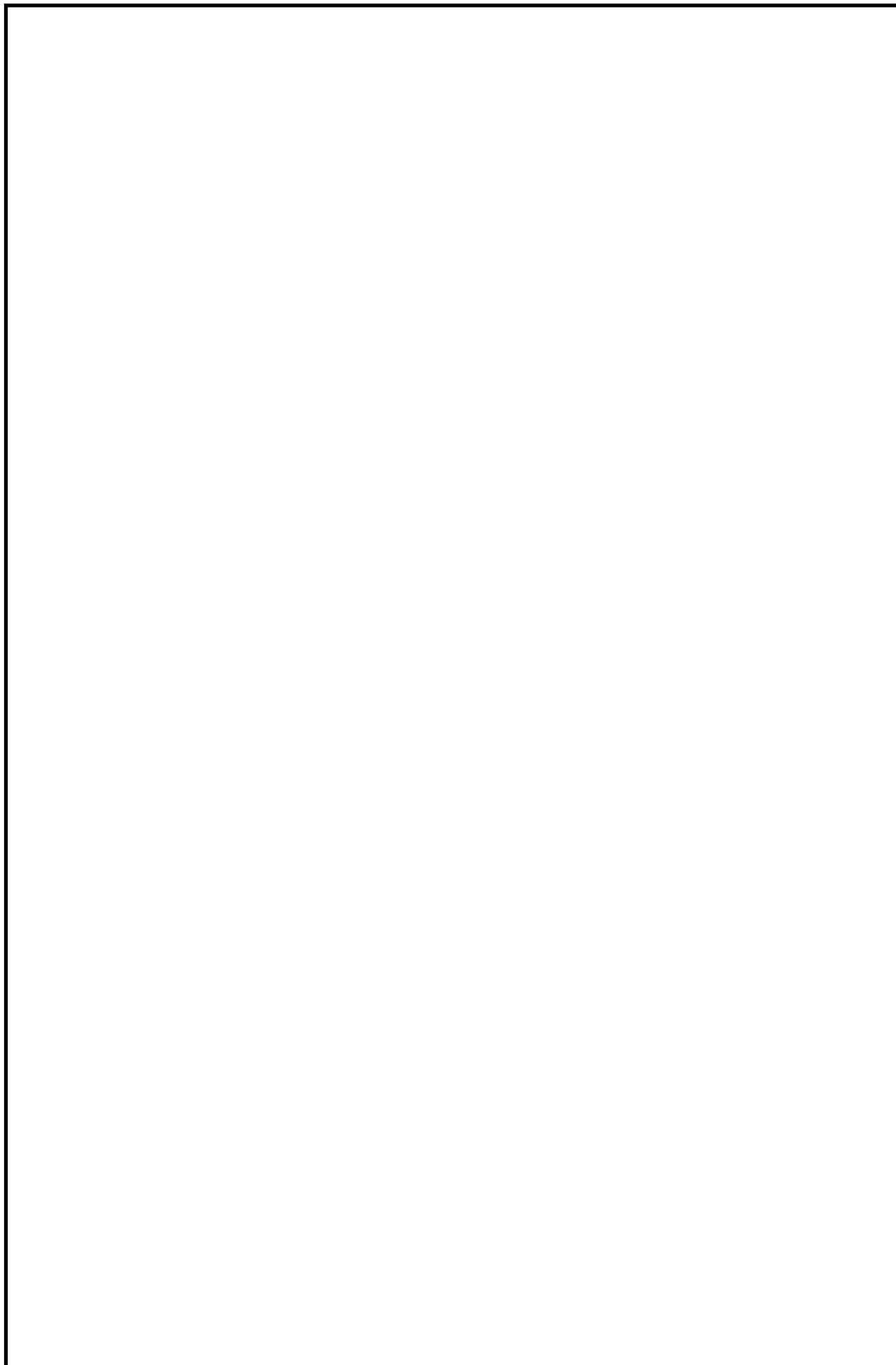




**ANNUAL  
FINANCIAL STATEMENTS**

**GENERAL PURPOSE REPORTS  
SPECIAL PURPOSE REPORTS  
AND  
SPECIAL SCHEDULES**

**YEAR ENDED  
30 JUNE 2012**



# URALLA SHIRE COUNCIL

## General Purpose Financial Reports for the year ended 30th June 2012

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# URALLA SHIRE COUNCIL

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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

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

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

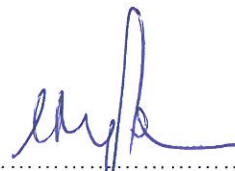
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on Friday 31 August 2011



Councillor Isabel Constance Margaret Strutt

**MAYOR**



Councillor Michael Pearce

**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 2012

Budget 2012 \$'000		Notes	Actual 2012 \$'000	Actual 2011 \$'000
<b>INCOME</b>				
<i><b>Revenue:</b></i>				
4,809	Rates & Annual Charges	3	4,589	4,475
1,702	User Charges & Fees	3	1,856	1,843
544	Investment Revenues	3	405	848
445	Other Revenues	3	624	390
7,843	Grants & Contributions - Operating	3	7,248	7,832
460	Grants & Contributions - Capital	3	1,093	914
<i><b>Other Income:</b></i>				
-	Profit from Disposal of Assets	5	37	8
<u>15,803</u>	<b>Total Income from Continuing Operations</b>		<u>15,852</u>	<u>16,310</u>
<b>EXPENSES</b>				
6,654	Employee Benefits and oncosts	4	7,531	6,652
3,827	Materials & Contracts	4	3,986	4,223
123	Borrowing Costs	4	171	183
3,523	Depreciation & Amortisation	4	3,578	3,006
-	Impairment	4	-	-
968	Other Expenses	4	1,155	980
-	Interest and investment losses	3	-	-
<u>15,095</u>	<b>Total expenses from continuing operations</b>		<u>16,421</u>	<u>15,044</u>
708	<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>		<b>(569)</b>	1,266
-	Operating result from discontinued operations	24	-	-
<u>708</u>	<b>NET OPERATING RESULT FOR YEAR</b>		<u><b>(569)</b></u>	<u>1,266</u>
Attributable to:				
<u>708</u>	URALLA SHIRE COUNCIL		<u><b>(569)</b></u>	<u>1,266</u>
<u>708</u>			<u><b>(569)</b></u>	<u>1,266</u>
<u>248</u>	<b>Net operating result before capital grants and contributions</b>		<u><b>(1,662)</b></u>	<u>352</u>

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

# URALLA SHIRE COUNCIL

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30th June 2012

	Notes	2012 \$'000	2011 \$'000
<b>Net operating result for year</b> from Income Statement		(569)	1,266
<b>Other comprehensive income</b> Revaluation of infrastructure, property, plant & equipment		5,404	3,270
<b>Total other comprehensive income</b>		<u>5,404</u>	<u>3,270</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>4,835</u>	<u>4,536</u>
Attributable to: URALLA SHIRE COUNCIL		4,835	4,536
		<u>\$ 4,835</u>	<u>\$ 4,536</u>

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

# URALLA SHIRE COUNCIL

## BALANCE SHEET as at 30th June 2012

	<u>Notes</u>	2012 \$'000	2011 \$'000
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	6	1,072	826
Investments	6	6,300	5,312
Receivables	7	1,849	1,535
Inventories	8	172	169
Other	8	88	85
<b>TOTAL CURRENT ASSETS</b>		<b><u>9,481</u></b>	<b><u>7,927</u></b>
<b>NON-CURRENT ASSETS</b>			
Infrastructure, Property, Plant & Equipment	9	304,584	299,621
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>304,584</u></b>	<b><u>299,621</u></b>
<b>TOTAL ASSETS</b>		<b><u>314,065</u></b>	<b><u>307,548</u></b>
<b>CURRENT LIABILITIES</b>			
Payables	10	3,733	2,608
Borrowings	10	100	130
Provisions	10	1,682	1,282
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>5,515</u></b>	<b><u>4,020</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Payables	10	-	-
Borrowings	10	1,464	1,563
Provisions	10	1,206	920
<b>TOTAL NON CURRENT LIABILITIES</b>		<b><u>2,670</u></b>	<b><u>2,483</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>8,185</u></b>	<b><u>6,503</u></b>
<b>NET ASSETS</b>		<b><u>\$ 305,880</u></b>	<b><u>301,045</u></b>
<b>EQUITY</b>			
Accumulated Surplus	20	66,734	67,303
Revaluation Reserves	20	239,146	233,742
<b>Council Equity Interest</b>		<b><u>305,880</u></b>	<b><u>301,045</u></b>
Minority Equity Interest	19	-	-
<b>TOTAL EQUITY</b>		<b><u>\$ 305,880</u></b>	<b><u>301,045</u></b>

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 2012

2012

Retained Earnings	Asset Reval. Reserve	Total
-------------------	----------------------	-------

Note \$'000

Balance at end of previous reporting period		67,303	233,742	301,045
<b>Net Operating Result for the year</b>		(569)		(569)
<b>Other comprehensive income</b>				
Revaluation of infrastructure, property, plant & equipment	20	-	5,404	5,404
<b>Total other comprehensive income</b>		-	5,404	5,404
<b>Balance at end of the reporting period</b>		<b>66,734</b>	<b>239,146</b>	<b>305,880</b>

2011

Retained Earnings	Asset Reval. Reserve	Total
-------------------	----------------------	-------

Note \$'000

Balance at end of previous reporting period		66,037	230,472	296,509
<b>Net Operating Result for the year</b>		1,266		1,266
<b>Other comprehensive income</b>				
Revaluation of infrastructure, property, plant & equipment	20	-	3,270	3,270
<b>Total other comprehensive income</b>		-	3,270	3,270
<b>Balance at end of the reporting period</b>		<b>67,303</b>	<b>233,742</b>	<b>301,045</b>

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

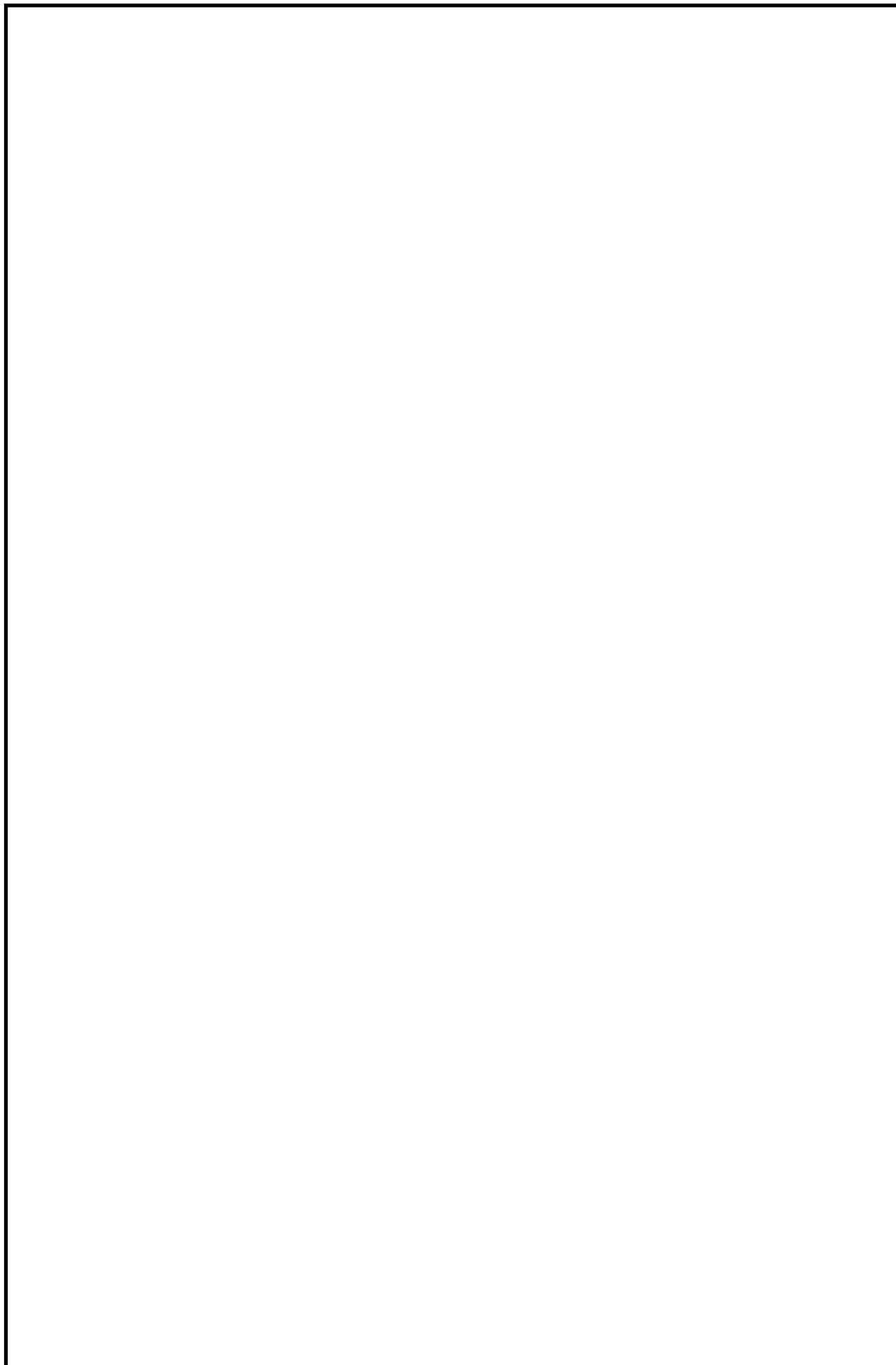


# URALLA SHIRE COUNCIL

## CASH FLOW STATEMENT for the year ended 30th June 2012

Budget 2012 \$'000		Actual 2012 \$'000	Actual 2011 \$'000
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>Notes</u>	
	<u>Receipts</u>		
4,843	Rates & Annual Charges	4,682	4,548
1,702	User Charges & Fees	2,125	1,537
550	Investment Income	336	289
8,303	Grants & Contributions	9,511	9,250
445	Other operating receipts	556	169
	<u>Payments</u>		
(6,654)	Employee Benefits and oncosts	(7,141)	(6,605)
(3,827)	Materials & Contracts	(4,296)	(5,019)
(123)	Borrowing Costs	(124)	(133)
(968)	Other operating payments	(1,506)	(1,402)
4,271	<b>Net Cash provided by (or used in) Operating Activities</b>	11 <b>4,143</b>	2,634
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	<u>Receipts</u>		
412	Proceeds from sale of Infrastructure, Property, Plant & Equipment	235	164
	Proceeds from sale of Investment Property		
	Proceeds from sale of Real Estate	-	
4,000	Proceeds from sale of Investment Securities	609	3,695
	Repayments from Deferred Debtors	-	
	Contributions to joint ventures by minority interests	19	
	Distribution received from associated entities	19	
	<u>Payments</u>		
(4,344)	Purchase of Infrastructure, Property, Plant & Equipment	(3,335)	(3,223)
	Purchase of Investment Property		
	Purchase of Real Estate	-	
(4,150)	Purchase of Investment Securities	(1,600)	(4,095)
	Loans to Deferred Debtors	-	
	Distributions from joint ventures to minority interests	19	
	Capital contributed to associated entities	19	
(4,082)	<b>Net Cash provided by (or used in) Investing Activities</b>	(4,091)	(3,459)
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	<u>Receipts</u>		
	Proceeds from Borrowings & Advances	-	
300	Proceeds from Retirement Home Contributions	1,012	534
	<u>Payments</u>		
(151)	Repayments of Borrowings & Advances	(129)	(123)
	Repayment of Finance Lease Liabilities	-	
(339)	Repayment of Retirement Home Contributions	(689)	(346)
(190)	<b>Net Cash provided by (or used in) Financing Activities</b>	194	65
(1)	<b>Net Increase (Decrease) in cash held</b>	246	(760)
826	Cash Assets at beginning of reporting period	11 826	1,586
	Change in associated entities recognised	1 -	-
825	<b>Cash Assets at end of reporting period</b>	11 <b>1,072</b>	826

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



**URALLA SHIRE COUNCIL**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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

#### 1. Basis of Preparation

##### 1.1 *Compliance with Australian equivalents to International Financial Reporting Standards*

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Local Government Act (1993) and Regulation and the Local Government Code of Accounting Practice and Financial Reporting. The Uralla Shire Council is a not-for-profit entity for the purpose of preparing the financial statements.

(i) *New and amended standards adopted by Council*

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

(ii) *Early adoption of standards*

The Uralla Shire Council has not elected to apply any pronouncement before their operative date in the annual reporting period commencing 1 July 2011.

##### 1.2 *Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets; financial assets and liabilities at fair value through profit and loss, certain classes of property, plant and equipment and investment property. Infrastructure assets and property are continually re-valued under the staged implementation (refer to section 6.4 within this note).

##### 1.3 *Critical Accounting Estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) *Critical accounting estimates and assumptions*

The Uralla Shire Council makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are set out below:

- Estimation of depreciation costs including useful lives and residual values.
- Estimated fair value of infrastructure, property, plant and equipment
- Estimated landfill remediation provisions.
- In particular, the valuation of collateralised debt obligations (CDOs) were subject to the difficulties set out in Appendix B to the *Review of NSW Local Government Investments* (Cole Inquiry Report). The Uralla Shire Council has determined that the balance of their holding of CDOs, having sold those instruments of value and received the principal of others on maturity, are to be valued at no value on 30 June 2012 and recorded only as contingent assets

(ii) *Critical judgement in applying the entity's accounting policies*

The Uralla Shire Council has made a significant judgement about the provision of doubtful debt of a receivable in Note 7.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Note 1 - Significant Accounting Policies (continued)**

**2. REVENUE RECOGNITION**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described herein. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

**2.1 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. However 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 the receipt of the rates.

Control over granted assets is obtained upon early notification that a grant has been secured, receipt of the funds or upon acquittal, whichever is the declared method from the granting authority and are valued at their fair value at the date of transfer. Notice is taken of the declared intention of the granting body as to the intention and effective accounting period of the grant.

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

Where grants, contributions and donations recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in Note 3 (page N20). Also disclosed are the amounts of grants, contributions and receivables recognised as revenues in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

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.

**2.2 User charges and fees**

User charges and fees are recognised as revenue when the service has been provided, the payment received, or when the penalty has been applied, whichever occurs first.

**2.3 Sale of plant, property, infrastructure and equipment**

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

**2.4 Interest and rents**

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Note 1 - Significant Accounting Policies (continued)**

**3. 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.

**3.1 The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (as amended), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. The consolidated fund and other entities through which Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

- Uralla Shire Council general purpose operations
- Uralla and Bundarra Joint Water Fund
- Uralla Local Sewer Sewerage Fund
- McMaugh Garden Aged Care

The following Committees, the transactions of which are considered immaterial by either amount or nature, have been excluded:

- Uralla Events Management Committee
- Bundarra School of Arts Hall, Caravan Park and Rural Transaction Centre Management Committee

Total revenues and expenditures of the excluded Committees are as follows:

Total revenues (other than Council contributions)	\$12,200
Total expenditures	\$23,300

Note: For the Bundarra School of Arts Hall, Caravan Park and Rural Transaction Centre Management Committee, where the actual figures are not known, the best estimate has been applied.

**3.2 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

**3.3 Joint Ventures, Jointly controlled entities or operations**

The Uralla Shire Council is not involved in any joint ventures, jointly controlled entities or jointly controlled operations, at this time. However, when such activities are entered into; the proportional interests in the assets, liabilities and expenses for the joint venture activity, the equity share for jointly controlled entities, or the share of income and expenditures as well as assets controlled and liabilities incurred by Council for jointly controlled operations; would be incorporated in the financial statements under the appropriate headings.

**3.4 County Council**

The Uralla Shire Council is a member of the New England Noxious Weeds County Council, a body established under the Local Government Act to control weeds in the New England Region. Council; along with its other member councils, Armidale Dumaresq, Guyra Shire and Walcha Shire Councils; neither controls nor significantly influences the County Council. Accordingly, the New England Noxious Weeds County Council has not been consolidated or otherwise included in the financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Note 1 - Significant Accounting Policies (continued)**

**4 ACCOUNTING PRINCIPLES**

**4.1 Leases**

Leases of property, plant and equipment where Council, as the lessee, has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and the finance cost.

