACTIVITY
as at 30th June 2008

	Notes	2008 '000	2007 '000	2006 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges		405	382	380
User Charges		28	40	-
Liquid Trade Waste Charges		12	-	65
Interest Received		68	7	9
Grants & Contributions - Operating		19	20	-
Gain on Disposal of Assets		-	-	21
TOTAL		532	449	475
EXPENSES FROM CONTINUING OPERATIONS				
Employee Costs		242	173	193
Materials & Contracts		164	92	131
Borrowing Costs		-	-	1
Depreciation & Amortisation		16	167	161
Loss on Investments		327	-	-
TOTAL		749	432	486
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS				
		(217)	17	(11)
SURPLUS (DEFICIT) BEFORE TAX				
Grants & Contributions - Capital		-	57	-
		(217)	74	(11)
SURPLUS (DEFICIT) FOR YEAR				
Corporate Taxation Equivalent	1	-	5	-
		(217)	69	(11)
Add: Accumulated Profits brought forward				
		5,185	2,117	2,128
<i>Adjustments for amounts unpaid</i>				
Fair value adjustments		29	2,994	-
Corporate Tax Equivalent retained		-	5	-
Less: Dividends Paid				
	1	-	-	-
ACCUMULATED SURPLUS		4,997	5,185	2,117
RATE OF RETURN ON CAPITAL				
	1	NIL	0.26%	NIL
NOTIONAL SUBSIDY FROM COUNCIL				
	1	N/A	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		-217	69	0
Less: Capital grants & contribs from LWUs		19	20	0
Surplus for dividend calculation purposes		0	49	0
<i>Dividend calculated from surplus</i>				
		0	25	0

This Statement is to be read in conjunction with the attached Notes.

URALLA SHIRE COUNCIL

INCOME STATEMENT BY BUSINESS ACTIVITIES
for the year ended 30th June 2008

		BUSINESS ACTIVITIES			
		Private Works '000		McMaugh Gardens '000	
		2008	2007	2008	2007
	Notes				
REVENUE FROM CONTINUING OPERATIONS					
User Charges & Fees		862	180	1,074	928
Interest Received		-	-	58	19
Grants & Contributions - Operating		-	-	531	441
Other Operating Revenues		-	-	31	-
	TOTAL	862	180	1,694	1,388
EXPENSES FROM CONTINUING OPERATIONS					
Employee Costs		303	74	1,297	1,157
Materials & Contracts		597	70	504	137
Borrowing Costs		-	-	6	7
Depreciation & Amortisation		-	-	38	84
Other Operating Expenses		4	42	106	150
Fair Value Adjustments		-	-	108	-
	TOTAL	904	186	2,059	1,535
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS					
		(42)	(6)	(365)	(147)
Grants & Contributions - Capital		-	-	-	102
Corporate Taxation Equivalent	2	-	-	-	-
SURPLUS (DEFICIT) FOR YEAR		(42)	(6)	(365)	(45)
Add: Accumulated Profits brought forward		-	-	3,095	3,140
NCP Imputation Payments retained revaluation adjustments	1	-	-	535	-
ACCUMULATED SURPLUS		(42)	(6)	3,265	3,095
RATE OF RETURN ON CAPITAL	2	NIL	NIL	NIL	NIL
NOTIONAL SUBSIDY FROM COUNCIL	2	N/A	N/A	N/A	N/A

This Statement is to be read in conjunction with the attached Notes.

URALLA SHIRE COUNCIL

BALANCE SHEET WATER SUPPLY BUSINESS ACTIVITY as at 30th June 2008

	Notes	2008 '000	2007 '000
CURRENT ASSETS			
Cash & cash equivalents		441	747
Receivables		218	146
TOTAL CURRENT ASSETS		659	893
NON-CURRENT ASSETS			
Receivables		162	211
Infrastructure, Property, Plant & Equipment		16,454	15,469
TOTAL NON-CURRENT ASSETS		16,616	15,680
TOTAL ASSETS		17,275	16,573
CURRENT LIABILITIES			
Payables		3	-
TOTAL CURRENT LIABILITIES		3	-
NON-CURRENT LIABILITIES			
TOTAL NON CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		3	-
NET ASSETS		\$ 17,272	16,573
EQUITY			
Accumulated Surplus		8,487	8,738
Asset Revaluation Reserve		8,785	7,835
TOTAL EQUITY		\$ 17,272	16,573

This Statement is to be read in conjunction with the attached Notes

URALLA SHIRE COUNCIL**BALANCE SHEET
SEWERAGE BUSINESS ACTIVITY
as at 30th June 2008**

	Notes	2008 '000	2007 '000
CURRENT ASSETS			
Cash & cash equivalents		719	807
Investments		-	57
Receivables		73	129
TOTAL CURRENT ASSETS		<u>792</u>	<u>993</u>
NON-CURRENT ASSETS			
Infrastructure, Property, Plant & Equipment		7,056	6,585
TOTAL NON-CURRENT ASSETS		<u>7,056</u>	<u>6,585</u>
TOTAL ASSETS		<u>7,848</u>	<u>7,578</u>
CURRENT LIABILITIES			
Payables		46	46
TOTAL CURRENT LIABILITIES		<u>46</u>	<u>46</u>
NON-CURRENT LIABILITIES			
Interest bearing liabilities		15	15
TOTAL NON CURRENT LIABILITIES		<u>15</u>	<u>15</u>
TOTAL LIABILITIES		<u>61</u>	<u>61</u>
NET ASSETS	\$	<u>7,787</u>	<u>7,517</u>
EQUITY			
Accumulated Surplus		4,997	5,185
Asset Revaluation Reserve		2,790	2,332
TOTAL EQUITY	\$	<u>7,787</u>	<u>7,517</u>