The Uralla Shire Council does not, as a matter of principle, engage in finance leases, and therefore does not have any finance leases.

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

Lease income from operating leases where Council is the lessor is recognised as income on a straight-line basis over the term of the lease, as outlined in section 2.4 of this note.

**4.2 Acquisition of assets**

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the asset given, plus cost directly attributed to the acquisition

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of the exchange. The discount rate used is Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**4.3 Impairment of assets**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

For non cash generating assets; such as roads, public buildings, parks and reserves; value in use is represented by the "depreciated value" of the asset, which is approximated as its written down replacement cost.

**4.4 Cash and cash equivalents**

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

**4.5 Receivables**

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

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payment (more than 30 days overdue) are considered indicators that the receivable is impaired.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Note 1 - Significant Accounting Policies (continued)**

**4.5 Receivables (Continued)**

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect is immaterial.

The amount of the impairment loss is in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

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.

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

**4.6 Inventories**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**4.7 Payables**

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

**4.8 Borrowings**

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

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

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

**4.9 Borrowings Costs**

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

**4.10 Provisions - Generally**

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



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Note 1 - Significant Accounting Policies (continued)**

**4.10 Provisions – Generally (Continued)**

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

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

**4.11 Provision for Sick Leave**

No accrual, or provision, is made for sick leave, other than an amount to cover those Council employees from pre 15 February 1993 who are entitled to payment of 50% of their unpaid sick leave to a maximum of 4 weeks on their resignation or retirement. Council's experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods

**4.12 Provision for the close down and restoration and for environmental clean-up costs – Landfill**

*(i) Restoration*

Close down and restoration costs; include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based upon the net present value of the estimated future cost. Provision for close down and restoration costs do not include any additional obligations which may be expected to arise from future disturbances. The costs are estimated on the basis of the anticipated life of the operation under current conditions and a closure plan. The cost estimates are calculated annually to reflect known (and accepted) developments and are subject to regular formal reviews.

Close down and restoration costs are the normal consequence of tip and quarry operations. The majority of close down and restoration expenditure is incurred at the end of the life of the operation. However council is negotiating with the Department of the Environment, Climate Change and Water (DECCW) for a progressive rehabilitation of the disturbed areas of the Uralla landfill site utilising a process, which could reduce substantially the end of life expenditure and replacing this with smaller annual expenditures. Other movements in the provision for the close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated life of the operation and revision to discount rates are capitalised within the property carrying amount in Infrastructure, Property Plant and Equipment. The costs are then depreciated over the lives of the assets to which they relate. The provision is based upon rehabilitation and restoration of landfill sites, current engineering studies using current restoration standards and techniques.

The amortisation or "unwinding" of the discount 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.

*(ii) Rehabilitation*

When rehabilitation begins systematically over the life of the operation, rather than at the closure of the operation, the provision will be made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost will be charged to the income statement.

Provision will be made for the estimated present value of the cost of environmental clean up obligations outstanding at the balance date. The costs will be charged to the income statement, reducing the current "unwinding" of the discount in establishing the net present value of provision for Restoration. Movements in the environmental clean up provisions will be an operating cost, except for the reduced "unwinding" of the discount, which will continue to be a borrowing cost.

Remediation procedures generally commence soon after the time of the disturbance, remediation costs therefore are more accurately known, however the works may continue for many years depending upon the nature of the disturbance and the remediation process.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Note 1 - Significant Accounting Policies (continued)**

**4.12 Provision for the close down and restoration and for environmental clean-up costs – Landfill (Continued)**

(ii) *Rehabilitation (Continued)*

As noted previously, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors; including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which could affect future financial results.

**4.13 Payments Received in Advance and Deposits**

Amounts, including grants, 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 may be the case.

**4.14 Allocation between current and non-current assets and liabilities**

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the ensuing 12 months, being the Council's operational cycle.

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

Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

**4.15 Goods and Services Tax (GST)**

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

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

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

**4.16 Rounding**

In accordance with the Code of Accounting Practice all amounts shown in the financial statements are in Australian currency and unless otherwise indicated, the amounts have been rounded to the nearest thousand dollars

**5 INVESTMENTS AND OTHER FINANCIAL ASSETS.**

**5.1 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.

**5.2 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Note 1 - Significant Accounting Policies (continued)**

**5.3 *Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the balance sheet.

**5.4 *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.

**5.5 *Available-for-sale financial assets***

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

**5.6 *Financial assets – reclassification***

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

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, Council may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

**5.7 *Recognition and de-recognition***

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is 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.

**5.8 *Subsequent measure***

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Note 1 - Significant Accounting Policies (continued)**

**5.8 Subsequent measure (Continued)**

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.

Details on how the fair value of financial instruments is determined are disclosed in section 5.11 below.

**5.9 Impairment**

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

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

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

**5.10 Investment Policy**

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed – for example it's Collateralised Debt Obligations (CDOs) – however they have been retained, at no value, under grandfathering provisions of the Order. The sole future cash flows will result from favourable legal proceedings.

**5.11 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 2011**

**Note 1 - Significant Accounting Policies (continued)**

**6 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (IPPE)**

**6.1 Transitional Provisions**

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Any land under roads that were recognised before 1 July 2008 was de-recognised at 1 July 2008 against the opening balance of retained earnings. Land acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment. Land under roads is land under roadways and road reserves including land under footpaths, nature and median strips

**6.2 Recognition**

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and assets are depreciated from the first full year of 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. Improvements on Crown Reserves are also recorded as assets, while maintenance cost incurred by Council and revenues relating to the reserves are recognised with Council’s Income Statement. Representations from both State and Local Government are being sought to develop a consistent accounting treatment for Crown Reserves across both tiers of government

Under Section 119 of the Rural Fire Services Act 1997, “all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed”. Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire services assets; including land buildings, plant vehicles and some equipment as a Council asset. Council has title to, and is the registered owner of 16 rural fire appliances and associated rural fire fighting equipment. These assets are under the management of the Regional Rural Fire Services to enable that Department to provide the bushfire protection defences as set out in their Service Level Agreement with Council. In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment

**6.3 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 as follows:

Office furniture and equipment	\$250
Plant and equipment	\$300
Park furniture and equipment	\$1,000
New Construction on buildings, Water and Sewer Infrastructure	\$2,000

**6.4 Valuation**

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

Operational Land	External Valuation
Community Land	Internal Valuation
Buildings Non Specialised	External Valuation
Buildings specialised (large)	External Valuation
Buildings (other)	External and internal Valuation
Water / Sewer Networks	Internal Valuation
Sealed Road Surface, footpaths, Kerb and Guttering and Street Furniture	External Valuation
Unsealed Roads	Internal Valuation
Bulk Earthworks	Internal Valuation
Bridges	Internal Valuation
Stormwater Drainage	Internal Valuation
Other Structures and other assets	as approximated by depreciated historical cost
Artwork	External Valuation

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Note 1 - Significant Accounting Policies (continued)**

**6.4 Valuation (Continued)**

Water and Sewer network assets are indexed annually between full revaluations in accordance with the latest indices provided by the NSW Office of Water – Reference Rates Manual. Council applies a similar methodology, to that applied to Water and Sewer Assets for all other assets (that have been previously re-valued), to maintain a consistent review of the fair value of Council's infrastructure assets; except for plant and equipment, office equipment and furniture and fittings. These annual incremental increases in Valuation and Accumulated Depreciation will reduce the impact of the incremental increases emerging from the full revaluation when undertaken next on the 5 year cycle.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**6.5 Depreciation of Non-Current Assets**

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:

Motor Cars - Sedans	5 years	Dams and Reservoirs	100 years
Trucks and Utilities	5 - 10 years	Water Mains	80 – 100 years
Dozers, Graders, Rollers	10 years	Water Treatment Plant	70 – 100 years
Tractors, Backhoes, Loaders	10 years	Meters and Water Plant	10 years
Office Equipment	5 - 20 years	Sewer Treatment Plant	50 - 100 years
Furniture and Fittings	5 - 20 years	Sewer Mains	70 - 100 years
Library Books	5 years	Sewer Pump Stations	70 - 100 years
Buildings – masonry	50 - 100 years	Unsealed roads formation	5 – 36 years
Buildings – other construction	20 – 40 years	Sealed roads surface	25 - 50 years
Playground equipment	5 - 15 years	Sealed roads base	70 – 80 years
Benches seats	10 – 20 years	Concrete roads surface	60 years
Stormwater Drainage	90 years	Timber Bridges	40 years
Culverts	80 years	Concrete/Steel Bridges	120 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The Council's infrastructure assets are subject to the valuation incremental adjustment, referred to in Section 6.4 above. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

**6.6 Investment Property**

The Uralla Shire Council does not hold any investment property. Investment property principally comprises of freehold building, including building under construction, held for long term rental yields and not occupied or to be occupied by Council.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Note 1 - Significant Accounting Policies (continued)**

**7. EMPLOYEE BENEFITS**

**7.1 Short-term Employee Benefit Obligations**

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

**7.2 Other Long-term Employee Benefit Obligations**

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

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

**7.3 Retirement Benefit Obligations**

All employees of Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficit of assets over liabilities. As a result, they have asked for significant contributions to recover that deficiency. Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason no liability for the deficiency has been recognised in Council's accounts. Council has, however, disclosed a contingent liability in Note 18 (Item 2) to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**8. BUDGET INFORMATION**

The Income Statement, 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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Note 1 - Significant Accounting Policies (continued)**

**9. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

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

*AASB 9 Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010 (effective from 1 January 2013). In December 2011 the International Accounting Standards Board (IASB) delayed the application date of IFRS 9 to 1 January 2015. The Australian Accounting Standards Board (AASB) is expected to make an equivalent amendment to AASB 9 shortly.* AASB *Financial Instruments* addresses the clarification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect the Council's accounting for available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit and loss. **Council has assessed that there will be no impact on its accounting for financial assets, as the new requirement only affect the accounting for financial liabilities that are designated at fair value through profit and loss and Council does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.**

*AASB 10: Consolidated Financial Statements*

*AASB 11 Joint Arrangements*

*AASB 12 Disclosure of Interest in Other Entities*

*AASB 127 (revised) Separate Financial Statements*

*AASB 128 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective from 1 January 2013)*

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

AASB 10 replaces all of the guidance on the control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influences returns. Returns must vary and can be positive, negative or both. Control exists when an investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. **This has no impact on Council.**

AASB 11 introduces a principles based approach to accounting for accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. Joint ventures are accounted for using the equity method, with the choice to proportionally consolidate no longer permitted. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. **Council's investment in joint venture partnerships will be classified as a joint venture under the new rules. Since Council already applies the equity method in accounting for such investments AASB 11 will not have any impact on the amounts recognised in its financial statements.**

AASB 12 sets out the required disclosures for entities reporting under two new standards, AASB 10 and AASB 11 (noted above), and replaces the disclosure requirements currently found in AASB 127 and AASB 128. **Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but may impact on the type of information disclosed in relation to Council's investments.**



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Note 1 - Significant Accounting Policies (continued)**

**9. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (Continued)**

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not measure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduces a "partial disposal" concept. **Council is still assessing the impact of these amendments.**

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

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. **Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the types of information disclosed in the notes to the financial statements.**

**Council does not intend to adopt the new standards, AASB 10, AASB 11, AASB 12, AASB 13, AASB 127 and AASB 128, before their operative date, which means that they would be first applied in the annual reporting period ending 30 June 2014.**

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

A revised standard AASB 119 on accounting for employee benefits was released in September 2011. It requires the recognition of all measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in the Income Statement. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. **Council does not recognise defined benefits assets and liabilities for the reasons set out in note 1 – 7.3 and these changes will not have an impact on its reported results.**

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

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 2 - FUNCTIONS

REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES												
Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	2012	2011	2012	2011
2012 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
GOVERNANCE	10	-	438	529	407	(438)	(519)	(407)	-	-	-	-
ADMINISTRATION	433	511	346	521	(27)	452	538	(106)	76	99	12,724	11,359
PUBLIC ORDER and SAFETY	198	175	214	276	157	272	(78)	(58)	120	180	955	835
HEALTH	5	2	-	50	88	107	(45)	(107)	-	-	-	-
ENVIRONMENT	1,093	1,151	1,104	1,178	1,712	1,506	(85)	(402)	65	15	26	-
COMMUNITY SERVICES AND EDUCATION	5,388	5,295	5,693	5,222	5,411	4,915	166	(116)	778	4,431	7,043	7,902
HOUSING AND COMMUNITY AMENITIES	185	247	181	454	526	449	(269)	(268)	121	109	4,310	5,334
WATER SUPPLIES	755	643	965	605	820	565	150	(177)	400	36	18,157	17,970
SEWERAGE SERVICES	498	527	677	368	612	353	130	(85)	324	13	7,934	8,828
RECREATION AND CULTURE	146	112	100	752	742	635	(606)	(535)	65	60	6,224	6,291
FUEL AND ENERGY	-	-	-	-	-	-	-	-	-	-	-	-
MINING, MANUFACTURING AND CONSTRUCTION	-	-	-	8	13	1	(8)	(1)	-	-	9	10
TRANSPORT AND COMMUNICATION	2,267	2,752	1,630	4,911	5,494	5,077	(2,644)	(2,742)	(3,447)	587	255,139	247,513
ECONOMIC AFFAIRS	49	76	72	312	344	305	(263)	(233)	12	50	1,544	1,506
<b>TOTALS - FUNCTIONS</b>	<b>11,017</b>	<b>11,501</b>	<b>10,982</b>	<b>15,095</b>	<b>16,421</b>	<b>15,044</b>	<b>(4,078)</b>	<b>(4,920)</b>	<b>(4,062)</b>	<b>6,771</b>	<b>314,065</b>	<b>307,548</b>
GENERAL PURPOSE REVENUES	4,786	4,351	5,328				4,786	4,351	5,328	2,060		
<b>TOTALS</b>	<b>15,803</b>	<b>15,852</b>	<b>16,310</b>	<b>15,095</b>	<b>16,421</b>	<b>15,044</b>	<b>708</b>	<b>(569)</b>	<b>1,266</b>	<b>8,341</b>	<b>314,065</b>	<b>307,548</b>

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 2012

### Note 2 (continued) - 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.

#### **Administration**

Administration costs; including finance, IT, Human Resource management, records and overall engineering management; less costs allocated to other functions.

#### **Public Order and Safety**

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

#### **Health**

Administration and inspection, food control, health centres, other.

#### **Environment**

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

#### **Community Services and Education**

Administration, Aged Care Centres, Auspiced Aged and Disabled Community (including specifically Aboriginal) Care and Services, family day care, child-care, youth services, other services to families and children, other community services.

#### **Housing and Community Amenities**

Building control, public cemeteries, public conveniences, street lighting, town planning, housing, other community amenities.

#### **Water Supplies**

#### **Sewerage Services**

#### **Recreation and Culture**

Public libraries, community centres, public halls, sporting grounds and venues, swimming pool, parks and gardens, other sport and recreation.

#### **Mining, Manufacturing and Construction**

Quarries, other.

#### **Transport and Communication**

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

#### **Economic Affairs**

Caravan parks, camping and fossicking areas, tourism and area promotion, industrial development promotion, private works, other business undertakings.

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 3 - INCOME

<b>RATES &amp; ANNUAL CHARGES</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
<u>Ordinary Rates</u>		
Residential	1,011	979
Farmland	1,968	1,916
Mining	-	-
Business	76	74
	<b>3,055</b>	<b>2,969</b>
<u>Annual Charges (pursuant to s496,496A, 496B s501 &amp; s611)</u>		
Domestic Waste Management	223	208
Water Supply	314	332
Sewerage Services	467	459
Drainage	-	-
Stormwater Management	29	29
Other Waste Management	501	478
	<b>1,534</b>	<b>1,506</b>
<b>Total Rates &amp; Annual Charges</b>	<b>4,589</b>	<b>4,475</b>
 <b>USER CHARGES &amp; FEES</b>		
<u>User Charges (per s502 - Specific Actual User Charges)</u>		
Domestic Waste Management	168	186
Water Supply	283	389
Sewerage Services	8	20
Drainage Services	-	-
Other Waste Management	17	20
Other	-	-
	<b>476</b>	<b>615</b>
<u>Fees and Charges - (incl General User Charges per. s608)</u>		
Private Works	334	156
Tablelands Community Transport	6	9
Scrap Metal Sales	81	73
Town Planning	81	77
Inspection fees	21	17
Section 603 certificate fees	9	8
Swimming Pool	14	16
Caravan parks	1	1
Community Centres and Public Halls	9	8
Tablelands Community Support Options	86	137
Aged Care	687	686
Cemeteries	24	19
Bundarra Neighbour Aid	8	11
Other	19	10
	<b>1,380</b>	<b>1,228</b>
<b>Total User Charges &amp; Fees</b>	<b>1,856</b>	<b>1,843</b>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 3 - REVENUES (cont)

	2012 \$'000	2011 \$'000
<b>INVESTMENT REVENUES</b>		
Interest receivable		
- overdue rates & charges	43	43
- cash & investments	365	393
- other		
Fair value adjustments - investments		
- other	(3)	412
<b>Gross Investment Revenues</b>	<b>405</b>	<b>848</b>
Less: Interest deducted from capitalised borrowing costs	-	-
<b>Total Investment Revenues</b>	<b>405</b>	<b>848</b>

Council's net return on investments for the prior reporting periods has been materially affected by the potential gain in value of certain financial instruments, full details of which have been provided in Note 15.