This Statement is to be read in conjunction with the attached Notes

URALLA SHIRE COUNCIL

BALANCE SHEET by BUSINESS ACTIVITIES
as at 30th June 2008

	Notes	BUSINESS ACTIVITIES			
		Private Works '000		McMaugh Gardens '000	
		2008	2007	2008	2007
CURRENT ASSETS					
Cash & cash equivalents		-	9	-	-
Investments		-	-	1,185	752
Receivables		-	-	-	113
TOTAL CURRENT ASSETS		-	9	1,185	865
NON-CURRENT ASSETS					
Receivables		-	-	106	-
Property; Plant & Equipment		-	-	3,551	3,076
TOTAL NON-CURRENT ASSETS		-	-	3,657	3,076
TOTAL ASSETS		-	9	4,842	3,941
CURRENT LIABILITIES					
Payables		-	9	1,185	752
Interest bearing liabilities		-	-	2	-
Provisions		-	-	221	-
TOTAL CURRENT LIABILITIES		-	9	1,408	752
NON-CURRENT LIABILITIES					
Payables		-	-	-	-
Interest bearing liabilities		-	-	86	94
Provisions		-	-	83	-
TOTAL NON CURRENT LIABILITIES		-	-	169	94
TOTAL LIABILITIES		-	9	1,577	846
NET ASSETS		\$ -	-	3,265	3,095
EQUITY					
Accumulated Surplus		-	-	3,265	3,095
Asset Revaluation Reserve		-	-	-	-
TOTAL EQUITY		\$ -	-	3,265	3,095

This Statement is to be read in conjunction with the attached Notes

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS for the year ended 30 June 2008

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

1. **The Special Purpose Financial Reports**

These financial statements are a Special Purpose Financial Report prepared for use by the Council, the Department of Local Government, and the Department of Energy, Utilities and Sustainability. They have been prepared to report the results of business units determined by Council in accordance with the requirements of National Competition Policy guidelines, and the specific requirements relating to Best Practice Management of water and sewer business units.

In preparing these reports, each business unit has been viewed as a separate unit, and accordingly transactions between different business units, and between business units and other Council operations, have not been eliminated.

2. **Basis of Accounting**

2.1 **Compliance**

The financial reports comply with the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual, and with the principles of the June 1996 NSW Government Policy Statement "*Application of National Competition Policy to Local Government*", the Department of Local Government's July 1997 guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*" and the Department of Energy, Utilities and Sustainability's May 2004 guidelines "*Best-Practice Management of Water Supply and Sewerage*".

Except where directed to the contrary by the above documents, the financial report also complies with all applicable Australian Accounting Standards and professional pronouncements, and is based on information consistent with that forming the basis of Council's general purpose Annual Financial Statements for the year.

2.2 **Basle**

The financial report has been prepared on the accrual basis of accounting and, except where specifically indicated in these Notes or in the Notes to the general purpose Annual Financial Statements, in accordance with the historical cost convention.

3. **National Competition Policy**

In accordance with the framework set out in the June 1996 NSW Government Policy Statement "*Application of National Competition Policy to Local Government*" and other guidelines and documentation in relation to this matter, Council has declared that the following are to be considered as Business Units:

Uralla Shire Combined Water Supplies

Comprising the whole of the operations and assets of the water supply systems

Uralla Shire Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the city and suburbs

The Department of Local Government's July 1997 guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*" 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, rate of return on investments in business units and dividends paid. The Department of Energy, Utilities and Sustainability's May 2004 guidelines "*Best-Practice*

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2007

Note 1 - Significant Accounting Policies (cont)

Management of Water Supply and Sewerage include specific requirements relating to the calculation and payment of "dividends" by water supply and sewerage business units.

3.1 Taxation Equivalent Payments

Council does not pay certain taxes and duties that are paid by equivalent private sector operations, but is liable for others. The Special Purpose Financial Reports disclose the effect of imputing these taxes to the declared business units at the several rates that would have applied to equivalent private sector operations. From 30 June 2004 the Department of Energy, Utilities and Sustainability's May 2004 guidelines *"Best-Practice Management of Water Supply and Sewerage"* require that imputed amounts be paid into the general funds of the Council where it may be applied for any permitted purpose of the Local Government Act 1993 (as amended).

Details of the rates of each tax or duty applicable to each different business unit are set out in the table forming item 7 of this Note. The narration "applies" indicates that the tax or duty has in fact been paid to the taxing authority by the Business Unit, and that these costs have been included in actual Operating Expenses, and the narration "various" indicates that Council has based the calculation of imputed tax on the differing rates of tax or duty applicable to different purchases.

3.2 Council Rates, Charges & Fees

Council rates have been *imputed* in relation to all non-rateable land, and *applied* in relation to all rateable land, owned or exclusively used by all business units. Annual and User Charges, and Regulatory and Other Fees, have been *applied* in relation to all services supplied to business units by Council or other business units.

3.3 Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that Council's business units face equivalent commercial borrowing costs to private sector competitors. In order to calculate the debt guarantee fees, Council has determined the average differential between actual and commercial borrowing rates for each business unit.