### OTHER REVENUES

Other fines	-	1
Rental income - Investment Property	-	-
- Other property	114	64
Insurance Claims	112	32
Commissions & Agency Fees	1	4
Legal Fees Recovered	39	1
Miscellaneous sales	69	59
Other	289	229
<b>Total Other Revenues</b>	<b>624</b>	<b>390</b>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 3 - INCOME (cont)

	Notes	OPERATING		CAPITAL	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>GRANTS</b>					
General Purpose (Untied)					
Financial Assistance		1,570	1,535	-	-
Individually significant item	see	-	525	-	-
- additional Grants Commission payment	below				
Pensioner Rates Subsidies (General)		79	74	-	-
Specific Purpose					
Pensioner Rates Subsidies		-	-	-	-
Water Supplies		14	36	-	-
Sewerage Services		13	-	-	-
Domestic Waste Management		4	51	-	-
Aged Care Facilities		1,117	1,247	-	30
Kamilaroi Ageing and Disability Services		1,094	1,049	-	95
Library		29	29	-	-
Street Lighting		6	6	-	-
Roads & Bridges		-	-	913	714
Employment & Training Programs		15	43	-	-
Tablelands Community Support Options		1,671	1,720	-	-
Tablelands Community Transport		273	232	-	-
Bundarra Neighbour Aid		55	48	7	-
Bushfire & Emergency Services		-	182	120	-
Other		133	68	53	75
<b>Total Grants &amp; Subsidies</b>		<b>6,073</b>	<b>6,845</b>	<b>1,093</b>	<b>914</b>
<b>Comprising:</b>					
- Commonwealth funding		4,239	4,761	21	-
- State funding		1,813	1,853	158	-
- Other funding		21	231	914	914
		<b>6,073</b>	<b>6,845</b>	<b>1,093</b>	<b>914</b>
<b>Individually significant item</b>					
On 28 June 2011 Council received payment of the first quarter instalment of the 2011/12 Grant Commission (FAG) grant. Similarly, on 28 June 2012 Council received payment of the first <b>two</b> instalments of the 2012/13 grant. However, as the Federal Budget Paper No. 3 page 114 stated "recognising a decision by the Commonwealth for \$1.1billion to be brought forward from 2012/13 to be paid in 2011/12" the amount of \$1.084m was treated as a prepayment rather than income in 2011/12.		-	525	-	-
<b>CONTRIBUTIONS &amp; DONATIONS</b>					
Developer Contributions					
Section 94	17	81	11	-	-
Section 94A levies	17	-	2	-	-
RTA Contributions		1,067	906	-	-
Other		27	68	-	-
<b>Total Contributions &amp; Donations</b>		<b>1,175</b>	<b>987</b>	<b>-</b>	<b>-</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>		<b>7,248</b>	<b>7,832</b>	<b>1,093</b>	<b>914</b>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### 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:

	2012 \$'000		2011 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
<i>Unexpended at the close of the previous reporting period</i>	540	225	220	240
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>				
Section 94/64 Developer Contributions				30
Roads Infrastructure	58		36	
Heritage & Cultural Services	0		5	
Community Care Services	395		37	
Other	27		0	
<i>Subtotal</i>	<u>480</u>	<u>0</u>	<u>78</u>	<u>30</u>
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>				
Section 94/64 Developer Contributions		85	0	15
Roads Infrastructure	32		119	
Heritage & Cultural Services			279	
Community Care Services	207		0	
Other	68			
<i>Subtotal</i>	<u>307</u>	<u>85</u>	<u>398</u>	<u>15</u>
<i>Unexpended at the close of this reporting period and held as restricted assets</i>	<u>367</u>	<u>310</u>	<u>540</u>	<u>225</u>
<i>Net increase (decrease) in restricted assets in the current</i>	<u><u>-173</u></u>	<u><u>85</u></u>	<u><u>320</u></u>	<u><u>-15</u></u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 4 - EXPENSES

	2012 \$'000	2011 \$'000
<b>EMPLOYEE BENEFITS AND ONCOSTS</b>		
Salaries and Wages	5,497	5,277
Travelling	7	10
Employee Leave Entitlements	1,514	922
Superannuation - defined contribution plan contributions	640	493
Superannuation - defined benefit plan contributions	269	270
Workers' Compensation Insurance	223	250
Fringe Benefits Tax	28	20
Training Costs (excluding Salaries)	50	30
Other	1	1
Less: Capitalised and distributed costs	<u>(698)</u>	<u>(621)</u>
<b>Total Operating Employee Costs</b>	<b><u>7,531</u></b>	<b><u>6,652</u></b>
 <b>Total Number of Employees</b>	 <b>107</b>	 <b>104</b>
<i>(Full time equivalent at end of reporting period)</i>		
 <b>BORROWING COSTS</b>		
Interest on Loans	125	133
Unwinding of present value discounts & premiums	<u>46</u>	<u>50</u>
<b>Gross Interest Charges</b>	<b>171</b>	<b>183</b>
 <b>MATERIALS &amp; CONTRACTS</b>		
Raw materials & consumables	1,765	1,896
Contractor and consultancy costs	2,164	2,290
Auditor's Remuneration		
- Audit Services	18	25
- Other Services	-	-
Legal Expenses		
- Planning & Development	38	-
- Other Legal Expenses	1	12
Other		
<b>Total Materials &amp; Contracts</b>	<b><u>3,986</u></b>	<b><u>4,223</u></b>



# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

<b>Note 4 - EXPENSES (cont)</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>DEPRECIATION &amp; AMORTISATION</b>		
Plant and Equipment	741	699
Office Equipment	41	35
Furniture & Fittings	54	48
Buildings - non-specialised	179	-
Buildings	-	79
Other Structures	75	93
Infrastructure		
- roads, bridges & footpaths	2,237	2,178
- bulk earthworks	-	-
- stormwater drainage	29	8
- water supply network not elsewhere included	246	54
- sewerage network not elsewhere included	179	13
Other assets		
- heritage collections	-	(7)
- other	1	1
Future Reinstatement Costs		
- Tips	10	10
Less: Capitalised and distributed costs	<u>(214)</u>	<u>(205)</u>
<b>Total Depreciation &amp; Amortisation</b>	<b><u>3,578</u></b>	<b><u>3,006</u></b>
 <b>OTHER EXPENSES</b>		
Bad and Doubtful Debts	45	1
Mayoral fee	16	14
Councillors' Fees & Allowances	87	83
Councillors' (incl. Mayor) Expenses	30	29
Insurances	238	143
Street Lighting	50	46
Light, Power & Heating	227	204
Telephone & Communications	93	91
Donations & Contributions to Local & Regional Bodies	245	296
Advertising	53	46
Election Expenses	-	-
Subscriptions & Publications	71	27
<b>Total Other Expenses</b>	<b><u>1,155</u></b>	<b><u>980</u></b>

*Individually Significant Item*  
NIL

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2012 \$'000	2011 \$'000
<b>DISPOSAL OF INFRASTRUCTURE, PLANT &amp; EQUIPMENT</b>		
Proceeds from disposal	235	164
Less: Carrying amount of assets sold	198	156
<b>Gain (Loss) on disposal</b>	<b>37</b>	<b>8</b>
<b>DISPOSAL OF FINANCIAL INSTRUMENTS</b>		
Proceeds from disposal	609	3,695
Less: Carrying amount of assets sold	609	3,695
<b>Gain (Loss) on disposal</b>	<b>-</b>	<b>-</b>
<b>TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS</b>	<b>37</b>	<b>8</b>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 6 - CASH ASSETS & INVESTMENT SECURITIES

	2012		2011	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>CASH ASSETS</b>				
Cash on Hand and at Bank	20	-	173	-
Deposits at Call	1,052	-	653	-
<b>Total Cash Assets</b>	<u>1,072</u>	<u>-</u>	<u>826</u>	<u>-</u>

*Cash Assets comprise short-term, highly liquid investments readily convertible to known amounts of cash that are subject to insignificant risk of changes of value.*

#### INVESTMENT SECURITIES

##### Summary

Financial assets at fair value through profit and loss - held for trading	-	-	412	-
Held to maturity investments	6,300	-	4,900	-
Available for sale financial assets	-	-	-	-
<b>Total</b>	<u>6,300</u>	<u>-</u>	<u>5,312</u>	<u>-</u>

##### Financial assets at fair value through profit and loss - held for trading

At beginning of year	412	-		
Revaluation to Income Statement	(3)	-	412	-
Disposals	(409)	-		
At end of year	<u>-</u>	<u>-</u>	<u>412</u>	<u>-</u>

##### Held for trading:

- CDOs	-	-	412	-
	<u>-</u>	<u>-</u>	<u>412</u>	<u>-</u>

*Fair values for financial assets at fair value through profit or loss -held for trading are determined by quoted prices in active markets for identical investments.*

##### Held to Maturity Investments

At beginning of year	4,900	-	4,500	-
Additions	1,600	-	4,095	-
Disposals	(200)	-	(3,695)	-
At end of year	<u>6,300</u>	<u>-</u>	<u>4,900</u>	<u>-</u>

##### Comprising:

- Term Deposits	6,300	-	4,900	-
	<u>6,300</u>	<u>-</u>	<u>4,900</u>	<u>-</u>

*Fair values for available-for-sale financial instruments are determined by quoted prices in active markets for identical investments.*

*The permitted forms of investment in financial instruments of the Council are defined in an order made by the Minister for Local Government on 12 January 2011, 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 5.00% and 6.01% (2011- 4% and 6.12%). NCDs, CDOs, FRNs and Managed Funds are all with organisations with credit ratings that complied with the Minister's Order at the time of acquisition and bear various rates of rates of return between 4.3956% and 6.565% (2011 - 5.79% and 6.52%).*

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 6 - CASH ASSETS & INVESTMENT SECURITIES (cont)

#### RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	2012		2011	
	Current	Non-Current	Current	Non-Current
Cash & Cash Equivalent Assets	1,072		826	
Investment Securities	6,300	-	5,312	-
<b>TOTAL CASH &amp; INVESTMENT SECURITIES</b>	<b>7,372</b>	<b>-</b>	<b>6,138</b>	<b>-</b>
<b>External Restrictions</b>	<b>2,918</b>		<b>3,125</b>	
<b>Internal Restrictions</b>	<b>3,218</b>		<b>2,879</b>	
<b>Unrestricted</b>	<b>1,236</b>	<b>-</b>	<b>134</b>	<b>-</b>
	<b>7,372</b>	<b>-</b>	<b>6,138</b>	<b>-</b>

#### DETAILS OF MOVEMENTS OF RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	Notes	Opening Balance 30 June 2011	Movements		Closing Balance 30 June 2012
			Transfers To Restriction	Transfers From Restriction	
		\$'000	\$'000	\$'000	\$'000
<b>External Restrictions</b>					
<b>Other</b>					
Developer Contributions	17	225	85	-	310
Unexpended Grants		540	307	480	367
Water Supply funds		651	84	-	735
Sewerage funds		860	16	-	876
McMaugh Gardens Aged Care		849		219	630
		<b>3,125</b>	<b>492</b>	<b>699</b>	<b>2,918</b>
<b>Total External Restrictions</b>		<b>3,125</b>	<b>492</b>	<b>699</b>	<b>2,918</b>

*External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (General) Regulation 2005 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) and certain annual charges may only be used for those purposes.*

#### **Internal Restrictions**

Employee Leave Entitlements	591	249	-	840
Plant replacement	325	175	-	500
Carry-over works	889	293	-	1,182
FA Grants in Advance	525		525	-
Accommodation Bond Guarantee	549	147	-	696
<b>Total Internal Restrictions</b>	<b>2,879</b>	<b>864</b>	<b>525</b>	<b>3,218</b>

*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 2012

### Note 7 - RECEIVABLES

	2012 \$'000		2011 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates & Annual Charges	300	-	393	-
Interest & Extra Charges	85	-	26	-
User Charges & Fees	195	-	60	-
Accrued Revenues	296	-	408	-
Deferred Debtors	-	-	-	-
Other levels of Government	145	-	179	-
Other	878	-	477	-
<b>Total</b>	<b>1,899</b>	<b>-</b>	<b>1,543</b>	<b>-</b>
Less: Allowance for Doubtful Debts				
Other	50	-	8	-
	<u>1,849</u>	<u>-</u>	<u>1,535</u>	<u>-</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 11.00% (2011: 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.

**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.

### RESTRICTED RECEIVABLES

Water Supply	256	20	281	29
Sewerage Services	58	-	62	-
McMaugh Gardens	662	-	-	-
<b>Total Restrictions</b>	<b>976</b>	<b>20</b>	<b>343</b>	<b>29</b>
Unrestricted Receivables	873	(20)	1,192	(29)
<b>Total Receivables</b>	<b>1,849</b>	<b>-</b>	<b>1,535</b>	<b>-</b>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 8 - INVENTORIES & OTHER ASSETS

	2012 \$'000		2011 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>INVENTORIES</b>				
Stores & Materials	172	-	169	-
<b>Total Inventories</b>	<b>172</b>	<b>-</b>	<b>169</b>	<b>-</b>

*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.*

<b>OTHER ASSETS</b>				
Prepayments	88	-	85	-
<b>Total Other Assets</b>	<b>88</b>	<b>-</b>	<b>85</b>	<b>-</b>

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

#### Note 9 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2011 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000						2012 \$'000			
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	Impairment	Transfers, etc.	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Capital Work-in-progress	-	-	-	-	398	-	-	-	-	-	398	-	-	398
Plant & Equipment	-	7,721	(4,002)	3,719	724	(198)	(741)	-	-	-	-	6,061	(2,557)	3,504
Office Equipment	-	749	(644)	105	31	-	(41)	-	-	-	-	205	(110)	95
Furniture & Fittings	-	1,069	(700)	369	70	-	(54)	-	-	2	-	723	(336)	387
Leased Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land														
- Operational Land	-	3,102	-	3,102	-	-	-	-	-	-	-	3,102	-	3,102
- Community Land	-	666	-	666	-	-	-	-	-	-	-	666	-	666
Land under roads														
- pre 1 July 2008	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- post 1 July 2008	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - non-depreciable	-	17	-	17	-	-	-	-	-	-	-	17	-	17
Land Improvements - depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings - non-specialised	-	16,524	(869)	15,655	187	-	(179)	-	-	78	-	16,798	(1,057)	15,741
Buildings - specialised	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Structures	-	2,346	(1,268)	1,078	46	-	(75)	-	-	-	-	1,827	(778)	1,049
Infrastructure														
- Roads, bridges, footpaths	-	114,317	(30,400)	83,917	1,034	-	(2,237)	-	-	1,543	-	116,736	(32,479)	84,257
- Bulk earthworks (non-deprec.)	-	163,539	-	163,539	978	-	-	-	-	3,126	-	167,643	-	167,643
- Stormwater drainage	-	2,639	(548)	2,091	23	-	(29)	-	-	40	-	2,561	(436)	2,125
- Water Supply Network	-	18,302	(892)	17,410	7	-	(246)	-	-	429	-	18,738	(1,138)	17,600
- Sewerage Network	-	8,418	(847)	7,571	24	-	(179)	-	-	186	-	8,628	(1,026)	7,602
Other Assets														
- Heritage Collections	-	90	-	90	-	-	-	-	-	-	-	90	-	90
- Library Books	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	-	18	(9)	9	26	-	(1)	-	-	-	-	44	(10)	34
Future Reinstatement Costs														
- Tips	-	456	(172)	284	-	-	(10)	-	-	-	-	456	(182)	274
- Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other remediation assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	-	339,973	(40,351)	299,622	3,548	(198)	(3,792)	-	-	5,404	398	344,295	(40,109)	304,584

Asset acquisitions were apportioned between:

Building & Infrastructure Renewals	2,554
Building & Infrastructure New Assets	97
Other Assets	897

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

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

	2012 \$'000				2011 \$'000			
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
<b>Water Supply</b>								
Plant & Equipment	3		(1)	2	9		(6)	3
- Operational		234	-	234	-	234	-	234
- non depreciable land improv'ts		-	-	-		-	-	-
Land Improvements - depreciable								
Buildings		346	(31)	315		344	(26)	318
Other Structures				-				-
Water Supply Infrastructure		18,765	(1,165)	17,600		18,301	(890)	17,411
- Other		9	(3)	6		7	(3)	4
<b>Total Water Supply</b>	<b>3</b>	<b>19,354</b>	<b>(1,200)</b>	<b>18,157</b>	<b>9</b>	<b>18,886</b>	<b>(925)</b>	<b>17,970</b>
<b>Sewerage Services</b>								
Land								
- Operational		169	-	169		169	-	169
- non depreciable land improv'ts		6	-	6		-	-	-
Buildings		104	(5)	99		103	(3)	100
Other Structures		40	(20)	20		40	(19)	21
Sewerage Infrastructure		8,653	(1,052)	7,601		8,418	(848)	7,570
- Roads, bridges, footpaths		45	(6)	39		45	(6)	39
<b>Total Sewerage Services</b>	<b>-</b>	<b>9,017</b>	<b>(1,083)</b>	<b>7,934</b>	<b>-</b>	<b>8,775</b>	<b>(876)</b>	<b>7,899</b>
<b>Domestic Waste Management</b>								
Plant & Equipment		310	(87)	223		229	(32)	197
Land								
- Operational		227	-	227		228	-	228
Land Improvements - depreciable								
Buildings		414	(13)	401				-
Other Structures	170		(129)	41	170		(120)	50
- Other	28		(5)	23	25		(4)	21
<b>Total Domestic Waste</b>	<b>198</b>	<b>951</b>	<b>(234)</b>	<b>915</b>	<b>195</b>	<b>457</b>	<b>(156)</b>	<b>496</b>
<b>McMaugh Gardens Aged Care</b>								
Plant & Equipment	10		(9)	1	46		(45)	1
Office Equipment	17		(4)	13	28		(24)	4
Furniture & Fittings	420		(242)	178	569		(376)	193
Land								
- Council owned (freehold)		155	-	155		155	-	155
Roads, Parking and Footpaths		38	(4)	34		37	(3)	34
Buildings		4,180	(154)	4,026		4,147	(112)	4,035
Other Structures		130	(14)	116		124	(17)	107
<b>Total</b>	<b>447</b>	<b>4,503</b>	<b>(427)</b>	<b>4,523</b>	<b>643</b>	<b>4,463</b>	<b>(577)</b>	<b>4,529</b>
<b>TOTAL RESTRICTIONS</b>	<b>648</b>	<b>33,825</b>	<b>(2,944)</b>	<b>31,529</b>	<b>847</b>	<b>32,581</b>	<b>(2,534)</b>	<b>30,894</b>



# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 10 - LIABILITIES

	2012 \$'000		2011 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>PAYABLES</b>				
Goods & Services	646	-	627	-
Payments received in advance	1,082	-	-	-
Accrued salaries & wages	-	-	250	-
Accrued expenses - other	21	-	70	-
Alliance Private Works	-	-	-	-
Retirement Home Contributions	1,984	-	1,661	-
Deposits, Retentions & Bonds	-	-	-	-
<b>Total Payables</b>	<u>3,733</u>	<u>-</u>	<u>2,608</u>	<u>-</u>

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

**1,504**

1,281

#### **BORROWINGS**

Loans				
- Secured	100	1,464	130	1,563
- Unsecured				
Government Advances				
Ratepayer Advances				
Finance Lease Liability				
Deferred Payment Liabilities				
Other				
<b>Total Borrowings</b>	<u>100</u>	<u>1,464</u>	<u>130</u>	<u>1,563</u>

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

#### **PROVISIONS**

Employee benefits - annual leave	805	-	497	-
- sick leave	64	-	70	-
- long service leave	813	476	715	236
Reinstatement, Remediation, etc.	-	730	-	684
<b>Total Provisions</b>	<u>1,682</u>	<u>1,206</u>	<u>1,282</u>	<u>920</u>

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

**1,203**

945

Movements in Provisions	Employee Benefits 2012 \$'000	Reinstatement, etc. 2012 \$'000
Opening Balance	1,518	684
Add Additional amounts recognised	1,300	-
Unwinding of present value discounts	-	46
(Less) Payments	(660)	-
Closing Balance	<u>2,158</u>	<u>730</u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### NOTE 10 - LIABILITIES (cont)

#### Provision for Reinstatement, rehabilitation & restoration liabilities

Council is required by law to reinstate/ rehabilitate the areas of certain Landfills 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.