3.4 Corporate Taxation Equivalent

In accordance with the Code of Local Government Accounting Practice and Financial Reporting, income taxation has been calculated on the Operating Result before Capital Amounts disclosed in the Statements of Financial Performance of the Special Purpose Financial Reports. No allowance has been made for non-deductible items, timing differences or carried forward losses. Australian Accounting Standard AASB 112 "Income Taxes" has not been applied.

3.5 Dividends Paid

In accordance with National Competition Policy guidelines, it is expected that business units will pay dividends to its owner, Council, equivalent to those paid by private sector competitors. In accordance with the Code of Local Government Accounting Practice and Financial Reporting, the rate of dividend paid has been expressed as a percentage of the Change in Net Assets Resulting from Operations after Taxation.

Council is permitted, but not required, to pay a dividend to the general funds of the Council from surpluses generated by water supply and sewerage operations. The maximum amount of such dividend permitted under the *"Best-Practice Management of Water Supply and Sewerage"* guidelines is set out at the foot of the relevant Statements of Financial Performance. Actual payment of the dividend is subject to compliance with the procedures set out in the guidelines.

3.6 Return on Investment (Rate of Return)

The Policy statement states that Category 1 businesses "would be expected to generate a rate of return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field." In accordance with the Code of Accounting Practice, the rate of return on monopoly businesses such as water and sewerage services has been set at an amount sufficient to cover costs and replace assets needed to maintain services. For competitive markets, the rate of return has been set equal to or better than the return on Commonwealth 10 year bonds.

In accordance with the Code of Accounting Practice, the rate of return has been calculated as the Operating Result before Capital Amounts plus Interest Expense expressed as a percentage of the carrying value of Property, Plant & Equipment at the reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Note 1 - Significant Accounting Policies (cont)

3.7 Notional Subsidy from Council

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, or accepts a lower rate of return on its investment in the business unit than would be acceptable to a private sector competitor.

In accordance with the Code of Accounting Practice, this amount has been calculated as the dollar difference between the required and actual rates of return.

4. Special Rate Funds

The Local Government Act 1993 (as amended) requires that moneys raised by way of Special Rates (or for Domestic Waste Management) be used only for those purposes, except for "dividends" payable in accordance with the "Best-Practice Management of Water Supply and Sewerage" guidelines, which also impose limits on the amounts payable. Accordingly, *imputed* amounts in excess of the permitted limits have been retained in those funds, and added back to Accumulated Surplus.

For Business Units not involving Special Rate Funds, *imputed* amounts have been transferred to Council's General Fund and are available to Council for utilisation for other purposes.

All such amounts have been eliminated in the course of preparation of the Council's general purpose Annual Financial Statements.

5. Other Accounting Policies and Notes

Other accounting policies relating to the determination of revenues and expenses, and assets and liabilities, not specifically referred to above are reported in Note 1 to the Council's Annual Financial Statements, and should be read in conjunction with this Note. Note references in the Statements of Financial Performance of Business Activities and the Statement of Financial Position of Business Activities that are prefixed "A" refer to the Notes to the Annual Financial Statements.

6. Rounding

In accordance with the Code of Accounting Practice all amounts shown in these statements are in Australian currency and, other than Notes 2 & 3, have been rounded to the nearest thousand dollars; amounts in Notes 2 & 3 are shown in whole dollars to meet the requirements of the Department of Energy, Utilities and Sustainability.

7. National Competition Policy Notional Payments

The table forming part of this Note immediately follows.

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS

NOTE 1 Table - NATIONAL COMPETITION POLICY NOTIONAL PAYMENTS
for the year ended 30th June 2008

BUSINESS ACTIVITIES					
	SEWER		Private Works		McMaugh Gardens
	2008	2007	2006	2007	2008
WATER					
2008					
2007					

Category

TAXATION EQUIVALENT PAYMENTS

Land Tax
Stamp Duty
Payroll Tax
Fringe Benefits Tax

Rate	Rate	Rate	Rate	Rate	Rate
applies	applies	applies	applies	applies	applies
applies	applies	applies	applies	applies	applies

COUNCIL RATES, CHARGES & FEES

See Note 1, Item 3.2

LOAN & DEBT GUARANTEE FEES

3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
-------	-------	-------	-------	-------	-------

CORPORATE TAXATION EQUIVALENT

30%	30%	30%	30%	30%	30%
-----	-----	-----	-----	-----	-----

DIVIDENDS PAID

N/A	N/A	N/A	N/A	N/A	N/A
-----	-----	-----	-----	-----	-----

RATE OF RETURN ON CAPITAL

Required Rate of Return
Actual Rate of Return

NIL	NIL	NIL	NIL	NIL	NIL
-----	-----	-----	-----	-----	-----

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2008

Note 2 - BEST PRACTICE MANAGEMENT DISCLOSURES - WATER SUPPLY

2008
\$

Values shown in this Note are expressed in WHOLE DOLLARS

Calculation and Payment of Tax-Equivalents

(i)	Calculated Tax Equivalents	0
(ii)	No of assessments multiplied by \$3/assessment	4,668
(iii)	Amounts payable for Tax Equivalents	0
(iv)	Tax Equivalents paid	0

Dividend from Surplus

(i)	50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>	0
(ii)	No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	46,680
(iii)	Cumulative Surplus before Dividends for 3 years to 30 June 2007, less cumulative dividends paid for 2 years to 30 June 2006	
(iv)	Maximum Dividend from Surplus (least of (i), (ii) and (iii))	0
(v)	Dividend paid from Surplus	

Required Outcomes for 6 Criteria

(i)	Completion of Strategic Business Plan (including Financial Plan)	NO
(ii)	Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of Best practice guidelines)	NO
	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)	NO
(iii)	Sound Water Conservation & Demand Management Implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	NO
(vi)	Complete Integrated Water Cycle Management Evaluation	NO
(vii)	Complete and implement Integrated Water Cycle Management Strategy	NO

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water)	\$'000	594
NWI F4	Residential Revenue from Usage Charges (Water)	%	45.57
NWI F9	Written Down Replacement Cost of Fixed Assets (Water)	\$'000	15,901
NWI F11	Operating Cost (OMA) (Water)	\$'000	630
NWI F14	Capital Expenditure (Water)	\$'000	4
NWI F17	Economic Real Rate of Return (Water)	%	-0.52
NWI F20	Capital Works Grants (Water)	\$'000	

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2008

Note 3 - BEST PRACTICE MANAGEMENT DISCLOSURES - SEWERAGE

		2008
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>		\$
Calculation and Payment of Tax-Equivalents		
(i) Calculated Tax Equivalents		0
(ii) No of assessments multiplied by \$3/assessment		3,048
(iii) Amounts payable for Tax Equivalents (lesser of (i) and (ii))		0
(iv) Tax Equivalents paid		0
Dividend from Surplus		
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>		0
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment		30,480
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2007, less cumulative dividends paid for 2 years to 30 June 2006		
(iv) Maximum Dividend from Surplus (least of (i), (ii) and (iii))		0
(v) Dividend paid from Surplus		
Required Outcomes for 4 Criteria		
(i) Completion of Strategic Business Plan (including Financial Plan)		NO
(ii) Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of Best practice guidelines)		NO
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)		NO
Liquid Trade Waste Approvals & Policy (Item 2(f) in Table 1)		NO
(iii) Complete Performance Reporting Form (by 15 September each year)		NO
(iv) Complete Integrated Water Cycle Management Evaluation		NO
(v) Complete and implement Integrated Water Cycle Management Strategy		NO
National Water Initiative (NWI) Financial Performance Indicators		
NWI F2 Total Revenue (Sewerage)	\$'000	468
NWI F10 Written Down Replacement Cost of Fixed Assets (Sewerage)	\$'000	6,719
NWI F12 Operating Cost (Sewerage)	\$'000	406
NWI F15 Capital Expenditure (Sewerage)	\$'000	30
NWI F18 Economic Real Rate of Return (Sewerage)	%	1
NWI F27 Capital Works Grants (Sewer)	\$'000	0
NWI F3 Total Income (Water & Sewerage)	\$'000	1,062
NWI F5 Revenue from Community Service Obligations (Water & Sewerage)	%	3
NWI F13 Operating Cost (Water & Sewerage)	\$'000	1,036
NWI F16 Capital Expenditure (Water & Sewerage)	\$'000	34
NWI F19 Economic Real Rate of Return (Water & Sewerage)	%	-0
NWI F20 Dividend (Water & Sewerage)	\$'000	0
NWI F21 Dividend Payout Ratio (Water & Sewerage)	%	0
NWI F22 Net Debt to Equity (Water & Sewerage)	%	-5
NWI F23 Interest Cover (Water & Sewerage)	times	0
NWI F24 Net Profit after Tax (Water & Sewerage)	\$'000	-554
NWI F25 Community Service Obligations (Water & Sewerage)	\$'000	32

INDEPENDENT AUDIT REPORT
Report on the special purpose financial reports

Forsyths

To Uralla Shire Council

SCOPE

We have audited the **special purpose financial reports** of Uralla Shire Council for the year ended 30 June 2008, comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and accompanying Notes to the Accounts. The financial statements include the accounts of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year.

Councils' 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 requirements of the Department of Local Government and Council. The Councils' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial 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 or the Department of Local Government. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

The special purpose financial reports have 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 statements to which it relates to any person other than the Council or the Department of Local Government or for any purpose other than for which the report was prepared.

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion, the Special Purpose Financial Reports of the Uralla Shire Council for the year ended 30 June 2008 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul R Cornall
Principal

31 October 2008
111 Faulkner Street Armidale

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

URALLA SHIRE COUNCIL

Special Schedules

for the year ended 30th June 2008

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URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 1 NET COST OF SERVICES for the year ended 30th June 2008

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
GOVERNANCE	436		-			436	
		436			-		436
ADMINISTRATION							
Corporate Support	244		468			(224)	
Engineering & Works	114		152			(38)	
Other Support Services	-		-			-	
		358			620		(262)
PUBLIC ORDER & SAFETY							
Statutory Contribution - Fire Service Levy	-					-	
Fire Protection - Other	221		277			(56)	
Animal Control	36		9			27	
Beach Control	-		-			-	
Enforcement of Local Govt Regulations	12		11			1	
Emergency Services	2		-			2	
Other	-		-			-	
		271			297		(26)
HEALTH							
Administration & Inspection	104		5			99	
Immunisations	-		-			-	
Food Control	-		-			-	
Insect/Vermin Control	-		-			-	
Noxious Plants	-		-			-	
Health Centres	-		-			-	
Other	-		-			-	
		104			5		99
COMMUNITY SERVICES & EDUCATION							
Administration	-		-			-	
Family Day Care	-		-			-	
Child Care	-		-			-	
Youth Services	10		-			10	
Other Families & Children	50		40			10	
Aged & Disabled	3,512		3,489			23	
Migrant Services	-		-			-	
Aboriginal Services	1,181		1,334			(153)	
Other Community Services	117		80			37	
Education	-		-			-	
		4,870			4,943		(73)
HOUSING & COMMUNITY AMENITIES							
Housing	-		-			-	
Town Planning	214		241			(27)	
Domestic Waste Management	407		338			69	
Other Waste Management	512		573			(61)	
Street Cleaning	-		-			-	
Other Sanitation & Garbage	-		-			-	
Drainage	19		23			(4)	
Stormwater Management	-		-			-	
Environmental Protection	66		-			66	
Public Cemeteries	31		16			15	
Public Conveniences	67		-			67	
Other Community Amenities	-		-			-	
		1,316			1,191		125