	2012		2011	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>AGGREGATE LIABILITY ARISING FROM EMPLOYEE BENEFITS</b>				
	<u>1,682</u>	<u>476</u>	<u>1,532</u>	<u>236</u>
 <b>LIABILITIES relating to RESTRICTED ASSETS</b>				
<u>Domestic Waste Management</u>				
Payables	-	-	-	-
Subtotal	-	-	-	-
<u>Water Supplies</u>				
Payables	-	-	-	-
Subtotal	-	-	-	-
<u>Sewerage Services</u>				
Payables	-	-	47	-
Subtotal	-	-	47	-
<u>McMaugh Gardens Aged Care</u>				
Payables	1,984	-	1,661	-
Interest Bearing Liabilities	3	74	3	77
Subtotal	<u>1,987</u>	<u>74</u>	<u>1,664</u>	<u>77</u>
<b>TOTAL</b>	<u>1,987</u>	<u>74</u>	<u>1,711</u>	<u>77</u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

**(a) Reconciliation of Cash**

Cash Assets comprise short-term, highly liquid investments readily convertible to known amounts of cash that are 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:

	2012 \$'000	2011 \$'000
Total Cash Assets (Note 6)	<u>1,072</u>	<u>826</u>
Balances per Statement of Cash Flows	<u>1,072</u>	<u>826</u>

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

Net Operating Result from Income Statement	(569)	1,266
Add: Depreciation, Amortisation & Impairment	3,578	3,006
Unwinding of present value discounts & premiums	46	67
Investments - impairment & fair value adjustments	3	(412)
Increase in provision for doubtful debts	42	-
Increase in employee benefits provisions	640	-
Increase in other provisions	-	-
Decrease in receivables	-	-
Decrease in inventories	-	16
Decrease in other assets	-	-
Increase in trade creditors & other accruals	801	-
	<u>4,542</u>	<u>3,943</u>
Less: Decrease in provision for doubtful debts	-	3
Decrease in employee benefits provisions	-	20
Increase in receivables	356	410
Increase in inventories	3	-
Increase in other assets	3	85
Decrease in trade creditors & other accruals	-	361
Decrease in other payables	-	422
Gain on Sale of Assets	37	8
<b>Net Cash provided by (or used in) operations</b>	<u><b>4,143</b></u>	<u><b>2,634</b></u>

**(c) Non-Cash Financing and Investing Activities**

Acquisition of assets by means of:

- Bushfire Grants	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

**(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	40	40

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 2012

### Note 12 - COMMITMENTS FOR EXPENDITURE

	2012 \$'000	2011 \$'000
<b>(a) Capital Commitments</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land	-	-
Buildings	-	-
Plant & Equipment	<u>131</u>	<u>-</u>
	<u>131</u>	<u>-</u>

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

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

INDICATORS - CONSOLIDATED				
	<u>Amounts</u>	<u>2012 Indicators</u>	2011	2010
<b>Unrestricted Current Ratio</b>				
<u>Unrestricted Current Assets*</u>	\$5,587	<b>2.4:1</b>	3.27:1	5.08:1
Current Liabilities not relating to Restricted Assets	\$2,325			
<b>Debt Service Ratio</b>				
<u>Net Debt Service Cost*</u>	\$254	<b>0.03:1</b>	0.03:1	0.02:1
Operating Revenue*	\$9,160			
<b>Rate &amp; Annual Charges</b>				
<b>Coverage Ratio</b>				
<u>Rates &amp; Annual Charges Revenues</u>	\$4,589	<b>0.29:1</b>	0.27:1	0.3:1
Revenue from continuing operations	\$15,852			
<b>Rates &amp; Annual Charges</b>				
<b>Outstanding Percentage</b>				
<u>Rates &amp; Annual Charges Outstanding</u>	\$385	<b>7.63%</b>	8.22%	9.74%
Rates & Annual Charges Collectible	\$5,043			
<b>Building &amp; Infrastructure</b>				
<b>Renewals Ratio</b>				
<u>Asset renewals*</u>	\$2,554	<b>0.89:1</b>	0.71:1	1.06:1
Depreciation, Amortisation, Impairment	\$2,870			

INDICATORS - BY FUND			
	Current Year Indicators		
	General	Water	Sewer
<b>Unrestricted Current Ratio</b>			
<u>Unrestricted Current Assets*</u>	1.56:1	0:1	0:1
Current Liabilities not relating to Restricted Assets			
<b>Debt Service Ratio</b>			
<u>Net Debt Service Cost*</u>	0.03:1	0:1	0:1
Operating Revenue*			
<b>Rate &amp; Annual Charges</b>			
<b>Coverage Ratio</b>			
<u>Rates &amp; Annual Charges Revenues</u>	0.26:1	0.51:1	0.9:1
Revenue from continuing operations			
<b>Rates &amp; Annual Charges</b>			
<b>Outstanding Percentage</b>			
<u>Rates &amp; Annual Charges Outstanding</u>	6.53%	17.13%	11.02%
Rates & Annual Charges Collectible			
<b>Building &amp; Infrastructure</b>			
<b>Renewals Ratio</b>			
<u>Asset renewals*</u>	1.04:1	0:1	0:1
Depreciation, Amortisation, Impairment			

\* 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 2012**

**Note 14 - INVESTMENT PROPERTY**

**THE COUNCIL DOES NOT HOLD INVESTMENT PROPERTIES**

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

#### 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.

Financial risk management is carried out by Finance section in accordance with policies approved by Council and in accordance with statutory requirements, and seeks to maximise revenue while protecting the corpus of the funds invested.

Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Financial Assets</b>				
Cash and Cash Equivalents	1,072	826	1,072	826
Receivables	1,849	1,535	1,849	1,535
Financial assets at fair value through profit & loss	-	412	-	412
Available-for-sale financial assets	6,300	4,900	6,300	4,900
Held-to-maturity investments	-	-	-	-
	<u>9,221</u>	<u>7,673</u>	<u>9,221</u>	<u>7,673</u>
<b>Financial Liabilities</b>				
Payables	3,733	2,608	3,733	2,608
Borrowings	1,564	1,693	1,564	1,693
	<u>5,297</u>	<u>4,301</u>	<u>5,297</u>	<u>4,301</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 18.

#### **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 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 a report in accordance with section 625 of the Act provided to Council monthly.

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.

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.

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 15 - FINANCIAL RISK MANAGEMENT (cont)

Interest Sensitivity Analysis	2012 \$'000	2011 \$'000
Impact of a 10% movement in price of investments (for assets subject to price risk only)		
- Equity	-	41
- Income Statement	-	41
 Impact of a 1% change in interest rates on cash & investments		
- Equity	63	53
- Income Statement	63	53

#### 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.

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

	2012	2011
Percentage of Rates & Annual Charges		
- Current	51%	54%
- Overdue	49%	46%

#### 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 12.

#### Liquidity Sensitivity Table

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

2012	Due			Total Contractual Cash Flows	Carrying Value
'000	≤ 1 year	2 - 5 years	> 5 years		
Payables	2,229	1,504		3,733	3,733
Borrowings	100	449	1,015	1,564	1,564
	<u>2,329</u>	<u>1,953</u>	<u>1,015</u>	<u>5,297</u>	<u>5,297</u>
 2011					
'000	≤ 1 year	2 - 5 years	> 5 years	Total Contractual Cash Flows	Carrying Value
Payables	1,327	1,281		2,608	2,608
Borrowings	140	438	1,115	1,693	1,693
	<u>1,467</u>	<u>1,719</u>	<u>1,115</u>	<u>4,301</u>	<u>4,301</u>



## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

#### 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:

	2012		2011	
	Wtd ave interest rate	Balance	Wtd ave interest rate	Balance
Overdraft	1.25%	-	1.25%	-
Loans - fixed interest rate	7.26%	<u>1,564</u>	7.58%	<u>1,693</u>
		<u>1,564</u>		<u>1,693</u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

### Note 16 – MATERIAL BUDGET VARIATIONS

Council's original budget comprised Part 5 of the Operational Plan adopted by Council on Monday 27 June 2011 (Resolution 207/11). The original projections on which the budget was based have been affected by decisions and new grant programs initiated by State and Federal Governments, particularly the decision to make an advance payment of two quarters of the Financial Assistance Grant in place of the prepayment of one quarter as in previous years; which necessitated a change in Council accounting treatment of the advance; by the weather, and by decisions made by the Council.

This Note sets out the principal variations (greater than 10%) between the original Budget and Actual results for the Income and Cash Flow Statements.

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

#### 1 INCOME STATEMENT

##### 1.1 General Overview

The budget set on Monday 27 June 2011 aimed for a surplus from all funds, after capital grants, of \$708,904. The actual result, after capital grants, is a deficit of \$568,946 a variation of \$1,277,850 (-180%).

##### 1.2 Investment Revenue **Unfavourable \$139k (25.6%)**

The budgeted income from investment was \$544,275. The income of \$361,837 plus \$43,032 for interest on outstanding rates and annual charges is \$139,406 less than budget reflecting the 2% lower interest rates achieved during 2011/2012.

##### 1.3 Other Revenues **Favourable \$179k 44.2%**

The landfill operation additional income of \$97,381 has been as a result of increased recycling effort. Reimbursement of \$142,600 consisting of insurance claims and recouped legal fees compared to the budget amount of \$16,000 was the majority of the additional income of \$179,000.

##### 1.4 Grants and Contributions - Operating **Unfavourable \$596k (7.6%)** Grants and Contributions - Capital **Favourable \$633k 137.6%**

In operating grants the Financial Assistance Grant received for the 2011/2012 year was \$490,868 less than the budget of \$2,060,000. The advanced Financial Assistance Grant paid by the Grants commission on 12 June 2012 of \$1,081,801 has been credited to "Payments received in advance" – refer Note 10 page N 30.

##### 1.5 Employee Benefits and on-costs **Unfavourable \$877k (13.2%)**

The leave provisions for 2009/2010 and 2010/2011 had been calculated on the available leave balances and excluded the whole years of long service above the available balances and for annual leave the months between the anniversary date to the 30 June was not calculated. This meant that the increase in the provision for 2011/2012 was \$639,500.08 against an anticipated annual increase of approximately \$200,000. The employees cost over budget allocations for McMaugh Gardens \$263,078, Domestic Waste Collection \$77,815, Landfill operation 102,378, Sealed Rural Road maintenance \$51,786 and Unsealed Rural Road maintenance \$53,837.

##### 1.6 Interest Charges **Unfavourable \$48k (39.0%)**

The unwinding of the net present value of the tip remediation of \$45,562 was not budgeted for in the original budget.

##### 1.7 Other Expenses **Unfavourable \$187k (19.3%)**

Bad and doubtful debts of \$45,304 were \$42,829 over the budget allocation recognising a debt that is not expected to be collected. Telephone costs at \$92,315 exceeded the budget allocation of \$68,635 by \$23,680.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**Note 16 – Material Budget Variations (continued)**

**2 CASH FLOW STATEMENT**

**2.1 General Overview**

The Budgeted Cash Flow provided for \$4,271k from “Net Cash from Operating Activities”. The actual net cash emerging from operating activities was \$4,144k or \$127k (2.97%) below budget.

The decrease in Net cash provided by (or used in) Investing Activities of \$4,036k compares favourable with the budget of \$4,082. The Net additional Cash provided from Financing Activities of \$383k is due to an increase in net Retirement Bond receipts received by McMaugh Gardens Aged Care Centre of \$362k. The cash flow from Investment Activities of \$9K is due to the offset of a decrease in the Purchase of Infrastructure, Property, Plant and Equipment of \$1,010k and the net purchase and sale of Investment Securities of \$991k, which is \$841k more than the net budgeted increase of \$150K.

**2.2 Grants and Contributions** **Favourable \$1,208k** **14.5%**

The advanced Financial Assistance Grant paid by the Grants commission on 12 June 2012 of \$1,081,801 which has been credited to “Payments received in advance” is the principal variation to budget.

**2.3 Proceeds for sale of Investment Securities** **Unfavourable \$3,391k** **(84.8%)**  
**Purchase of Investment Securities** **Favourable \$2,550k** **61.4%**

The net purchase and sale of Investment Securities (Term Deposits and CDOs) at \$991,000 was \$841,000 more than the budget due principally to the advance Financial Assistance grant received.

**2.4 Infrastructure, Property, Plant and Equipment** **Favourable \$1,009k** **23.2%**

The wet season delayed the road construction program.

**3 NOTE 2 - FUNCTIONS**

**3.1 General Overview**

As stated in the Income Statement overview, the budget set on Monday 27 June 2011 aimed for a surplus from all funds, after capital grants, of \$708,904. The actual result, after capital grants, is a deficit of \$568,946 a variation of \$1,277,850 (-180%)

The total income for the Principal Activities was \$15,852k which is 0.31% above budget.

The expenditure for the Principal Activities was \$16,421k which is 8.78% above budget.

**3.2 Public Order and Safety** **Favourable \$96k** **123%**

The shared cost of the New England Zone of the Rural Fire Service was a significant saving.

**3.3 Environment** **Unfavourable \$476k** **(560%)**

Domestic and other Waste Management had a total expenditure of \$1,310,706 (2011 - \$1,235,808) and income of \$927,016 (2011 - \$1,060,235) a net cost of \$383,690 (2011 - \$175,573) against the budget expenditure of \$966,196 and income of \$975,123 a projected surplus of \$8,928, a variation of \$392,618. There were cost over-run of employees costs of 180,193 and under-budgeted depreciation cost of \$159,625.

**3.4 Water Supplies** **Unfavourable \$327k** **(218%)**

The water usage charge at \$281,537 was \$96,463 less than the budget, due to the wet season reducing demand significantly. The depreciation was budgeted at \$57,179 whereas the actual was \$193,500 higher at \$250,679.

**3.5 Sewerage Services** **Unfavourable \$215k** **(165.4%)**

The depreciation was budgeted at \$19,200 whereas the actual was \$162,667 higher at \$181,867. Additional sewer main maintenance of \$73,205 increased the deficit.

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

#### Note 17 - STATEMENT OF CONTRIBUTION PLANS

##### SUMMARY OF CONTRIBUTIONS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Roads	149	81		4			234		234		
Traffic Facilities	9						9		9		
Community facilities	46						46	55	101		
Other	21						21		21		
<b>Total Contributions</b>	<b>225</b>	<b>81</b>		<b>4</b>			<b>310</b>	<b>55</b>	<b>365</b>		

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

##### CONTRIBUTION PLAN - Rural Invergowrie

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage											
Roads	23						23		23		
Traffic Facilities	9						9		9		
Parking											
Open Space											
Community facilities	46						46	55	101		
Other	16						16		16		
<b>Total</b>	<b>94</b>						<b>94</b>	<b>55</b>	<b>149</b>		

##### CONTRIBUTION PLAN - Rural

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other	5						5		5		
<b>Total</b>	<b>5</b>						<b>5</b>		<b>5</b>		

##### CONTRIBUTION PLAN - DCP Road Maintenance Royalties

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other	126	81		4			211		211		
<b>Total</b>	<b>126</b>	<b>81</b>		<b>4</b>			<b>211</b>		<b>211</b>		

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

### Note 18 - CONTINGENCIES, ASSETS AND LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

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. 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 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.

#### 2. DEFINED BENEFIT SUPERANNUATION PLAN

Council contributes to The Local Government Superannuation Scheme – Pool B (The Scheme), which is the closed section of The Local Government Superannuation Scheme, where a portion of member entitlements are defined as a multiple of salary. Member councils bear the responsibility of ensuring there are sufficient monies available to pay out benefits as these members cease employment.

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 2009 has been 190% of member's contributions plus 1.25% of superable salary. Employees also make contributions to the Fund.

Assets accumulate in the Fund to meet the member's benefit, as defined in the Trust Deed, as they accrue. 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 is determined by reference to expected future salary levels and by application of a market-based risk-adjusted discount rate and relevant actuarial assumptions.

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 under AASB 119 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 2012 was \$262,238. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16 February 2010 and covers the period ended 30 June 2009. The financial position is monitored annually and the Actuary estimated that, at 30 June 2012, a deficit still exists. From 1 July 2009, employer councils were required to contribute at twice (190% of the employees' contribution) the "notional" or long term cost (9% of employees' contribution) for a period of up to ten years in order to rectify the deficit. The additional contributions included in the aforementioned total employer contribution is \$92,801. The share of the deficit that can be broadly attributed to council as the employer as at 30 June 2012 was estimated to be in the order of \$659,594 (\$499,911 as at 30 June 2011).

As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils, the amount of \$659,594 is not able to be reliably quantified.

#### 3. 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 2001.

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. The total equity of StateCover Mutual Limited at 30 June 2010 was \$53,985,333. 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 \$41,217.52 ( 2007: \$41,217.52, 2006: \$30,621.55; 2005: \$20,396.30) to qualify for recognition as an asset. No call has been made in respect of the Council's shares since 1 July 2007 or for the current reporting period.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**Note 18 – Contingencies and Assets and Liabilities not Recognised in the Balance Sheet**  
(continued)

**4. 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.

**4.1. Statewide Mutual**

Council is a member of Statewide Mutual, an organisation formed for the purchase and management of certain insurances on behalf of its members. Council is liable to contribute its proportionate share of any shortfall arising through the scheme.

Statewide Mutual's Directors report that the scheme had accumulated surpluses at 30 June 2011 in all funds; Fidelity Guarantee Fund \$1,544,062 (2010 \$1,453,792), Liability fund \$20,893,570 (2010 \$18,842,098), and the Property Fund \$14,847,868 (2010 \$14,101,979).

**5. FINANCIAL ASSETS – COLLATERALISED DEBT OBLIGATIONS (CDOs)**

Council, together with a number of other local government authorities, is a party to a legal action funded by litigation funder IMF (Australia) Ltd, against Lehman Brothers Australia, the vendors / promoters of certain CDOs acquired by Council in previous years. Council has a claim for losses of \$576,067.77 on Council's holdings during the Global Financial Crisis for the \$1,150,000 face value of Collateralised Debt Obligations held by Council in September 2007. The basis of the action is breach of fiduciary duty by Lehman Brothers Australia directly leading to the losses incurred by Council.

The funding of the court action is under a funding agreement with the litigation funder, IMF (Australia) Ltd, who will receive 35% of the Resolution Sum less a sum for the notional admitted claim. The notional admitted claim is a calculated amount that Council would have received under the Deed of Corporation Arrangement (DOCA) for the distribution of \$42 million to claimants that was offered by the liquidators of Lehman Brothers Australia and refused in place of taking court action to recover the whole claim, Council's notional admitted claim is \$58,585.09.

The court case against Lehman Brothers Australia in the Australian courts commenced on 28 February 2011 and concluded in early June 2011. On 21 September 2012, Justice Rares of the Federal Court of Australia handed down his findings. In summary, the Court found that the claim SCDOs did not have the characteristics promised by Grange in that they were not a secure investment, were not easily traded on a secondary market and were not a suitable investment for a risk-averse council. The Court therefore found that Grange had breached the individual agreements it held with certain councils, breached fiduciary duties owed pursuant to these Agreements, was negligent in providing the advice it did, and engaged in misleading and deceptive conduct.

Final orders, however, are not likely to be made until 5 November 2012 and it is still not possible for Council to determine the amount it will be entitled to from the liquidation of Lehman Brothers Australia. Factors impacting on the calculation of this amount include whether or not the Liquidators of Lehman lodge an appeal, the process through which the claims of group members will be assessed, and uncertainty regarding the final asset and liability position in the liquidation of Lehman.

With the collapse of Lehman Brothers International, the subsidiary Lehman Brothers Special Financing (LBSF) defaulted and a number of Swap Counterparty Securities were returned to the Trustees, Bank New York Mellon. In the normal course these amounts would have returned to the note-holders; as was the case for the Federation CDO in October 2008. However, because court cases in the United Kingdom and the United States of America have different outcomes, the Trustees have held the securities for CDOs organised by LBSF until the differences have been resolved.

Council had two CDOs affected by the Trustee holding the LBSF Swap Counter Party Securities. One instrument, Global Bank Note – Beryl Finance Limited, with a face value of \$100,000 was sold in late June 2011 for \$59,000 and settled on July 2011. The second CDO is, Coolangatta – Zircon Finance Ltd, with a face value of \$250,000 is being held by Council awaiting the outcome of the Court Cases. In the United States of America,

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**Note 18 – Contingencies and Assets and Liabilities not Recognised in the Balance Sheet**  
(continued)

Belmont Park, who were successful in their court case in the United Kingdom, is still awaiting a court date to be set for its application to have the District Court decide whether to recognise the UK court decision in favour of investors. The valuation provided by Structured Credit Research and Advisory Pty Ltd at 30 June 2012 for Council's holding in Coolangatta has an estimated value of \$250,000; however the likely sale price is between \$87,500 and \$112,500 (\$35 to \$45 per \$100 face value).

The outcomes of the court cases in Australia, United Kingdom and United States of America and other legal actions pending against the company and its international holding company are not known as to amount and date of completion, therefore the total amount of Council's recovery, if any, cannot be estimated.

**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 renewed from 1 July 2010, 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 2012 balance were not available. Council expects the net assets of the library to be in line with the previous year's results \$784,400 (\$736,623 – 2010) and the percentage of contribution by the Uralla Shire Council is 7.2%.

**7. RURAL FIRE FIGHTING ASSETS**

Council has title to, and is the registered owner of 21 vehicles including 6 category 1 and 2 rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that authority to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have been recognised in these reports as assets (Significant Accounting Policy 6.2 – Note 1).

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

**URALLA SHIRE COUNCIL**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30th June 2012**

**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 2012

### Note 20 - RETAINED EARNINGS & REVALUATION RESERVES

<b>RETAINED EARNINGS</b>	2012	2011
	\$'000	\$'000
Balance at end of previous reporting period	67,303	66,037
<b>Net operating result for the year</b>	<b>(569)</b>	1,266
<b>Balance at end of the reporting period</b>	<b><u>66,734</u></b>	<b><u>67,303</u></b>

### REVALUATION RESERVES

#### *Infrastructure, Property, Plant & Equipment*

Balance at end of previous reporting period	233,742	230,472
Revaluation of infrastructure, property, plant & equipment	5,404	3,270
<b>Balance at end of reporting period</b>	<b><u>239,146</u></b>	<b><u>233,742</u></b>

At the end of the reporting period, the amount held in the reserve related to the following asset classes:

Land		
- Operational Land	2,084	2,084
Buildings	12,881	12,803
Other Structures		
Infrastructure		
- Roads, bridges, footpaths	205,635	204,092
- Bulk earthworks (non-deprec.)	2,629	(497)
- Stormwater drainage	1,546	1,506
- Water Supply Network	10,716	10,287
- Sewerage Network	3,598	3,412
Other Assets		
- Heritage Collections	55	55
- Other	2	-
<b>Balance at end of reporting period</b>	<b><u>239,146</u></b>	<b><u>233,742</u></b>

#### **Commencement of AASB 1051 - Land under roads**

As at 1 July 2008, Council determined that it was of the opinion that it was not possible to reliably measure the fair value of land under roads previously acquired, and that it was impracticable to determine the original cost of acquisition.