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont)

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
WATER SUPPLIES	677		343			334	
		677			343		334
SEWERAGE SERVICES	414		205			209	
		414			205		209
RECREATION & CULTURE							
Public Libraries	220		29			191	
Museums	-		-			-	
Art Galleries	-		-			-	
Community Centres	-		-			-	
Public Halls	65		8			57	
Other Cultural Services	20		9			11	
Swimming Pools	97		28			71	
Sporting Grounds	63		-			63	
Parks & Gardens, Lakes	148		1			147	
Other Sport & Recreation	-		-			-	
		613			73		540
FUEL & ENERGY							
Gas Supplies	-		-			-	
		-			-		-
MINING, MANUFACTURING & CONSTRUCTION							
Building Control	-		-			-	
Abattoirs	-		-			-	
Quarries & Pits	2		-			2	
Other	-		-			-	
		2			-		2
TRANSPORT & COMMUNICATION							
Urban Roads: Local	195		(1)			196	
Urban Roads: Regional	98		-			98	
Sealed Rural Roads: Local	707		332			375	
Sealed Rural Roads: Regional	828		514			314	
Unsealed Rural Roads: Local	1,201		-			1,201	
Unsealed Rural Roads: Regional	87		107			(20)	
Bridges - Urban Roads: Local	11		-			11	
Bridges - Urban Roads: Regional	26		190			(164)	
Bridges - Sealed Rural Roads: Local	95		-			95	
Bridges - Sealed Rural Roads: Regional	124		50			74	
Bridges - Unsealed Rural Roads: Local	17		-			17	
Bridges - Unsealed Rural Roads: Regional	-		-			-	
Footpaths	85		15			70	
Aerodromes	-		-			-	
Parking Areas	42		-			42	
Bus Shelters & Services	-		-			-	
Water Transport	-		-			-	
RTA Works - State Roads	14		-			14	
Street Lighting	88		6			82	
Other	211		38			173	
		3,829			1,251		2,578

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont)

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
ECONOMIC AFFAIRS							
Camping Areas	-		-			-	
Caravan Parks	9		11			(2)	
Tourism & Area Promotion	281		4			277	
Industrial Development Promotion	-		-			-	
TV Black Spot Program	14		-			14	
Saleyards & Markets	-		-			-	
Real Estate Development	-		-			-	
Commercial Nurseries	-		-			-	
Other Business Undertakings	918		882			36	
		1,222			897		325
TOTALS - FUNCTIONS		14,112			9,825		4,287
General Purpose Revenues			4,531			4,531	
Equity accounted Income (loss)	-					-	
					4,531		4,531
NET OPERATING RESULT FOR YEAR							244

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 2 (1) STATEMENT OF LONG TERM DEBT (ALL PURPOSE) for the year ended 30th June 2008

\$'000

Classification of Debt	Principal Outstanding at beginning of year		New Loans Raised	Debt Redemption		Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of year	
	Current	Non-Current		From Revenue	Sinking Funds			Current	Non-Current
LOANS (by source)									
Commonwealth Government			-						
Treasury Corporation			-						
Other State Government			-						
Public Subscription			-						
Financial Institutions	380	1,602	1,982	373	-	-	144	980	821
Other		57	57	-	-	-	-	-	57
Total Loans	444	1,642	2,039	373	-	-	144	980	878
OTHER LONG TERM DEBT									
Ratepayers' Advances			-						
Government Advances			-						
Finance Leases			-						
Deferred Payment			-						
Other			-						
Total Other Long Term Debt	-	-	-	-	-	-	-	-	-
TOTAL LONG TERM DEBT	444	1,642	2,039	373	-	-	144	980	878

This Schedule excludes Internal Loans and refinancing of existing borrowings.

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 2 (2) STATEMENT OF INTERNAL LOANS for the year ended 30th June 2008

\$'000

SUMMARY OF INTERNAL LOANS

Borrower (by purpose)	Amount Originally Raised	Total Repaid During Year Principal & Interest	Principal Outstanding at End of Year
General	389	49	162
Water			
Sewerage			
Domestic Waste Management			
Gas			
Other			
Totals	389	49	162

The above summary of internal loans represents the total of Council's internal loans categorised according to the purpose of the borrower. Details of individual internal loans are set out below.