In accordance with AASB 1051.9, the carrying value of land under roads previously recognised has been made against the opening balance of retained earnings.

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### NOTE 21 - RESULTS BY FUND

Moneys raised pursuant to certain sections of the Local Government Act, and of certain other Acts, may not be used for the general purposes of the Council, or must be held as cash or authorised investments until expended for the purposes they were raised. This Note identifies the operating result and net assets of the general purposes operations of the Council, and of the principal special purpose operations.

Amounts are shown on a gross basis - before consolidation eliminations - and do NOT reconcile to the principal statements, and are shown for the current year only.

	<b>GENERAL FUND \$'000</b>	<b>WATER SUPPLY \$'000</b>	<b>SEWER \$'000</b>
<b>INCOME STATEMENT</b>			
<b>INCOME</b>			
Rates & Annual Charges	3,790	327	472
User Charges & Fees	1,564	284	8
Investment Revenues	377	15	13
Other Revenues	604	0	20
Grants & Contributions - Operating	7,218	17	13
Grants & Contributions - Capital	1,093	0	0
Profit from Disposal of Assets	37	0	0
<b>Total Income from Continuing Operations</b>	<b>14,683</b>	<b>643</b>	<b>526</b>
<b>EXPENSES</b>			
Employee Costs	6,877	373	281
Materials & Contracts	3,641	197	148
Borrowing Costs	171	0	0
Depreciation & Amortisation	3,145	251	182
Other Expenses	1,155	0	0
Interest and investment losses	0	0	0
Loss from Disposal of Assets	0	0	0
<b>Total expenses from Continuing Operations</b>	<b>14,989</b>	<b>821</b>	<b>611</b>
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>	<b>(306)</b>	<b>(178)</b>	<b>(85)</b>
Operating result from discontinued operations	0	0	0
<b>NET OPERATING RESULT FOR YEAR</b>	<b>(306)</b>	<b>(178)</b>	<b>(85)</b>
Attributable to:			
URALLA SHIRE COUNCIL	(306)	(178)	(85)
	<b>(306)</b>	<b>(178)</b>	<b>(85)</b>
<i>Net operating result before capital grants and contributions</i>	(1,399)	(178)	(85)

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

### Note 21 - Results by Fund (cont)

	<b>GENERAL FUND \$'000</b>	<b>WATER SUPPLY \$'000</b>	<b>SEWER \$'000</b>
<b>BALANCE SHEET</b>			
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	(569 )	752	889
Investments	6,300	0	0
Receivables	1,535	256	58
Inventories	172	0	0
Other	88	0	0
Non-current assets held for sale	0	0	0
<b>TOTAL CURRENT ASSETS</b>	<u>7,526</u>	<u>1,008</u>	<u>947</u>
<b>NON-CURRENT ASSETS</b>			
Receivables	(20 )	20	0
Infrastructure, Property, Plant & Equipment	278,494	18,155	7,935
Other	0	0	0
<b>TOTAL NON-CURRENT ASSETS</b>	<u>278,474</u>	<u>18,175</u>	<u>7,935</u>
<b>TOTAL ASSETS</b>	<u>286,000</u>	<u>19,183</u>	<u>8,882</u>
<b>CURRENT LIABILITIES</b>			
Payables	3,733	0	0
Borrowings	100	0	0
Provisions	1,682	0	0
<b>TOTAL CURRENT LIABILITIES</b>	<u>5,515</u>	<u>0</u>	<u>0</u>
<b>NON-CURRENT LIABILITIES</b>			
Payables	0	0	0
Borrowings	1,464	0	0
Provisions	1,206	0	0
<b>TOTAL NON CURRENT LIABILITIES</b>	<u>2,670</u>	<u>0</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>8,185</u>	<u>0</u>	<u>0</u>
<b>NET ASSETS</b>	<u>277,815</u>	<u>19,183</u>	<u>8,882</u>
<b>EQUITY</b>			
Accumulated Surplus	52,980	8,457	5,297
Revaluation Reserves	224,835	10,726	3,585
Council Equity Interest	277,815	19,183	8,882
<b>TOTAL EQUITY</b>	<u>277,815</u>	<u>19,183</u>	<u>8,882</u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

### Note 23 - EVENTS OCCURRING AFTER BALANCE DATE

#### 1. INDEPENDENT LOCAL GOVERNMENT REVIEW PANEL

The Minister for Local Government, Hon Don Page, as part of the Destination 2036 Action Plan set up an Independent Review Panel under the Chairmanship of Mr Graham Sansom. The other members of the panel are Ms Jude Munro AO and Mr Glenn Inglis. The formation of the panel was announced by the minister on Tuesday 17 April 2012.

The Panel were invited to investigate and identify options for governance models, structural arrangements and boundary changes for local government in New South Wales, taking into consideration:

1. ability to support the current and future needs of local communities
2. ability to deliver services and infrastructure efficiently, effectively and in a timely manner
3. the financial sustainability of each local government area
4. ability of local representation and decision making; and
5. barriers and incentives to encourage voluntary boundary changes.

The panel will report back to the Minister in July 2013 and have commenced a "Listening Tour" in New South Wales through late July and August. The Mayor and General Manager attended the meeting at Guyra on Wednesday 8 August 2012 and Mayor, Councillors and General Manager attended the meeting at Tamworth on Thursday 9 August 2012 at which the Mayor made a PowerPoint Presentation.

The findings of the Independent Local government Review Panel have the potential to have far reaching effects on the form and structure of local government in New South Wales, however these are not known and their report is not due until July 2013.

#### 2. MEMBERSHIP OF NAMOI COUNCILS

The Namoi Councils Board, at its meeting of Thursday 2 August 2012, has accepted the Uralla Shire Council's application for membership of the Namoi Councils. The membership of this Regional Organisation of Councils (ROC) will have ongoing benefits for the Uralla Shire Council through active regional co-operation. Membership of a ROC has been promoted by the Minister for Local government, Hon Don Page, and is an element of the Destination 2036 Action Plan for local government.

#### 3. CARBON TAX

The passage of the Clean air Legislation (Clean Energy Act 2011 and supporting legislation) will have an impact on Council's operating results going forward. Council expects to pay more for its energy usage including electricity, gas and fuel but will be compensated to a lesser extent through additional rate revenue, limited to 0.4% by the Independent Pricing and Regulatory Tribunal (IPART) for the effect of carbon pricing, domestic waste management and other charges that Council has included in its Revenue Policy for the financial year 2012/2013. Council's landfill operations have been assessed below the benchmark of 25,000 tonnes of carbon dioxide equivalent (CO<sub>2</sub>-e) and therefore is not liable for a carbon tax on gas emissions, so has not had to increase tipping fees to cover a carbon price for the 2012/2013 year.

Council expects construction materials such as concrete and asphalt to increase in price but is not able to quantify the effect of these increases at the present time.

The financial effects of the Clean Air Legislation have not been brought to account at 30 June 2012.

#### 4. CLAIMS AGAINST LEHMAN AUSTRALIA: JUDGEMENT OF FEDERAL COURT

On 21 September 2012, Justice Rares of the Federal Court of Australia handed down his findings in the case against Lehman Brothers Australia Limited (in Liquidation). It is still not possible to determine the likely outcome for Council as there are still a large number of issues to resolve, and Final orders are not expected until 5 November 2012. Refer to item 5 Financial Assets – Collateralised Debt Obligations (CDOs) in Note 18 for further detail.

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2012

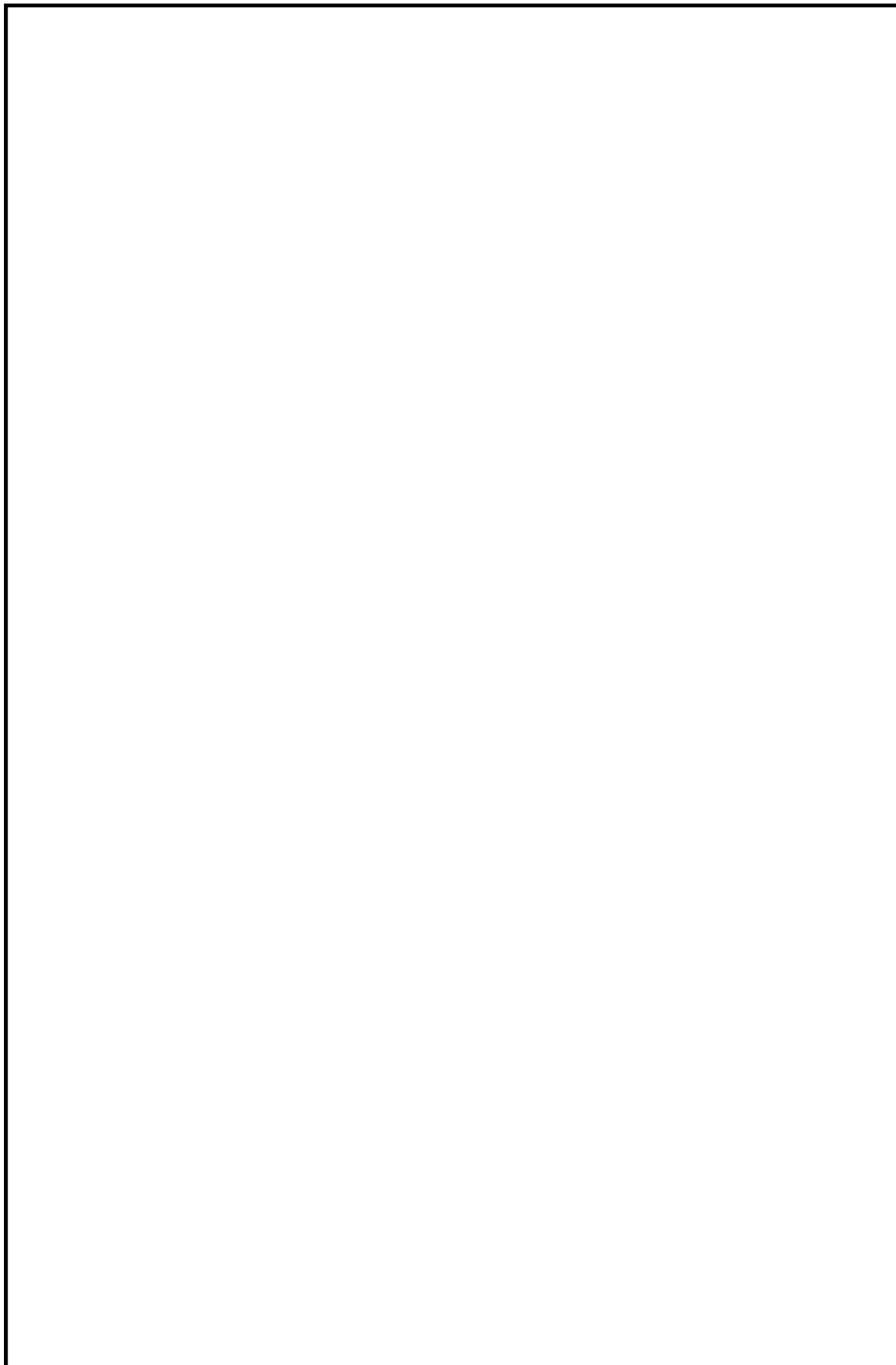
### Note 26

### REINSTATEMENT, REHABILITATION AND RESTORATION LIABILITIES

#### Landfill Remediation

Council is required by law to restore the present Landfill site at Uralla to parkland/farmland at the end of its useful life in 2040, although it is planned to stage the rehabilitation of the current disturbed area over the next 15 years. The projected cost of this restoration at 30 June 2012 is \$907K, based on feasibility and engineering studies increased by estimated costs in engineering index of 5% for the first two years and 5.25% thereafter and has been discounted to its present value at 7.95% per year being the risk free investment rate.

	2012 \$'000	2011 \$'000
At beginning of year	684	634
Amounts capitalised to Landfill asset	-	-
Amortised of discount - expensed to borrowing costs	46	50
At end of year	<u>730</u>	<u>684</u>



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Forsyths Business Services Pty Ltd  
ABN 66 182 781 401

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

**To Uralla Shire Council**

**SCOPE**

The financial statements comprise the income statement, statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Uralla Shire Council (the Council), for the year ended 30<sup>th</sup> June 2012.

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

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

***Auditor's responsibility***

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

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

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

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

## **INDEPENDENCE**

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

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

### *Grant income recognition*

Council has not recognised the receipt of the Financial Assistance Grant (FAG) received in June 2012 of \$1,082,000, being an instalment relating to the 2013 financial year, as revenue in the income statement for the 2012 financial year. The FAG instalment was instead shown as a current liability and will be recognised as income in the 2013 financial year.

The deferral of the grant income recognition is a variance to the Code 20 issued by the Division of Local Government and Accounting Standard AASB 118 *Revenue*, which requires grant revenue to be recognised upon receipt.

If Council had recognised the revenue in 2012 the impact on the financial statements would be as follows:

- Increase in grants and contribution income – operating from \$7,248,000 to \$8,330,000;
- Operating result from continuing activities would be a surplus of \$514,000 compared to the current deficit of \$569,000;
- Decrease in current payables from \$3,733,000 to \$2,651,000; and
- Increase accumulated surplus from \$66,734,000 to \$67,816,000. Council has not re-valued their water supply network and sewer network assets in accordance with Code 20 issued by the Division Local Government. This revaluation was required to be completed for the 2012 financial year.

Therefore, our audit opinion has been qualified due to non-compliance with Accounting Standard AASB 118 *Revenue* and a breach of Section 413(2b) and 413(3b) of the *Local Government Act 1993* for not complying with the Code directive.

### *Revaluation of water supply network and sewer network*

Council has not re-valued their water supply network and sewer network assets in accordance with Code 20 issued by the Division Local Government. This revaluation was required to be completed for the 2012 financial year.

Section 413(2b) and 413(3b) of the *Local Government Act 1993*, requires Council's to comply with the Local Government Code of Accounting Practice ("the Code").

As the revaluation has not been completed these assets are held at their previous fair value assessment (conducted in 2007) plus annual indexation in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.



Therefore, our audit opinion has been qualified for a breach of Section 413(2b) and 413(3b) of the *Local Government Act 1993* for not complying with the Code directive.

### **QUALIFIED AUDIT OPINION**

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

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
- (b) the general purpose financial statements:
  - (i) have been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
  - (ii) are consistent with the Council's accounting records; and
  - (iii) presents fairly, in all material respects, the Council's financial position as at 30<sup>th</sup> June 2012 and the results of its operations for the year then ended;
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

*Forsyths*

***Forsyths Business Services Pty Ltd***

*P.R. Cornall*

**Paul Cornall**  
Principal

10<sup>th</sup> October 2012  
92 Rusden Street Armidale

10 October 2012

The Mayor  
Uralla Shire Council  
PO Box 106  
URALLA 2358

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Dear Sir

Forsyths Business Services Pty Ltd  
ABN 66 182 781 401

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

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2012 and have reported on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

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

***Council's responsibilities***

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

***Audit Objectives***

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

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

***Scope of the Audit and responsibilities***

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.



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

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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

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

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

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

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

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

This auditor's report relates to the financial statements of Uralla Shire Council for the year ended 30 June 2012 included on Council's web site. Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.



**Additional Reporting Requirements**

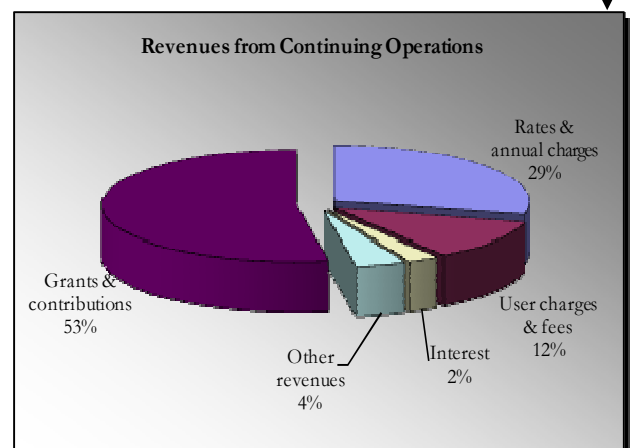
In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

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

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2012	2012	2011	Actual	Budget
	\$'000	\$'000	\$'000	%	
<b>INCOME FROM CONTINUING OPERATIONS</b>					
Rates & annual charges	4,809	4,589	4,475	2.5%	-4.6%
User charges & fees	1,702	1,856	1,843	0.7%	9.0%
Interest	544	405	848	-52.2%	-25.6%
Other revenues from ordinary activities	445	624	390	60.0%	40.2%
Grants & contributions for operating purposes	7,843	7,248	7,832	-7.5%	-7.6%
Grants & contributions For capital purposes	460	1,093	914	19.6%	137.6%
Gain from sale of assets	0	37	8	362.5%	0.0%
<b>Total income from continuing operations</b>	<b>15,803</b>	<b>15,852</b>	<b>16,310</b>	<b>-2.8%</b>	<b>0.3%</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>					
Employee benefits & oncosts	6,654	7,531	6,652	13.2%	13.2%
Borrowing costs	123	171	183	-6.6%	39.0%
Materials and contracts	3,827	3,986	4,223	-5.6%	4.2%
Depreciation & amortisation	3,523	3,578	3,006	19.0%	1.6%
Other expenses from ordinary activities	968	1,155	980	17.9%	19.3%
<b>Total Expenses from continuing operations</b>	<b>15,095</b>	<b>16,421</b>	<b>15,044</b>	<b>9.2%</b>	<b>8.8%</b>
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>	<b>708</b>	<b>(569)</b>	<b>1,266</b>	<b>-144.9%</b>	<b>-180.4%</b>
<b>NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>248</b>	<b>(1,662)</b>	<b>352</b>	<b>-572.2%</b>	<b>-770.2%</b>

Council achieved a deficit before capital income of \$1.7m compared to a surplus of \$0.3m for 2011.

Operating revenue decreased by \$0.5m or 2.8% compared to 2011 mainly as a result of lower grants and contributions for operating purposes, and interest income. Operating grants and contributions decreased as a result of Council's decision to not record the 2013 financial year financial assistance grant instalment as income in the 2012 financial year (refer to audit qualification comments later in this report). Interest income decreased by \$0.4m due to the 2011 financial year reporting a one-off improvement in the market value of some of Council's CDO investments as they neared maturity.



Expenditure rose by \$1.4m or 9.2% due to higher employee costs and depreciation partially offset by a reduction in materials and contract costs. Employee costs increased due to higher staff levels, award pay rises and corrections to the employee entitlement provisions.



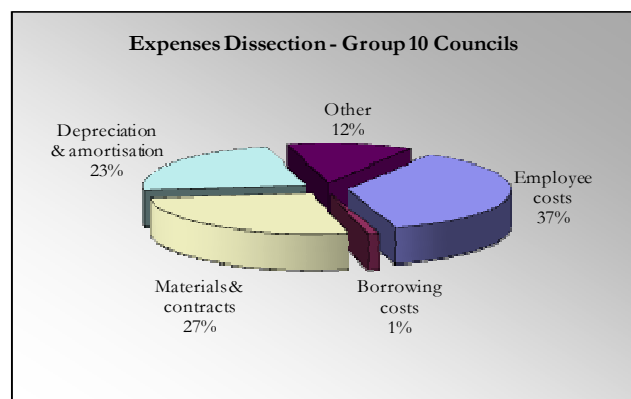
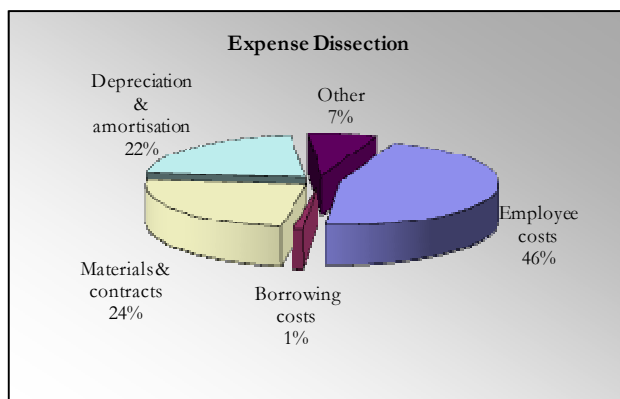
Depreciation expense has increased due to the impacts of the completion of the revaluation of all infrastructure, property, plant and equipment which increased asset values and improved accuracy of asset useful lives, used to calculate depreciation cost estimates.

The reduction in materials and contract costs is due to a reduction in roads maintenance and from lower operating grant support income levels.

The budget amounts included above are those adopted in the original budget and exclude re-votes from the previous year and variations to the budget during the year. The actual operating deficit for the year of \$0.6m is lower than the original budget surplus of \$0.7m. The major variations between the actual results and the original budget are as follows:

- Investment income (unfavourable \$0.1m) - as a result of lower market interest rates.
- Grants and contributions income – the net variance for capital and operating grant incomes compared to budget are negligible. The variance between operating and capital grant incomes compared to the budget for each category was due to changes in actual grant allocation compare to budget expectations.
- Employee costs (unfavourable \$0.9m) – Council identified errors in the calculation of its employee entitlement provisions in prior years, which was corrected in the 2012 year expenses.

Below is a comparison of expense dissections for the Council for 2012 compared to the Group 10 council average 2010 data.



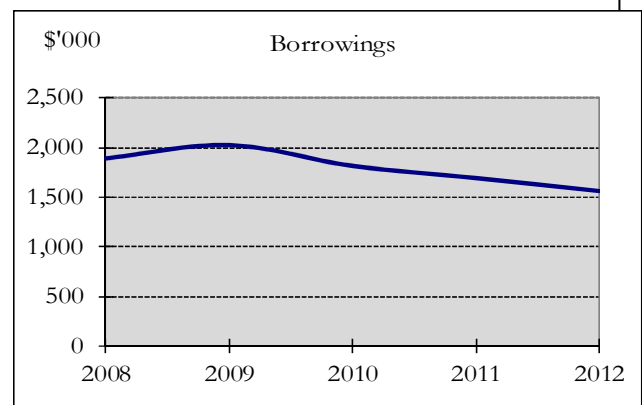
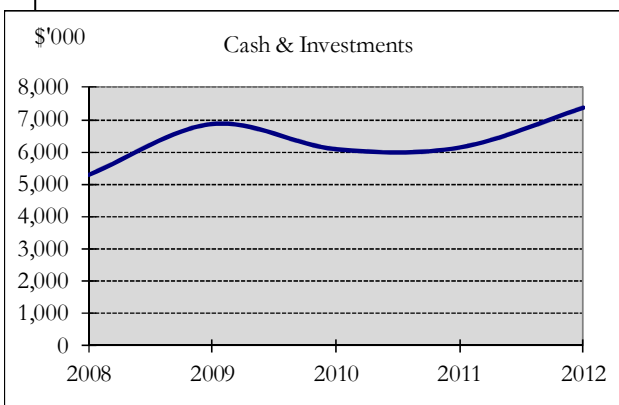
There is a significant variation in the levels of employee costs and other expenditure compared to the Group 10 average. This is considered reasonable as Council has a lower level of depreciation expense compared to other Councils in the group as it has a smaller level of infrastructure compared to the other Group 10 Councils. Further, employee costs and other expenses are higher compared to the Group 10 average due to the additional costs associated with supporting Community Service activities including McMaugh Gardens Aged Care, which are labour intensive activities.

Please note that at the date of this report the DLG has not released its 2011 comparative data which would have improved our benchmarking analysis.



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

<b>SCHEDULE OF ASSETS &amp; LIABILITIES</b>			
	<b>2012</b>	<b>2011</b>	<b>Variance</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1,072	826	29.8%
Investments	6,300	5,312	18.6%
Receivables	1,849	1,535	20.5%
Inventories	172	169	1.8%
Other	88	85	3.5%
<b>TOTAL CURRENT ASSETS</b>	<b>9,481</b>	<b>7,927</b>	<b>19.6%</b>
<b>CURRENT LIABILITIES</b>			
Payables	3,733	2,608	43.1%
Borrowings	100	130	-23.1%
Provisions	1,682	1,282	31.2%
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,515</b>	<b>4,020</b>	<b>37.2%</b>
<b>NET CURRENT ASSETS</b>	<b>3,966</b>	<b>3,907</b>	<b>1.5%</b>
<b>NON-CURRENT ASSETS</b>			
Infrastructure, Property Plant & Equipment	304,584	299,621	1.7%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>304,584</b>	<b>299,621</b>	<b>1.7%</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	1,206	920	31.1%
Borrowings	1,464	1,563	-6.3%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,670</b>	<b>2,483</b>	<b>7.5%</b>
<b>NET ASSETS</b>	<b>305,880</b>	<b>301,045</b>	<b>1.6%</b>



Total cash and investments increased by \$1.2m mainly due to the early receipt of the 2013 instalment of the Financial Assistance Grant of \$1.1m.

Receivables increased by \$0.3m or 20% due to Aged Care bonds that remained unpaid at year end.

Payables increased by \$1.1m due to the early receipt of the Financial Assistance Grant recorded as income in advance (refer audit qualification comments later in this report).



Total provisions increased by \$0.7m due to corrections to the employee entitlement provision calculations.

**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, infrastructure replacement and renewal and new community projects. The funding of restrictions should also be considered when evaluating funds available for working capital purposes. The following table provides a reconciliation of unrestricted assets:

	Water \$'000	Sewerage \$'000	McMaugh Gardens	General \$'000	Total \$'000
Current Assets	1,008	947	1,281	6,245	9,481
Current Liabilities	-	-	1,990	3,525	5,515
<b>Net Current Assets</b>	<b>1,008</b>	<b>947</b>	<b>(709)</b>	<b>2,720</b>	<b>3,966</b>
<b>Add Liabilities &gt; 12 Months</b>	<b>-</b>	<b>-</b>	<b>1,504</b>	<b>1,203</b>	<b>2,707</b>
<b>Total Funds before Restrictions</b>	<b>1,008</b>	<b>947</b>	<b>795</b>	<b>3,923</b>	<b>6,673</b>
<b>LESS: Restricted Cash &amp; Investments</b> (Included in Revenue)					
Developer Contributions	-	-	-	310	310
Specific Purpose Grants & Contributions	-	-	-	367	367
	-	-	-	677	677
<b>NET FUNDS AVAILABLE</b>	<b>1,008</b>	<b>947</b>	<b>795</b>	<b>3,246</b>	<b>5,996</b>
<b>LESS Internal Restrictions</b>	<b>-</b>	<b>-</b>	<b>696</b>	<b>2,522</b>	<b>3,218</b>
<b>Net Funds After All Restrictions</b>	<b>1,008</b>	<b>947</b>	<b>99</b>	<b>724</b>	<b>2,778</b>

<b>INTERNAL RESTRICTIONS</b>	<b>Opening \$'000</b>	<b>Transfer to \$'000</b>	<b>Transfer from \$'000</b>	<b>Closing \$'000</b>
Employee leave entitlements	591	249	-	840
Plant replacement	325	175	-	500
Carry-over works	889	293	-	1,182
FAG in advance	525	-	525	-
Accommodation bond guarantee	549	147	-	696
	<b>2,879</b>	<b>864</b>	<b>525</b>	<b>3,218</b>

The above table shows that after excluding McMaugh Gardens Hostel, Water and Sewerage, the general function working capital balance is in surplus and able to support internal restrictions at 30 June 2012. McMaugh Gardens Aged Care net current assets is in deficit as accommodation bonds are required to be shown as current liabilities. After adjusting for bonds not expected to be repaid in the normal course of operations, McMaugh Gardens Aged Care is considered to have sufficient cash reserves.

Council has internally restricted \$3.2m in cash for: plant replacements; carry-over projects; accommodation bond requirements and employee entitlements provisions.



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

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2012	2011	2010	2009	2008
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.4	3.3	5.1	3.6	1.2
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	3.0%	3.0%	2.0%	3.0%	6.0%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	29.0%	27.0%	30.0%	23.0%	26.0%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	7.6%	8.2%	9.7%	9.3%	11.2%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	0.89	0.71	1.06	1.20	0.59

*Unrestricted Ratio*

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, aged care, domestic waste management functions and specific purpose unexpended grants and contributions. This ratio is before setting aside cash to fund internal restrictions relative to the general function. An unrestricted ratio of 2.4 indicates that for every \$1 of current liabilities as at 30 June 2012, Council has \$2.40 to meet these commitments. As a comparison, Category 10 Councils in 2010 had a average unrestricted ratio of 3.49.

*Debt Service Ratio*

The debt service ratio of 3% (i.e. \$3 of every \$100 of revenue is used to fund interest and debt repayments) is similar to the average for Group 10 Councils of 3.2% (2010 data). The low ratio reflects an ability for Council to increase its borrowings to fund infrastructure needs if required.

*Rate Coverage Ratio*

The rate coverage ratio of 29% is similar to the Group 10 average of 30%. The ratio shows Council's dependence on grants and contributions, which contributes 53% to council's revenue. The lower ratio compared to the Group 10 average is due to the higher level of community service activities Council performs, including McMaugh Gardens Aged Care. We note that half of these grants are "contested" grants and if they were not renewed, Council would need to address the impact on its operations and reduce expenditure accordingly.





*Outstanding Rates*

The outstanding rates ratio of 7.6% (i.e. 7.6% of all rates levied had not been received by year end) continues to improve and is better than the Group 10 average of 8.7% (2010 data). This ratio is an indicator of Councils activity to collect outstanding rate revenues.

*Asset Renewal Ratio*

The asset renewals ratio outlines Council’s performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2012 Council spent \$0.89 for every \$1 in estimated asset deterioration. The Group 10 average for the asset renewal ratio was \$1.08 and the state average of \$0.84 (both 2010 data).

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

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

Overall the financial indicators show that Council’s financial standing is acceptable in the short to medium term. Infrastructure management will need to be a continued focus for Council in the long term.

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

<b>CASH MOVEMENTS</b>	<b>Actual 2012</b>	<b>Actual 2011</b>	<b>Variance</b>
	<b>\$000</b>	<b>\$000</b>	<b>%</b>
<b>CASH INFLOWS</b>			
Operating Receipts	17,210	15,793	9.0%
Proceeds from Assets Sales	235	164	43.3%
Net receipt of retirement home bonds	1,012	534	89.5%
Proceeds from investments	609	3,695	-83.5%
<b>TOTAL RECEIPTS</b>	<b>19,066</b>	<b>20,186</b>	<b>-5.5%</b>
<b>CASH OUTFLOWS</b>			
Operating Payments	13,067	13,159	-0.7%
Purchase of investments	1,600	4,095	-60.9%
Purchase of Assets	3,335	3,223	3.5%
Repayment of Loans	129	123	4.9%
Net repayment of retirement home bonds	689	346	99.1%
<b>TOTAL PAYMENTS</b>	<b>18,820</b>	<b>20,946</b>	<b>-10.1%</b>
<b>TOTAL CASH MOVEMENT</b>	<b>246</b>	<b>(760)</b>	<b>-132.4%</b>
Cash and equivalents	1,072	826	3.0%
Investments	6,300	5,312	3.0%
<b>Total Cash &amp; Investments on Hand</b>	<b>7,372</b>	<b>6,138</b>	<b>20.1%</b>

Cash and investments overall increased by \$1.2m mainly due to the early receipt of a 2013 instalment of the Financial Assistance Grant for \$1.1m.



Cash outflows for Purchase of Assets of \$3.3m included road and bridge construction totalling \$1m. This compares to the \$1.5m 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 \$6.2m.

The remaining asset purchases included purchases for plant and equipment of \$0.7m and bulk earthworks of \$1m.

## **SPECIAL PURPOSE FINANCIAL STATEMENTS**

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 Statements disclose that the Water Supply function recorded an operating deficit (before capital funding) of \$178,000 after allowing for depreciation of \$251,000.

The Net Current Asset position records a positive balance of \$1,008,000. This surplus plus the fact that it has no debt, indicates a satisfactory 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**

The Special Purpose Financial Statements disclose that the sewerage function recorded an operating deficit (before capital funding) of \$85,000 after allowing for depreciation of \$182,000.

The Net Current Assets position show a surplus of \$947,000. Given the size of the operations, the fact that it has no debt and the sewer infrastructure condition (per unaudited Special Schedule 7) being of “satisfactory” standard, the sewerage function is in a strong financial position.

### **MCMAUGH GARDENS HOSTEL**

The Special Purpose Financial Statements disclose that McMaugh Gardens Hostel recorded an operating deficit of \$187,000 for the 2012 year compared to a surplus of \$254,000 in the previous year. This result is after depreciation expense of \$92,000.

The net current asset position is a deficit of \$709,000 after allowing for resident’s bonds amounting to \$1,987,000. The deficit is a result of the requirement that accommodation bonds be shown as current liabilities even though the majority of accommodation bonds will not be repaid in the short term. When the expect timing of bond repayments are taken into account the Hostel has reserves of \$795,000.



## GENERAL

### *Audit qualification regarding Grant income recognition*

Council has not recognised the receipt of the Financial Assistance Grant (FAG) received in June 2012 of \$1,082,000, being an instalment relating to the 2013 financial year, as revenue in the income statement for the 2012 financial year. The FAG instalment was instead shown as a current liability and will be recognised as income in the 2013 financial year.

The deferral of the grant income recognition is a variation to the Code 20 and Accounting Standard AASB 118 *Revenue*, which requires grant revenue to be recognised upon receipt.

Council considers the recognition of the FAG instalment would significantly distort its true financial performance for the 2012 and 2013 financial years.

If Council had recognised the revenue in 2012 the impact on the financial statements would be as follows:

- Increase in operating grants and contribution income from \$7,248,000 to \$8,330,000 ;
- Operating result from continuing activities would be a surplus of \$514,000 compared to a deficit of \$569,000;
- Decrease in current payables from \$3,733,000 to \$2,651,000; and
- Increase accumulated surplus from \$66,734,000 to \$67,816,000.

### *Audit qualification with regard to revaluation of water supply network and sewer network*

Council has not re-valued their water supply network and sewer network assets in accordance with Code 20 issued by the Division Local Government. This revaluation was required to be completed for the 2012 financial year.

Section 413(2b) and 413(3b) of the *Local Government Act 1993*, requires Council's to comply with the Local Government Code of Accounting Practice ("the Code").

As the revaluation has not been completed, these assets are held at their previous fair value assessment (conducted in 2007) plus annual indexation in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

Significant work is still required to be performed to complete the revaluation as follows:

- Updating physical inspection sampling via video records and manhole inspections of the sewer network;
- Reviewing componentisation and condition rating data compilation;
- Reviewing and compiling data regarding condition of major water and sewer network asset including pump stations and treatment works including components with different useful lives; and
- Updating data relating to asset condition on the water pipe network including type of pipe, age, compliant history and pressure and breakage history.

Until the revaluation process is complete we are unable to determine the impact on the financial statements.



Council is planning to complete the valuation during the remainder of the 2013 financial year. However, this is based on verbal discussions and we are unable to provide an opinion on the ability of Council to meet the reporting deadlines for 2013.

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

We report that Council's systems and records have been satisfactorily maintained during the year and the audited financial statements will be submitted to the Department of Local Government within the prescribed time provide for in Division 2 of the *Local Government Act 1993*.

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

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**

**Paul R Cornall**  
Principal

**URALLA SHIRE COUNCIL**  
**Special Purpose Financial Reports**  
**for the year ended 30th June 2012**

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# URALLA SHIRE COUNCIL

## SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

### STATEMENT BY COUNCILLORS AND MANAGEMENT MADE PURSUANT TO THE LOCAL GOVERNMENT CODE OF ACCOUNTING PRACTICE AND FINANCIAL REPORTING

The attached special purpose Financial 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 NSW Office of Water, Department of Environment, Climate Change and Water "*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

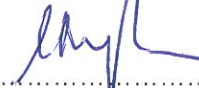
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on Friday 31 August 2011



Councillor Isabel Constance Margaret Strutt

**MAYOR**



Councillor Michael Pearce

**DEPUTY MAYOR**



Mr Thomas Patrick O'Connor

**GENERAL MANAGER**



Mr Thomas Patrick O'Connor

**RESPONSIBLE ACCOUNTING OFFICER**

## URALLA SHIRE COUNCIL

**INCOME STATEMENT**  
**WATER SUPPLY BUSINESS ACTIVITY**  
for the year ended 30th June 2012

	Notes	2012 '000	2011 '000	2010 '000
<b>INCOME FROM CONTINUING OPERATIONS</b>				
Access Charges		327	342	367
User Charges		283	389	242
Fees		1	-	1
Interest Received		15	198	(107)
Grants & Contributions - Operating		17	36	17
Gain on Disposal of Assets		-	-	-
<b>TOTAL</b>		<u>643</u>	<u>965</u>	<u>520</u>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>				
Employee Costs		373	311	364
Materials & Contracts		197	198	233
Depreciation & Amortisation		251	56	56
Other Operating Expenses		-	-	-
<b>TOTAL</b>		<u>821</u>	<u>565</u>	<u>653</u>
<b>SURPLUS (DEFICIT) BEFORE TAX</b>		<u>(178)</u>	400	(133)
Corporate Taxation Equivalent	1	-	120	-
<b>SURPLUS (DEFICIT) FOR YEAR</b>		<u>(178)</u>	<u>280</u>	<u>(133)</u>
Add: Accumulated Surplus brought forward		8,635	8,235	8,368
<i>Adjustments for amounts unpaid</i>				
NCP Tax Equivalents retained	1			
Debt Guarantee Fee retained	1			
Corporate Tax Equivalent retained	1	-	120	-
<b>ACCUMULATED SURPLUS</b>		<u>8,457</u>	<u>8,635</u>	<u>8,235</u>
<i>RATE OF RETURN ON CAPITAL</i>	1	<b>NIL</b>	2.23%	0.00%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>	1	<b>N/A</b>	N/A	
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		-178	280	-133
Less: Capital grants & contribs from LWUs		17	0	17
Surplus for dividend calculation purposes		<u>0</u>	<u>280</u>	<u>0</u>
Dividend calculated from surplus		0	140	0

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

## URALLA SHIRE COUNCIL

**INCOME STATEMENT**  
**SEWERAGE BUSINESS ACTIVITY**  
for the year ended 30th June 2012

	Notes	2012 '000	2011 '000	2010 '000
<b>INCOME FROM CONTINUING OPERATIONS</b>				
Access Charges		472	464	429
User Charges		8	17	17
Fees		-	3	3
Interest Received		13	193	(113)
Grants & Contributions - Operating		13	-	13
Other Operating Revenues		20		
<b>TOTAL</b>		<u>526</u>	<u>677</u>	<u>349</u>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>				
Employee Costs		281	207	195
Materials & Contracts		148	131	124
Borrowing Costs		-	-	-
Depreciation & Amortisation		182	15	16
Other Operating Expenses		-	-	15
<b>TOTAL</b>		<u>611</u>	<u>353</u>	<u>350</u>
<b>SURPLUS (DEFICIT) BEFORE TAX</b>				
		<u>(85)</u>	324	(1)
Corporate Taxation Equivalent	1	-	97	-
<b>SURPLUS (DEFICIT) FOR YEAR</b>				
		<u>(85)</u>	<u>227</u>	<u>(1)</u>
Add: Accumulated Profits brought forward		5,382	5,058	5,059
<i>Adjustments for amounts unpaid</i>				
Corporate Tax Equivalent retained		-	97	
Less: Dividends Paid	1			
<b>ACCUMULATED SURPLUS</b>				
		<u>5,297</u>	<u>5,382</u>	<u>5,058</u>
<i>RATE OF RETURN ON CAPITAL</i>	1	<b>NIL</b>	4.28%	0.00%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>	1	<b>N/A</b>	N/A	
<i>Calculation of Dividend Payable during next financial year</i>				
<i>Surplus after tax</i>		-85	227	-1
<i>Less: Capital grants &amp; contribs from LWUs</i>		13	0	13
<i>Surplus for dividend calculation purposes</i>		<u>0</u>	<u>227</u>	<u>0</u>
<i>Dividend calculated from surplus</i>		0	114	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 2012