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Maturity Date	Rate of Interest	Amount Originally Raised	Paid During Year - Princ and Interest	Principal Outstanding End of Year
General Fund (Loan 162)	Water	13/09/2001	30/09/2001	10	13/09/2011		48	5	19
General Fund (Loan 170)	Water	4/10/2002	30/06/2003	12	30/06/2015		88	6	59
General Fund (Loan 171)	Water	4/10/2002	30/06/2003	6	30/06/2009		61	11	12
General Fund (Loan 173)	Water	4/10/2002	30/06/2003	6	30/06/2009		46	8	9
General Fund (Loan 174)	Water	4/10/2002	30/06/2003	8	30/06/2011		102	13	44
General Fund (Loan 175)	Water	4/10/2002	30/06/2003	8	30/06/2011		44	6	19
Totals							389	49	162

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 3 WATER SUPPLY OPERATIONS (Gross Including Internal Transactions) for the year ended 30th June 2008

<u>A. EXPENSES & REVENUES</u>	2008	2007
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	135	79
b. - Engineering & Supervision	98	60
2 Operations		
a. - Dams & Weirs - Operation Expenses		
b. - Maintenance Expenses	4	13
c. - Mains - Operation Expenses		
d. - Maintenance Expenses	80	103
e. - Reservoirs - Operation Expenses		
f. - Maintenance Expenses	3	28
g. - Pumping Stations - Operation Expenses		
h. - Energy Costs	7	7
l. - Maintenance Expenses	11	93
j. - Treatment - Operation Expenses		
k. - Chemical Costs	41	57
l. - Maintenance Expenses	249	207
m. - Other - Operation Expenses		
n. - Maintenance Expenses	2	8
o. - Purchase of Water		
3.a. Depreciation - System Assets	50	150
b. - Plant & Equipment		
4.a. Miscellaneous - Interest		
Fair value adjustments	328	-
- Revaluation decrements		
b. - Other		
- NCP Tax & Other Equivalents	-	-
5 Total Expenses	1,008	805
<u>REVENUE</u>		
6 Residential Charges		
a. - Access (including rates)	313	248
b. - User Charges	262	195
7 Non-Residential Charges		
a. - Access (including rates)		
b. - User Charges		
8 Extra Charges	6	-
9 Interest	77	55
10 Other Income	-	3
11.a. Grants - Acquisition of Assets		
b. - Pensioner Rebates	13	13
c. - Other		
12.a. Contributions - Developer Charges		
b. - Developer Provided Assets		
c. - Other Contributions		
13 Total Revenues	671	514
14 Gain (Loss) on Disposal of Assets		
15 OPERATING RESULT	(337)	(291)
15a. Operating Result before Grants for Acquisition of Assets	(337)	(291)

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 3 - WATER SUPPLY OPERATIONS (cont)

	2008 \$'000	2007 \$'000
<u>B. CAPITAL TRANSACTIONS</u>		
<u>Non - Operating Expenditure</u>		
16 Acquisition of Fixed Assets		
a. - Subsidised Scheme		
b. - Other New System Assets	4	12
c. - Renewals		
d. - Plant & Equipment		
17 Repayment of Debt		
a. - Loans		
b. - Advances		
c. - Finance Leases		
18 Transfers to Sinking Funds		
19 Total Non-Operating Expenditure	4	12
<u>Non-Operating Funds Employed</u>		
20 Proceeds from Disposal of Assets		
21 Borrowings Utilised		
a. - Loans		
b. - Advances		
c. - Finance Leases		
22 Transfers from Sinking Funds		
23 Total Non-Operating Funds Employed	-	-
<u>C. RATES & CHARGES</u>		
24 Number of Assessments		
a. - Residential (occupied)	1231	
b. - Residential (unoccupied)	168	
c. - Non-Residential (occupied)	116	
d. - Non-Residential (unoccupied)	41	
25 Number of ETs for which Developer Charges were	ET	
26 Total Amount of Pensioner Rebates	26 \$'000	
<u>D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES</u>		
27 Annual Charges		
a Does Council have best-practice water supply annual charges and usage charges?	<input checked="" type="checkbox"/> YES	
If Yes, go to 28a.		
If No, has Council removed <u>land value</u> from access charges (i.e. rates)?	<input type="checkbox"/>	
b Cross subsidy <u>from</u> residential customers using less than allowance		_____
c Cross subsidy <u>to</u> non-residential customers		_____
d Cross subsidy <u>to</u> large connections in unmetered supplies		_____
28 Developer Charges		
a Has Council completed a water supply Development Servicing Plan?	<input checked="" type="checkbox"/> NO	
b Total cross-subsidy in water supply developer charges		_____
29 TOTAL OF CROSS SUBSIDIES		-

Councils which have not yet implemented best practice water supply pricing should disclose cross subsidies in items 27b, 27c and 27d above. However, disclosure of cross-subsidies is not required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 4 WATER SUPPLY - NET ASSETS COMMITTED (Gross Including Internal Transactions) for the year ended 30th June 2008

	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
ASSETS			
30 Cash and Investments			
a. - Developer Charges			-
b. - Specific Purpose Grants			-
c. - Accrued Leave			-
d. - Unexpended Loans			-
e. - Sinking Funds			-
f. - Other	441		441
31 Receivables			
a. - Specific Purpose Grants			-
b. - Rates & Availability Charges	218		218
c. - Other		162	162
32 Inventories			-
33 Property, Plant & Equipment			
a. - System Assets		15,901	15,901
b. - Plant & Equipment		553	553
34 Other			-
35 Total Assets	<u>659</u>	<u>16,616</u>	<u>17,275</u>
LIABILITIES			
36 Bank Overdraft			-
37 Creditors	3		3
38 Borrowings			
a. - Loans			-
b. - Advances			-
c. - Finance Leases			-
39 Provisions			
- Tax Equivalents			-
a. - Dividend	-		-
b. - Other			-
40 Total Liabilities	<u>3</u>	<u>-</u>	<u>3</u>
41 NET ASSETS COMMITTED	<u>656</u>	<u>16,616</u>	<u>17,272</u>
EQUITY			
42 Accumulated Surplus			8,487
43 Asset Revaluation Reserve			8,785
44 Total Equity			<u>17,272</u>
45 Current Replacement Cost of System Assets			16,560
46 Accumulated Current Cost Depreciation of System Assets			659
47 Written Down Current Cost of System Assets			<u>15,901</u>