		<b>BUSINESS ACTIVITIES</b>			
		PRIVATE WORKS '000		MCMAUGH GARDENS '000	
		2012	2011	2012	2011
	Notes				
<b>REVENUE FROM CONTINUING OPERATIONS</b>					
User Charges & Fees		241	156	692	697
Interest Received		-	-	88	157
Grants & Contributions - Operating		-	-	1,135	1,255
Gain on Disposal of Assets		-	-	-	-
Other Operating Revenues		-	-	3	7
	<b>TOTAL</b>	<b>241</b>	<b>156</b>	<b>1,918</b>	<b>2,116</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>					
Employee Costs		30	41	1,487	1,300
Materials & Contracts		112	99	381	468
Borrowing Costs		-	-	91	5
Depreciation & Amortisation		-	-	92	50
Other Operating Expenses		71	-	54	39
Loss on Disposal of Assets		-	-	-	-
NCP Imputation Payments	2	-	-	-	-
	<b>TOTAL</b>	<b>213</b>	<b>140</b>	<b>2,105</b>	<b>1,862</b>
<b>SURPLUS (DEFICIT) BEFORE TAX</b>				<b>(187)</b>	254
Corporate Taxation Equivalent	2			-	76
<b>SURPLUS (DEFICIT) FOR YEAR</b>				<b>(187)</b>	178
Add: Accumulated Profits brought forward				2,707	2,453
Corporate Taxation Equivalent	1			-	76
<b>ACCUMULATED SURPLUS</b>				<b>2,520</b>	<b>2,707</b>
RATE OF RETURN ON CAPITAL				<b>NIL</b>	5.72%
NOTIONAL SUBSIDY FROM COUNCIL				<b>N/A</b>	N/A

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

**URALLA SHIRE COUNCIL**  
**BALANCE SHEET**  
**WATER SUPPLY BUSINESS ACTIVITY**  
for the year ended 30th June 2012

	Notes	2012 '000	2011 '000
<b>CURRENT ASSETS</b>			
Cash & cash equivalents		752	651
Receivables		<u>256</u>	<u>281</u>
<b>TOTAL CURRENT ASSETS</b>		<u><b>1,008</b></u>	<u><b>932</b></u>
<b>NON-CURRENT ASSETS</b>			
Receivables		20	29
Infrastructure, Property, Plant & Equipment		<u>18,155</u>	<u>17,969</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u><b>18,175</b></u>	<u><b>17,998</b></u>
<b>TOTAL ASSETS</b>		<u><b>19,183</b></u>	<u><b>18,930</b></u>
<b>CURRENT LIABILITIES</b>			
Payables		<u>          </u>	<u>          </u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>          </u>	<u>          </u>
<b>NET ASSETS</b>	<b>\$</b>	<u><b>19,183</b></u>	<u><b>18,930</b></u>
<b>EQUITY</b>			
Accumulated Surplus		8,457	8,635
Asset Revaluation Reserve		<u>10,726</u>	<u>10,295</u>
<b>TOTAL EQUITY</b>	<b>\$</b>	<u><b>19,183</b></u>	<u><b>18,930</b></u>

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

**URALLA SHIRE COUNCIL****BALANCE SHEET  
SEWERAGE BUSINESS ACTIVITY  
for the year ended 30th June 2012**

	Notes	2012 '000	2011 '000
<b>CURRENT ASSETS</b>			
Cash & cash equivalents		889	860
Receivables		58	62
<b>TOTAL CURRENT ASSETS</b>		<u>947</u>	<u>922</u>
<b>NON-CURRENT ASSETS</b>			
Receivables			
Infrastructure, Property, Plant & Equipment		7,935	7,905
<b>TOTAL NON-CURRENT ASSETS</b>		<u>7,935</u>	<u>7,905</u>
<b>TOTAL ASSETS</b>		<u>8,882</u>	<u>8,827</u>
<b>CURRENT LIABILITIES</b>			
Payables			47
<b>TOTAL CURRENT LIABILITIES</b>			<u>47</u>
<b>NET ASSETS</b>	\$	<u>8,882</u>	<u>8,780</u>
<b>EQUITY</b>			
Accumulated Surplus		5,297	5,382
Asset Revaluation Reserve		3,585	3,398
<b>TOTAL EQUITY</b>	\$	<u>8,882</u>	<u>8,780</u>

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

## URALLA SHIRE COUNCIL

BALANCE SHEET by BUSINESS ACTIVITIES  
for the year ended 30th June 2012

	Notes	BUSINESS ACTIVITIES			
		PRIVATE WORKS '000		MCMAUGH GARDENS '000	
		2012	2011	2012	2011
<b>CURRENT ASSETS</b>					
Cash & cash equivalents			618	849	
Receivables			663	266	
<b>TOTAL CURRENT ASSETS</b>			1,281	1,115	
<b>NON-CURRENT ASSETS</b>					
Property, Plant & Equipment			4,522	4,530	
<b>TOTAL NON-CURRENT ASSETS</b>			4,522	4,530	
<b>TOTAL ASSETS</b>			5,803	5,645	
<b>CURRENT LIABILITIES</b>					
Payables			1,987	1,661	
Interest bearing liabilities			3	3	
<b>TOTAL CURRENT LIABILITIES</b>			1,990	1,664	
<b>NON-CURRENT LIABILITIES</b>					
Payables			74	77	
<b>TOTAL NON CURRENT LIABILITIES</b>			74	77	
<b>TOTAL LIABILITIES</b>			2,064	1,741	
<b>NET ASSETS</b>		\$	3,739	3,904	
<b>EQUITY</b>					
Accumulated Surplus			2,520	2,707	
Asset Revaluation Reserve			1,219	1,197	
<b>TOTAL EQUITY</b>		\$	3,739	3,904	

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 STATEMENTS**

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2012

### Note 1 - SIGNIFICANT ACCOUNTING POLICIES

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for the National Competition Policy reporting purposes follows:

#### 1. The Special Purpose Financial Statements

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by the Council and the Division of Local Government. For the purpose of these statements, the Council is not a reporting entity.

#### 2. Basis of Accounting

##### 2.1 Compliance

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition criteria of applicable Australian Accounting Standards, other authoritative pronouncements of the AASB and Australian Accounting Interpretation. The disclosures in these special purpose financial statements have been prepared in accordance with the Local Government Act and Regulation and the Local Government Code of Accounting Practice and Financial Reporting.

##### 2.2 Basis

The statements are also prepared on an accrual basis. They are based on historical costs and do not take into account the changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purpose of the National Competition Policy.

#### 3. Declared Business Activities

In accordance with *"Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality"*, Council has declared the following are to be considered business activities:

##### Uralla Shire Council Combined Water Supplies

Comprising the whole of the operations and assets of the water supply systems servicing the towns of Uralla and Bundarra, each of which were established as separate Special Rate Funds (see item 4 below). As the total annual operating revenues are less than \$2,000,000, it is defined as a "Category 2" Business Unit.

##### Uralla Local Sewerage Fund

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the town of Uralla which is established as a Special Rate Fund (see item 4 below). As the total annual operating revenues are less than \$2,000,000, it is defined as a "Category 2" Business Unit.

##### McMaugh Aged Care Centre

Comprising the whole of the operations and assets of the 36 bed aged care facility in King Street, Uralla titled the "McMaugh Aged Care Centre", and is defined as a "Category 2" Business Unit. The Division of Local Government's July 1997 guidelines *"Pricing and 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 NSW Office of Water, Department of Environment, Climate Change and Water's 2007 guidelines *"Best-Practice Management of Water Supply and Sewerage"* include specific requirements relating to the calculation and payment of "dividends" by water supply and sewerage business units.

**NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**Note 1 - Significant Accounting Policies (continued)**

**4. National Competition Policy**

The Uralla Shire council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy Statement "*Application of National Competition Policy to Local Government*". The Division of Local Government's July 1997 guidelines "*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*" has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; Council subsidies; return on investments (rate of return).

**4.1 Taxation Equivalent Payments**

Council does not pay certain taxes and duties that are paid by equivalent private sector operations, but is liable for others. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Statements) similar to other costs. However where Council does not pay some taxes, which are generally paid by the private sector businesses, such as income tax, these equivalent tax payments have been applied to all of Council nominated business activities and are reflected in the Special Purpose Financial Statements. For the purpose of disclosing comparative information relevant to the private sector equivalent the following taxation equivalents have been applied to those business activities.

Details of the rates of each tax or duty applicable to each different business unit are set out in the table contained on page P11 of these Notes. 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.

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business Activities. The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent" may be applied for any purpose allowed under the Local Government Act 1993. Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges: however the payment must not exceed \$3 per assessment.

**4.2 Income Tax**

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

Since the income tax is notional, that is, it is payable to the "Council" as the owner of the business operation, it represents an internal payment and has no effect on the operations of the Council. Accordingly there is no need for disclosure of this internal charge in the General Purpose Financial Statements.

**4.3 Council Rates, Charges and 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

**NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**Note 1 - Significant Accounting Policies (continued)**

Regulatory and Other Fees, have been *applied* in relation to all services supplied to business units by Council or other business units.

**4.4 Loan and 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.

**4.5 Dividends Paid**

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.

**4.6 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 and Equipment at the reporting date.

**4.7 Subsidies**

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis, or accepts a lower rate of return on its investment in the business unit than would be acceptable to a private sector competitor. The Uralla Shire Council does not apply any Community service Obligations to its declared business activities and operates those

**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. The Employee Leave Entitlements are charged to the Water, Sewer and McMaugh Gardens Funds as an on-cost of wages and salaries and the liability for unpaid Employee Leave Entitlements is therefore carried as a provision by the General Fund.

**6. Fund 4 – McMaugh Gardens Aged Care Centre**

Until 30 June 2009, Council operated the McMaugh Gardens Aged Care Centre as a business Unit within the Community Services activity of Council. From 1 July 2009 the operations, assets and liabilities of McMaugh Gardens Aged Care Centre became Fund 4. The effect of creating the Fund has been to convert the funds in excess of Accumulated Surplus into the current asset investment. This resulted in a difference between the Accommodation Bonds liability and the investment funds available.

**7. Rounding**

Amounts shown in the financial statements are in Australian currency and, other than Notes 2 and 3, have been rounded to the nearest thousand dollars; amounts in Notes 2 and 3 are shown in whole dollars to meet the requirements of the Office of Water, Department of Environment, Climate Change and Water.



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 2012

		BUSINESS ACTIVITIES							
		WATER		SEWER		PRIVATE WORKS		MCMAUGH GARDENS	
		2012	2011	2012	2011	2012	2011	2012	2011
Category									
<b>TAXATION EQUIVALENT PAYMENTS</b>		<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>
Land Tax									
Stamp Duty									
Payroll Tax		<b>Applies</b>	Applies	<b>Applies</b>	Applies				
Fringe Benefits Tax		<b>Applies</b>	Applies	<b>Applies</b>	Applies	<b>Applies</b>	Applies	<b>Applies</b>	Applies
<b>COUNCIL RATES, CHARGES &amp; FEES</b>		See Note 1, Item 3.2							
<b>LOAN &amp; DEBT GUARANTEE FEES</b>		<b>3.00%</b>	3.00%	<b>3.00%</b>	3.00%	<b>3.00%</b>	3.00%	<b>3.00%</b>	3.00%
<b>CORPORATE TAXATION EQUIVALENT</b>		<b>30%</b>	30%	<b>30%</b>	30%	<b>30%</b>	30%	<b>30%</b>	30%
<b>DIVIDENDS PAID</b>		<b>N/A</b>	N/A	<b>N/A</b>	0.00%	<b>N/A</b>	N/A	<b>N/A</b>	N/A
<b>RATE OF RETURN ON CAPITAL</b>									
Required Rate of Return									
Actual Rate of Return		<b>NIL</b>	2.23%	<b>NIL</b>	4.28%	<b>NIL</b>	NIL	<b>NIL</b>	NIL

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2012

### Note 2 - BEST PRACTICE MANAGEMENT DISCLOSURES - WATER SUPPLY

		2012
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>		\$
<b>Calculation and Payment of Tax-Equivalents</b>		
(i) Calculated Tax Equivalents		0
(ii) No of assessments multiplied by \$3/assessment		4,239
(iii) Amounts payable for Tax Equivalents		0
(iv) Tax Equivalents paid		0
<b>Dividend from Surplus</b>		
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>		
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment		42,390
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2010, less cumulative dividends paid for 2 years to 30 June 2009		
(iv) Maximum Dividend from Surplus <i>(least of (i), (ii) and (iii) )</i>		42,390
(v) Dividend paid from Surplus		
<b>Required Outcomes for 6 Criteria</b>		
(i) Completion of Strategic Business Plan (including Financial Plan)		No
(ii) Pricing with full cost-recovery, without significant cross subsidies <i>(Item 2(a) in Table 1 on page 22 of Best Practice guidelines)</i>		No
Complying charges <i>(Item 2(b) in Table 1)</i>		Yes
DSP with Commercial Developer Charges <i>(Item 2(e) in Table 1)</i>		No
If Dual Water Supplies, Complying Charges <i>(Item 2(g) in Table 1)</i>		Yes
(iii) Sound Water Conservation & Demand Management Implemented		Yes
(iv) Sound Drought Management implemented		Yes
(v) Complete Performance Reporting Form <i>(by 15 September each year)</i>		Yes
(vi) Complete Integrated Water Cycle Management Evaluation		Yes
(vii) Complete and implement Integrated Water Cycle Management Strategy		No
<b>National Water Initiative (NWI) Financial Performance Indicators</b>		
NWI F1 Total Revenue (Water)	\$'000	628
NWI F4 Residential Revenue from Usage Charges (Water)	%	46.39
NWI F9 Written Down Replacement Cost of Fixed Assets (Water)	\$'000	19,930
NWI F11 Operating Cost (OMA) (Water)	\$'000	570
NWI F14 Capital Expenditure (Water)	\$'000	7
NWI F17 Economic Real Rate of Return (Water)	%	-0.94
NWI F2C Capital Works Grants (Water)	\$'000	

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2012

#### Note 3 - BEST PRACTICE MANAGEMENT DISCLOSURES - SEWERAGE

		2012
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>		\$
<b>Calculation and Payment of Tax-Equivalents</b>		
(i) Calculated Tax Equivalents		0
(ii) No of assessments multiplied by \$3/assessment		3,309
(iii) Amounts payable for Tax Equivalents (lesser of (i) and (ii) )		0
(iv) Tax Equivalents paid		0
<b>Dividend from Surplus</b>		
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>		
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment		33,090
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2010, less cumulative dividends paid for 2 years to 30 June 2009		
(iv) Maximum Dividend from Surplus (least of (i), (ii) and (iii) )		33,090
(v) Dividend paid from Surplus		
<b>Required Outcomes for 4 Criteria</b>		
(i) Complete current 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)		Yes
(iv) a. Complete Integrated Water Cycle Management Evaluation		Yes
(iv) b. Complete and implement Integrated Water Cycle Management Strategy		No
<b>National Water Initiative (NWI) Financial Performance Indicators</b>		
NWI F2 Total Revenue (Sewerage)	\$'000	513
NWI F1C Written Down Replacement Cost of Fixed Assets (Sewerage)	\$'000	9,705
NWI F1Z Operating Cost (Sewerage)	\$'000	429
NWI F1E Capital Expenditure (Sewerage)	\$'000	24
NWI F1F Economic Real Rate of Return (Sewerage)	%	-1
NWI F2I Capital Works Grants (Sewer)	\$'000	0
NWI F3 Total Income (Water & Sewerage)	\$'000	1,141
NWI F5 Revenue from Community Service Obligations (Water & Sewerage)	%	3
NWI F1E Capital Expenditure (Water & Sewerage)	\$'000	31
NWI F1F Economic Real Rate of Return (Water & Sewerage)	%	-1
NWI F2C Dividend (Water & Sewerage)	\$'000	0
NWI F2I Dividend Payout Ratio (Water & Sewerage)	%	0
NWI F2Z Net Debt to Equity (Water & Sewerage)	%	-6
NWI F2E Interest Cover (Water & Sewerage)	times	0
NWI F24 Net Profit after Tax (Water & Sewerage)	\$'000	-263
NWI F2E Community Service Obligations (Water & Sewerage)	\$'000	30

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ABN 66 182 781 401

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

**To Uralla Shire Council**

**SCOPE**

We have audited the special purpose financial statements of Uralla Shire Council for the year ended 30<sup>th</sup> June 2012 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and Note 1 to the financial statements. The financial statements include the financial results of the business activities of Council and the entities it controlled at the year's end or from time to time during the year.

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

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the requirements of the Division of Local Government and Council. The Councils' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's responsibility***

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

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

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

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

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

## **INDEPENDENCE**

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

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

### *Revaluation of water supply network and sewer network*

Council has not re-valued their water supply network and sewer network assets in accordance with Code 20 issued by the Division Local Government. This revaluation was required to be completed for the 2012 financial year.

Section 413(2b) and 413(3b) of the *Local Government Act 1993*, requires Council's to comply with the Local Government Code of Accounting Practice ("the Code").

As the revaluation has not been completed these assets are held at their previous fair value assessment (conducted in 2007) plus annual indexation in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

Therefore, our audit opinion has been qualified for a breach of Section 413(2b) and 413(3b) of the *Local Government Act 1993* for not complying with the Code directive.