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 5 SEWERAGE SERVICE OPERATIONS (Gross including Internal Transactions) for the year ended 30th June 2008

A. EXPENSES & REVENUES	2008	2007
EXPENSES	\$'000	\$'000
1.a. Management - Administration	104	51
b. - Engineering & Supervision	64	32
2 Operations & Maintenance Expenses		
a. -Mains - Operation Expenses	40	26
b. -Maintenance Expenses		27
c. - Pumping Stations - Operation Expenses		
d. - Energy Costs	2	1
e. - Maintenance Expenses	15	14
f. - Treatment - Operation Expenses		
g. - Chemical Costs	7	6
h. - Energy Costs	36	34
i. - Effluent Management	-	2
j. - Biosolids Management	1	2
k. - Maintenance Expenses	137	70
l. - Other - Operation Expenses		
m. - Maintenance Expenses	-	
3.a. Depreciation - System Assets	16	167
b. - Plant & Equipment		
4.a. Miscellaneous - Interest		
Fair Value Adjustment	327	
- Revaluation decrements		
b. - Other		
- NCP Tax & Other Equivalent	-	
5 Total Expenses	749	432
REVENUE		
6 Residential Charges (including rates)	405	382
7 Non-Residential Charges		
a Access (Including rates)		
b User Charges	28	40
8 Trade Waste Charges		
a Annual Fees		
b User Charges	12	
c. Excess Mass Charges & Re-inspection Fees		
9 Extra Charges	4	
10 Interest	64	7
11 Other Income		
12.a. Grants - Acquisition of Assets		
b. - Pensioner Rebates	19	20
c. - Other		
13.a Contributions - Developer Charges		
b. - Developer Provided Assets		
c. - Other Contributions		57
14 Total Revenues	532	506
15 Gain (Loss) on Disposal of Assets		
16 OPERATING RESULT	(217)	74
16.a. Operating Result before Grants for Acquisition of Assets	(217)	74

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 5 - SEWERAGE SERVICE OPERATIONS (cont)

	2008 \$'000	2007 \$'000
B. CAPITAL TRANSACTIONS		
<u>Non - Operating Expenditure</u>		
17 Acquisition of Fixed Assets		
a. - Subsidised Scheme		
b. - Other New System Assets	30	118
c. - Renewals		
d. - Plant & Equipment		
18 Repayment of Debt		
a. - Loans		
b. - Advances		
c. - Finance Leases		
19 Transfers to Sinking Funds		
20 Total Non-Operating Expenditure	30	118
<u>Non-Operating Funds Employed</u>		
21 Proceeds of Disposal of Assets		
22 Borrowings Utilised		
a. - Loans		
b. - Advances		
c. - Finance Leases		
23 Transfers from Sinking Funds		
24 Total Non-Operating Funds Employed	-	-
C. RATES AND CHARGES		
25 Number of Assessments		
a. - Residential (occupied)	856	
b. - Residential (unoccupied)	36	
c. - Non-Residential (occupied)	112	
d. - Non-Residential (unoccupied)	12	
26 Number of ETs for which Developer Charges were	ET	
27 Total Amount of Pensioner Rebates	38 \$'000	
D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES		
28 Annual Charges		
a Does Council have best-practice sewerage annual charges, usage charges and trade waste fees and charges?	<input type="checkbox"/>	<input checked="" type="checkbox"/> YES
If Yes, go to 29a.		
If No, has Council removed <u>land value</u> from access charges (i.e. rates)?	<input type="checkbox"/>	<input type="checkbox"/>
b Cross subsidy <u>to</u> non-residential customers	<input type="checkbox"/>	<input type="checkbox"/>
c Cross subsidy <u>to</u> trade waste dischargers	<input type="checkbox"/>	<input type="checkbox"/>
29 Developer Charges		
a Has Council completed a sewerage Development Servicing Plan?	<input type="checkbox"/>	<input checked="" type="checkbox"/> NO
b Total cross-subsidy in sewerage developer charges	<input type="checkbox"/>	<input type="checkbox"/>
30 TOTAL OF CROSS SUBSIDIES		-

Councils which have not yet implemented best practice sewerage pricing and trade 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 trade waste pricing and is phasing in such pricing over a period of 3 years.

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 6 SEWERAGE SERVICES - NET ASSETS COMMITTED (Gross Including Internal Transactions) for the year ended 30th June 2008

ASSETS	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
31 Cash and Investments			
a. - Developer Charges			-
b. - Specific Purpose Grants			-
c. - Accrued Leave			-
d. - Unexpended Loans			-
e. - Sinking Funds			-
f. - Other	719		719
32 Receivables			
a. - Specific Purpose Grants			-
b. - Rates & Availability Charges	73		73
c. - Other			-
33 Inventories			-
34 Property, Plant & Equipment			
a. - System Assets		6,719	6,719
b. - Plant & Equipment		337	337
35 Other			-
36 Total Assets	<u>792</u>	<u>7,056</u>	<u>7,848</u>
LIABILITIES			
37 Bank Overdraft			-
38 Creditors	46		46
39 Borrowings			
a. - Loans		15	15
b. - Advances			-
c. - Finance Leases			-
40 Provisions			
- Tax Equivalents			-
a. - Dividend			-
b. - Other			-
41 Total Liabilities	<u>46</u>	<u>15</u>	<u>61</u>
42 NET ASSETS COMMITTED	<u>746</u>	<u>7,041</u>	<u>7,787</u>
EQUITY			
43 Accumulated Surplus			4,997
44 Asset Revaluation Reserve			2,790
45 Total Equity			<u>7,787</u>
46 Current Replacement Cost of System Assets			7,456
47 Accumulated Current Cost Depreciation of System Assets			737
48 Written Down Current Cost of System Assets			<u>6,719</u>

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 7 CONDITION OF PUBLIC WORKS as at 30th June 2008

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense '000	Cost '000	Valuation '000	Accumulated Depreciation '000	Carrying Value '000	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard '000	Estimated Annual Maintenance Expense '000	Program Maintenance Works for current year '000
	<i>References</i>	<i>Note 9</i>	<i>Note 4</i>		<i>Note 9</i>				<i>Local Govt. Act 1993, Section 428 (2d)</i>		
Public Buildings	Council Offices		11		1,123	61	1,062	3	50	6	6
	Works Depot		5		1,744	158	1,586	3	35	10	10
	Halls		3		1,209	59	1,150	4	15	15	15
	Aged accommodation		40		5,816	160	5,656	2	15	20	20
	Community Centres		13		678	16	662	3	5	5	5
	Visitor centre		3		336	7	329	3	4	4	4
	Community Services		2		805	56	749	2	8	5	5
	Other		32		2,198	114	2,084	-	10	5	5
	Library		8		972	27	945	1	-	3	3
	RFS Buildings		3		363	7	356	3	5	5	5
	Amenities/Toilets		2		447	20	427	2	9	9	9
	Subtotal		122	-	15,691	685	15,006		156	87	87
Public Roads	Sealed Roads		390	34,432		4,544	29,888	4	750	1,050	1,150
	Unsealed Roads		89	16,327		2,560	13,767	4	450	880	910
	Sealed Roads										
	Structure		169	14,166		4,058	10,108	0	2,200	75	75
	Bridges		22	929		84	845	4	20	54	54
	Footpaths		2	98		15	83	4	10	15	15
	Cycleways		4	528		45	483	3	25	10	10
	Parking areas		28	1,798		590	1,208	4	60	35	35
	Kerb & Gutter		8	148		52	96	4	45	30	30
	Road Furniture										
	Subtotal		712	68,426	-	11,948	56,478		3,560	2,149	2,279

This Schedule is to be read in conjunction with the explanatory notes following.

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont)
as at 30th June 2008

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense '000	Cost '000	Valuation '000	Accumulated Depreciation '000	Carrying Value '000	Asset Condition (see Notes attached)	Estimated Cost to bring Satisfactory Standard '000	Estimated Annual Maintenance Expense '000	Program Maintenance Works for current year '000
		Note 9	Note 4		Note 9				Local Govt. Act 1993, Section 428 (2d)		
Water	References										
	Treatment Plants		41		5,868	512	5,356	2	50	24	24
	Reservoirs		7		1,902	83	1,819	2	4	5	5
	Dams		1		2,545	2	2,543	3	5	6	6
	Pipelines		1		5,482	10	5,472	4	75	34	34
	Pump Stations		-		764	53	711	3	5	5	5
	Subtotal		50	-	16,561	660	15,901		139	74	74
Sewerage	Pump Stations		2		1,125	88	1,037	3	30	4	4
	Pipelines		4		3,032	55	2,977	4	22	11	11
	Treatment Works		6		3,299	594	2,705	2	50	35	55
	Subtotal		12	-	7,456	737	6,719		102	50	70
Drainage Works	Retarding Basins		15	889		270	619	2	2	2	2
	Subtotal		15	889	-	270	619		2	2	2
Total Classes - All Assets			911	69,315	39,708	14,300	94,723		3,959	2,362	2,512

This Schedule is to be read in conjunction with the explanatory notes following.

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont) as at 30th June 2008

"SATISFACTORY" CONDITION OF PUBLIC ASSETS

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

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

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

ASSET CONDITION

The following condition codes have been used in this Schedule.

- | | |
|---|---|
| 1 | Newly constructed |
| 2 | Over 5 years old but fully maintained in "as new" condition |
| 3 | Good condition |
| 4 | Average condition |
| 5 | Partly worn - beyond 50% of economic life. |
| 6 | Worn but serviceable |
| 7 | Poor - replacement required |

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 8 - FINANCIAL PROJECTIONS as at 30th June 2008

	2008 \$'m	2009 \$'m	2010 \$'m	2011 \$'m	2012 \$'m	2013 \$'m
Recurrent Budget						
Income from continuing operations	14	14	15	15	16	16
Expenses from continuing operations	14	13	14	14	15	15
Operating result from continuing operations	-	1	1	1	1	1
Capital Budget						
New Works	1	2	2	2	2	2
Replacement of existing assets	-	2	-	-	3	-
	1	4	2	2	5	2
Funded by						
- Loans	-	1	-	-	-	-
- Reserves	-	-	-	-	2	-
- Other	2	2	2	2	2	2
	2	3	2	2	4	2