## **QUALIFIED AUDIT OPINION**

In our opinion, except for the effects on the financial statements of the matter referred to in the section above titled Basis for Qualified Auditor's Opinion, the special purpose financial statements of the Uralla Shire Council for the year ended 30<sup>th</sup> June 2012 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

## **BASIS OF ACCOUNTING**

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

*Forsyths*

***Forsyths Business Services Pty Ltd***

*P.R. Cornall*

**Paul Cornall**

Principal

10<sup>th</sup> October 2012

92 Rusden 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 2012

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**URALLA SHIRE COUNCIL**  
**SPECIAL SCHEDULE NO 1**  
**NET COST OF SERVICES**  
for the year ended 30th June 2012

**\$'000**

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
<b>GOVERNANCE</b>	529	10	-	519
<b>ADMINISTRATION</b>	(27)	511	-	(538)
<b>PUBLIC ORDER &amp; SAFETY</b>				
Fire Service Levy, Fire Protection, Emergency Services	118	52	120	(54)
Beach Control				-
Enforcement of Local Govt Regulations				-
Animal Control	39	3	-	36
Other				-
<b>Total Public Order &amp; Safety</b>	<b>157</b>	<b>55</b>	<b>120</b>	<b>(18)</b>
<b>HEALTH</b>	88	2	-	86
<b>ENVIRONMENT</b>				
Noxious Plants and Insect / Vermin Control	72	-	-	72
Other Environmental Protection	198	174	21	3
Solid Waste Management	1,373	927	-	446
Street Cleaning	35	-	-	35
Drainage	-	-	-	-
Stormwater Management	34	29	-	5
<b>Total Environment</b>	<b>1,712</b>	<b>1,130</b>	<b>21</b>	<b>561</b>
<b>COMMUNITY SERVICES &amp; EDUCATION</b>				
Administration & Education	(99)	-	-	(99)
Social Protection (welfare)	2,103	2,133	7	(37)
Aged Persons & Disabled	3,389	3,136	-	253
Childrens Services	18	19	-	(1)
<b>Total Community Services &amp; Education</b>	<b>5,411</b>	<b>5,288</b>	<b>7</b>	<b>116</b>
<b>HOUSING &amp; COMMUNITY AMENITIES</b>				
Public Cemeteries	40	24	-	16
Public Conveniences	69	-	-	69
Street Lighting	61	6	-	55
Town Planning	261	217	-	44
Other Community Amenities	95	-	-	95
<b>Total Housing &amp; Community Amenities</b>	<b>526</b>	<b>247</b>	<b>-</b>	<b>279</b>
<b>WATER SUPPLIES</b>	820	643	-	177
<b>SEWERAGE SERVICES</b>	612	527	-	85



## URALLA SHIRE COUNCIL

### SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont) for the year ended 30th June 2012

**\$'000**

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
<b>RECREATION &amp; CULTURE</b>				
Public Libraries	256	29	-	227
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	81	38	-	43
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	24	9	-	15
Sporting Grounds	21	-	-	21
Swimming Pools	118	23	-	95
Parks & Gardens, Lakes	234	11	-	223
Other Sport & Recreation	8	2	-	6
<b>Total Recreation &amp; Culture</b>	<b>742</b>	<b>112</b>	<b>-</b>	<b>630</b>
<b>MINING, MANUFACTURING &amp; CONSTRUCTION</b>				
Building Control				-
Other Mining Manufacturing & Construction	13	-	-	13
<b>Total Mining Manufacturing &amp; Construction</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>13</b>
<b>TRANSPORT &amp; COMMUNICATION</b>				
Urban Roads: Local	281	62	-	219
Urban Roads: Regional	-	-	-	-
Sealed Rural Roads: Local	1,344	1,024	-	320
Sealed Rural Roads: Regional	1,380	802	197	381
Unsealed Rural Roads: Local	1,674	541	-	1,133
Unsealed Rural Roads: Regional	50	26	-	24
Bridges - Urban Roads: Local	-	-	-	-
Bridges - Sealed Rural Roads: Local	486	18	-	468
Bridges - Unsealed Rural Roads: Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	19	-	-	19
Footpaths	108	8	-	100
Aerodromes	-	-	-	-
Other Transport & Communication	152	19	55	78
<b>Total Transport &amp; Communication</b>	<b>5,494</b>	<b>2,500</b>	<b>252</b>	<b>2,742</b>
<b>ECONOMIC AFFAIRS</b>				
Camping Areas & Caravan Parks	11	13	-	(2)
Other Economic Affairs	333	63	-	270
<b>Total Economic Affairs</b>	<b>344</b>	<b>76</b>	<b>-</b>	<b>268</b>
<b>TOTALS - FUNCTIONS</b>				
	<b>16,421</b>	<b>11,101</b>	<b>400</b>	<b>4,920</b>
<b>General Purpose Revenues</b>				4,351
<b>Equity accounted income (loss)</b>				4,351
<b>NET OPERATING RESULT FOR YEAR</b>				<b>(569)</b>

**URALLA SHIRE COUNCIL**  
**SPECIAL SCHEDULE NO 2 (1)**  
**STATEMENT OF LONG TERM DEBT (ALL PURPOSE)**  
**for the year ended 30th June 2012**

**\$'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	Total		From Revenue	Sinking Funds			Current	Non-Current	Total
<b>LOANS (by source)</b>											
Commonwealth Government			-								-
Treasury Corporation			-								-
Other State Government			-								-
Public Subscription			-								-
Financial Institutions	130	1,563	1,693		129			125	100	1,464	1,564
Other			-								-
<b>Total Loans</b>	<b>130</b>	<b>1,563</b>	<b>1,693</b>	-	<b>129</b>	-	-	<b>125</b>	<b>100</b>	<b>1,464</b>	<b>1,564</b>
<b>OTHER LONG TERM DEBT</b>											
Ratepayers' Advances			-								-
Government Advances			-								-
Finance Leases			-								-
Deferred Payment			-								-
Other			-								-
<b>Total Other Long Term Debt</b>	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LONG TERM DEBT</b>	<b>130</b>	<b>1,563</b>	<b>1,693</b>	-	<b>129</b>	-	-	<b>125</b>	<b>100</b>	<b>1,464</b>	<b>1,564</b>

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 2012**

**\$'000**

**SUMMARY OF INTERNAL LOANS**

Borrower (by purpose)	Amount Originally Raised	Total Repaid During Year Principal & Interest	Principal Outstanding at End of Year
General	136	12	29
Water			
Sewerage			
Domestic Waste Management			
Gas			
Other			
<b>Totals</b>	<b>136</b>	<b>12</b>	<b>29</b>

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 Loan (Loan 162)	Water	13/09/2001	30/09/2001	10	12/09/2011	6.46%	48	1	-
General Loan (Loan 170)	Water	4/10/2001	30/06/2003	12	30/06/2015	6.50%	88	11	29
<b>Totals</b>							<b>136</b>	<b>12</b>	<b>29</b>

**URALLA SHIRE COUNCIL**  
**SPECIAL SCHEDULE NO 3**  
**WATER SUPPLY OPERATIONS**  
(Gross including Internal Transactions)  
**for the year ended 30th June 2012**

<b><u>A. EXPENSES &amp; REVENUES</u></b>	<b>2012</b>	<b>2011</b>
<b><u>EXPENSES</u></b>	<b>\$'000</b>	<b>\$'000</b>
1.a. Management - Administration	177	141
b. - Engineering & Supervision	65	57
2 Operations		
a. - Dams & Weirs - Operation Expenses	-	-
b. - Maintenance Expenses	19	5
c. - Mains - Operation Expenses	-	-
d. -Maintenance Expenses	82	61
e. - Reservoirs - Operation Expenses	-	-
f. - Maintenance Expenses	3	2
g. - Pumping Stations - Operation Expenses	-	-
h. - Energy Costs	2	7
i. - Maintenance Expenses	9	10
j. - Treatment - Operation Expenses	-	-
k. - Chemical Costs	61	90
l. - Maintenance Expenses	152	136
m. - Other - Operation Expenses	-	-
n. - Maintenance Expenses	-	-
o. - Purchase of Water	-	-
3.a. Depreciation - System Assets	246	54
b. - Plant & Equipment	5	2
4.a. Miscellaneous - Interest	-	-
b. - Revaluation decrements	-	-
c. - Other	-	-
c. - NCP Tax & Other Equivalentts	-	-
5 <b>Total Expenses</b>	<b>821</b>	<b>565</b>
<b><u>REVENUE</u></b>		
6 Residential Charges		
a. - Access (including rates)	327	342
b. - User Charges	283	389
7 Non-Residential Charges		
a. - Access (including rates)	-	-
b. - User Charges	-	-
8 Extra Charges	-	-
9 Interest	15	198
10 Other Income	1	-
11.a. Grants - Acquisition of Assets	-	-
b. - Pensioner Rebates	17	-
c. - Other	-	-
12.a. Contributions - Developer Charges	-	-
b. - Developer Provided Assets	-	-
c. - Other Contributions	-	36
13 <b>Total Revenues</b>	<b>643</b>	<b>965</b>
14 Gain (Loss) on Disposal of Assets	-	-
15 <b>OPERATING RESULT</b>	<b>(178)</b>	<b>400</b>
15a. Operating Result before Grants for Acquisition of Assets	<b>(178)</b>	<b>400</b>

## URALLA SHIRE COUNCIL

### SPECIAL SCHEDULE NO 3 - WATER SUPPLY OPERATIONS (cont)

	2012 \$'000	2011 \$'000
<b><u>B. CAPITAL TRANSACTIONS</u></b>		
<b><u>Non - Operating Expenditure</u></b>		
16 Acquisition of Fixed Assets		
a. - New assets for improved standards	-	-
b. - New assets for growth	7	92
c. - Renewals	-	-
d. - Plant & Equipment	-	-
17 Repayment of Debt		
a. - Loans	-	-
b. - Advances	-	-
c. - Finance Leases	-	-
18 Transfers to Sinking Funds	-	-
19 <b>Total Non-Operating Expenditure</b>	<b>7</b>	<b>92</b>
<b><u>Non-Operating Funds Employed</u></b>		
20 Proceeds from Disposal of Assets	-	-
21 Borrowings Utilised		
a. - Loans	-	-
b. - Advances	-	-
c. - Finance Leases	-	-
22 Transfers from Sinking Funds	-	-
23 <b>Total Non-Operating Funds Employed</b>	<b>-</b>	<b>-</b>
<b><u>C. RATES &amp; CHARGES</u></b>		
24 Number of Assessments		
a. - Residential (occupied)	1278	
b. - Residential (unoccupied - vacant land)	4	
c. - Non-Residential (occupied)	131	
d. - Non -Residential (unoccupied - vacant land)	0	
25 Number of ETs for which Developer Charges were	Nil	ET
26 Total Amount of Pensioner Rebates	15	\$'000
<b><u>D. BEST PRACTICE ANNUAL CHARGES &amp; DEVELOPER CHARGES</u></b>		
<b>27 Annual Charges</b>		
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 <b>land value</b> from access charges (i.e. rates)	<input type="checkbox"/>
b	Cross subsidy <b>from</b> residential customers using less than allowance	_____
c	Cross subsidy <b>to</b> non-residential customers	_____
d	Cross subsidy <b>to</b> large connections in unmetered supplies	_____
<b>28 Developer Charges</b>		
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 <b>TOTAL OF CROSS SUBSIDIES</b>		<b>-</b>

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 2012**

<b><u>ASSETS</u></b>	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
30 Cash and Investments			
f. - Other	752	-	752
31 Receivables			
a. - Specific Purpose Grants	-	-	-
b. - Rates & Availability Charges	247	-	247
c. - Other	9	20	29
32 Inventories	-	-	-
33 Property, Plant & Equipment			
a. - System Assets	-	17,598	17,598
b. - Plant & Equipment	-	557	557
34 Other	-	-	-
35 <b>Total Assets</b>	<u>1,008</u>	<u>18,175</u>	<u>19,183</u>
<b><u>LIABILITIES</u></b>			
36 Bank Overdraft	-	-	-
37 Creditors	-	-	-
38 Borrowings			
a. - Loans	-	-	-
b. - Advances	-	-	-
c. - Finance Leases	-	-	-
39 Provisions			
- Tax Equivalents	-	-	-
a. - Dividend	-	-	-
b. - Other	-	-	-
40 <b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
41 <b>NET ASSETS COMMITTED</b>	<u>1,008</u>	<u>18,175</u>	<u>19,183</u>
<b><u>EQUITY</u></b>			
42 Accumulated Surplus			8,457
43 Asset Revaluation Reserve			10,726
44 <b>Total Equity</b>			<u>19,183</u>
45 Current Replacement Cost of System Assets			18,765
46 Accumulated Current Cost Depreciation of System Assets			(1,165)
47 Written Down Current Cost of System Assets			<u>19,930</u>

**URALLA SHIRE COUNCIL**  
**SPECIAL SCHEDULE NO 5**  
**SEWERAGE SERVICE OPERATIONS**  
(Gross including Internal Transactions)  
for the year ended 30th June 2012

<b><u>A. EXPENSES &amp; REVENUES</u></b>	<b>2012</b>	<b>2011</b>
<b><u>EXPENSES</u></b>	<b>\$'000</b>	<b>\$'000</b>
1.a. Management - Administration	133	109
b. - Engineering & Supervision	17	6
2 Operations & Maintenance Expenses	-	-
a. -Mains - Operation Expenses	-	-
b. -Maintenance Expenses	30	32
c. - Pumping Stations - Operation Expenses	-	-
d. - Energy Costs	-	-
e. - Maintenance Expenses	22	12
f. - Treatment - Operation Expenses	-	-
g. - Chemical Costs	30	15
h. - Energy Costs	-	-
i. - Effluent Management	-	-
j. - Biosolids Management	73	70
k. - Maintenance Expenses	73	48
l. - Other - Operation Expenses	-	-
m. - Maintenance Expenses	51	46
3.a. Depreciation - System Assets	179	13
b. - Plant & Equipment	3	2
4.a. Miscellaneous - Interest	-	-
b. - Revaluation decrements	-	-
c. - Other	-	-
c. - NCP Tax & Other Equivalents	-	-
<b>5 Total Expenses</b>	<b>611</b>	<b>353</b>
<b><u>REVENUE</u></b>		
6 Residential Charges (including rates)	472	464
7 Non-Residential Charges		
a Access (including rates)	-	-
b User Charges	8	17
8 Trade Waste Charges		
a Annual Fees	-	-
b User Charges	-	3
c Excess Mass Charges	-	-
Re-inspection charges	-	-
9 Extra Charges	-	-
10 Interest	13	193
11 Other Income	20	-
12.a. Grants - Acquisition of Assets	-	-
b. - Pensioner Rebates	13	-
c. - Other	-	-
13.a. Contributions - Developer Charges	-	-
b. - Developer Provided Assets	-	-
c. - Other Contributions	-	-
<b>14 Total Revenues</b>	<b>526</b>	<b>677</b>
15 Gain (Loss) on Disposal of Assets	-	-
<b>16 OPERATING RESULT</b>	<b>(85)</b>	<b>324</b>
16.a. Operating Result before Grants for Acquisition of Assets	<b>(85)</b>	<b>324</b>

## URALLA SHIRE COUNCIL

### SPECIAL SCHEDULE NO 5 - SEWERAGE SERVICE OPERATIONS (cont)

	2012 \$'000	2011 \$'000
<b><u>B. CAPITAL TRANSACTIONS</u></b>		
<b><u>Non - Operating Expenditure</u></b>		
17 Acquisition of Fixed Assets		
a. - New assets for improved standards		
b. - New assets for growth	24	151
c. - Renewals		
d. - Plant & Equipment		
18 Repayment of Debt		
a. - Loans		
b. - Advances		
c. - Finance Leases		
19 Transfers to Sinking Funds		
20 <b>Total Non-Operating Expenditure</b>	<b>24</b>	<b>151</b>
<b><u>Non-Operating Funds Employed</u></b>		
21 Proceeds of Disposal of Assets		
22 Borrowings Utilised		
a. - Loans		
b. - Advances		
c. - Finance Leases		
23 Transfers from Sinking Funds		
24 <b>Total Non-Operating Funds Employed</b>	-	-
<b><u>C. RATES AND CHARGES</u></b>		
25 Number of Assessments		
a. - Residential (occupied)	1102	
b. - Residential (unoccupied - vacant land)	0	
c. - Non-Residential (occupied)	1	
d. - Non-Residential (unoccupied - vacant land)	0	
26 Number of ETs for which Developer Charges were	Nil	ET
27 Total Amount of Pensioner Rebates	12	\$'000
<b><u>D. BEST PRACTICE ANNUAL CHARGES &amp; DEVELOPER CHARGES</u></b>		
28 <b>Annual Charges</b>		
a Does Council have best-practice sewerage annual charges, usage charges and trade waste fees and charges?	Yes	
If Yes, go to 29a.		
If No, has Council removed <b>land value</b> from access charges (i.e. rates)		
b Cross subsidy <b>to</b> non-residential customers		
c Cross subsidy <b>to</b> trade waste dischargers		
29 <b>Developer Charges</b>		
a Has Council completed a sewerage Development Servicing Plan?	No	
b Total cross-subsidy in sewerage developer charges		
30 <b>TOTAL OF CROSS SUBSIDIES</b>		-

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 2012

	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
<b><u>ASSETS</u></b>			
31 Cash and Investments			
f. - Other	889	-	889
32 Receivables			
a. - Specific Purpose Grants	-	-	-
b. - Rates & Availability Charges	58	-	58
c. - Other	-	-	-
33 Inventories	-	-	-
34 Property, Plant & Equipment			
a. - System Assets	-	7,601	7,601
b. - Plant & Equipment	-	334	334
35 Other	-	-	-
36 <b>Total Assets</b>	<u>947</u>	<u>7,935</u>	<u>8,882</u>
<b><u>LIABILITIES</u></b>			
37 Bank Overdraft	-	-	-
38 Creditors	-	-	-
41 <b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
42 <b>NET ASSETS COMMITTED</b>	<u>947</u>	<u>7,935</u>	<u>8,882</u>
<b><u>EQUITY</u></b>			
43 Accumulated Surplus			5,297
44 Asset Revaluation Reserve			<u>3,585</u>
45 <b>Total Equity</b>			<u>8,882</u>
46 Current Replacement Cost of System Assets			8,653
47 Accumulated Current Cost Depreciation of System Assets			(1,052)
48 Written Down Current Cost of System Assets			<u>9,705</u>

**URALLA SHIRE COUNCIL**  
**SPECIAL SCHEDULE NO 7**  
**CONDITION OF PUBLIC WORKS**  
**as at 30th June 2012**

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for current year
			'000	'000	'000	'000	'000		'000	'000	'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	1%	12		1,192	99	1,093	3	55	11	16
	Works Depot	2%	20		1,774	218	1,556	3	35	12	12
	Halls	1%	13		1,297	98	1,199	4	70	10	31
	Aged Accommodation	2%	64		6,339	260	6,079	2	60	35	35
	Community Centre	1%	8		741	37	704	3	5	5	5
	Recreation/VIC	1%	8		795	66	729	3	5	5	5
	Water/Sewer	1%	13		1,089	102	987	3	3	3	3
	Other	1%	18		1,768	77	1,691	3	-	-	-
	Library	3%	10		1,006	56	950	1	2	5	5
	RFS Building	1%	5		376	15	361	3	8	8	8
	Amenities/Toilets	1%	8		421	29	392	2	12	12	12
	<b>Subtotal</b>		179	-	16,798	1,057	15,741		255	106	132
Public Roads	Sealed Roads	1%	1,586		76,868	18,473	58,395	4	2,600	1,710	1,710
	Unsealed Roads	1%	327		12,917	8,508	4,409	4	1,450	980	980
	Bridges	1%	263		22,263	3,722	18,541	4	2,050	100	382
	Footpaths	1%	15		1,033	311	722	3	36	26	26
	Cycleways	1%	-		-	-	-	0	-	-	-
	Kerb & Gutter	1%	46		3,600	1,410	2,190	3	65	42	42
	Road Furniture	1%	-		-	-	-		-	-	-
	<b>Subtotal</b>		2,237	-	116,681	32,424	84,257		6,201	2,858	3,140

*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 2012**

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for current year
			'000	'000	'000	'000	'000		'000	'000	'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>				
Water	Treatment Plants	4%	110		6,727	831	5,896	2	30	30	30
	Water Connections	1%	-		7	-	7	1	-	-	-
	Reservoirs	1%	20		2,134	137	1,997	3	10	10	10
	Dams	1%	26		2,855	30	2,825	4	10	10	10
	Pipelines	1%	71		6,185	87	6,098	3	120	120	120
	Pump Stations	1%	19		857	80	777		25	25	25
	<b>Subtotal</b>		246	-	18,765	1,165	17,600		195	195	195
Sewerage	Pump Stations	1%	22		1,262	129	1,133	3	20	20	20
	Pipelines	1%	1		52	1	51	4	45	45	45
	Manholes	1%	-		-	-	-	4	15	15	15
	Treatment Works	3%	153		7,160	920	6,240	2	10	10	10
	Connections	1%	2		179	2	177	1	-	-	-
	<b>Subtotal</b>		178	-	8,653	1,052	7,601		90	90	90
Drainage Works	Pipes, Retention	5%	29		2,561	436	2,125	3	20	20	20
	<b>Subtotal</b>		29	-	2,561	436	2,125		20	20	20
<b>Total Classes - All Assets</b>			2,869	-	163,458	36,134	127,324		6,761	3,269	3,577

*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 2012

#### "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. 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 2012**

	<b>2012</b>	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	<b>\$'m</b>	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
<b>Recurrent Budget</b>											
Income from continuing operations	16	16	17	17	18	18	19	19	20	21	21
Expenses from continuing operations	16	16	17	17	17	18	19	19	20	21	21
Operating result from continuing operations	-	-	-	-	1	-	-	-	-	-	-
<b>Capital Budget</b>											
New Works											
Replacement of existing assets	3	5	4	4	5	4	5	5	4	5	5
	<u>3</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>5</u>	<u>4</u>	<u>5</u>	<u>5</u>	<u>4</u>	<u>5</u>	<u>5</u>

